

PACIFIC DRILLING S.A.

FORM F-1

(Securities Registration (foreign private issuer))

Filed 11/07/11

Telephone	NONE
CIK	0001517342
Symbol	PACD
SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	12/31

As filed with the Securities and Exchange Commission on November 7, 2011

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form F-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Pacific Drilling S.A.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Grand Duchy of Luxembourg
(State or other jurisdiction of
incorporation or organization)

1381

(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification No.)

**16, Avenue Pasteur
L-2310 Luxembourg
+352 27 85 81 35**

(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)

**Kinga E. Doris
Vice President, General Counsel and Secretary
3050 Post Oak Blvd., Suite 1500
Houston, Texas 77056
+1 (713) 334-6662**

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

**David P. Oelman
Douglas E. McWilliams
Vinson & Elkins L.L.P.
1001 Fannin Street, Suite 2500
Houston, Texas 77002
(713) 758-2222**

**Joshua Davidson
Baker Botts L.L.P.
910 Louisiana Street, Suite 3200
Houston, Texas 77002
(713) 229-1234**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Common Stock, par value \$0.01 per share	6,900,000	\$10.00	\$69,000,000	\$7,950.00

(1) Includes shares that are issuable upon the exercise of the underwriters' option to purchase additional shares.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Index to Financial Statements

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

(SUBJECT TO COMPLETION DATED NOVEMBER 7, 2011)

PROSPECTUS

Issued _____, 2011

6,000,000 Shares



COMMON SHARES

Pacific Drilling S.A. is offering 6,000,000 of its common shares. This is our initial public offering in the United States and currently our common shares are not listed on any United States securities exchange. We anticipate that the initial public offering price will be between \$8.00 and \$10.00 per share.

Our common shares are traded on the Norwegian OTC List, an over-the-counter market that is administered and operated by a subsidiary of the Norwegian Securities Dealers Association, under the symbol “PDSA.” On November 3, 2011, the closing price of our common shares was 48.00 Norwegian kroner (“NOK”) per share, which was equivalent to approximately \$8.85 per share based on the federal reserve noon buying rate of NOK 5.42 to \$1.00 in effect on that date.

In April 2011, we completed an offering of 60,000,000 common shares to international and U.S. investors in accordance with Regulation S and Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), which are currently traded on the Norwegian OTC List. Following the completion of the initial public offering, the 41,850,000 common shares initially sold pursuant to Regulation S in the 2011 Private Placement or those sold in subsequent resales pursuant to Regulation S may be resold immediately in the U.S. public market and the common shares sold pursuant to Rule 144A in the 2011 Private Placement may be resold in the U.S. public market, subject to compliance with Rule 144 under the Securities Act. The sales of substantial amounts of these common shares in the near term, or the perception that these sales may occur, could cause the market price of our common shares to decline.

Our common shares have been approved for listing on the New York Stock Exchange under the symbol “PACD,” subject to official notice of issuance.

Investing in our common shares involves risks. Please read “[Risk Factors](#)” beginning on page 13.

Price \$ _____ a Share

	Price to Public	Underwriting Discounts and Commissions(a)	Proceeds to Company
Per Share	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____

(a) Excludes an aggregate structuring fee payable to Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. that is equal to 1.00% of the gross proceeds from this offering. For additional information about underwriting compensation, see “Underwriters.”

Pacific Drilling S.A. has granted the underwriters the right to purchase up to an additional 900,000 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common shares to purchasers on _____, 2011.

Morgan Stanley

Deutsche Bank Securities

DnB NOR Markets

Howard Weil Incorporated
Pareto Securities AS

Simmons & Company
International

, 2011

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
PRESENTATION OF FINANCIAL INFORMATION	iii	INDUSTRY AND MARKET CONDITIONS	66
PROSPECTUS SUMMARY	1	BUSINESS	75
Our Business	1	Overview	75
Our Fleet	2	Our Business Strategies	76
Our Contract Backlog	3	Competitive Strengths	77
Our Business Strategies	4	Risk Factors	77
Competitive Strengths	4	The Fleet	78
Recent Developments	5	Contract Backlog	80
Shares Eligible for Future Resale	5	Drilling Contracts	81
Risk Factors	6	Joint Venture, Agency and Sponsorship	
Corporate Structure	7	Relationships	82
Principal Executive Offices	8	Company History	82
Other Information	8	Competition	83
The Offering	9	Customers	84
Summary Historical Consolidated and Unaudited		Seasonality	84
Pro Forma Financial Data	11	Insurance	84
RISK FACTORS	13	Properties	86
Risks Related to Our Business	13	Environmental and Other Regulatory Issues	86
Risks Relating to the Offering and an Investment		MANAGEMENT	94
in Our Common Shares	32	Senior Management	94
Tax Risks	36	Board of Directors	96
FORWARD-LOOKING STATEMENTS	38	Committees of the Board of Directors	98
USE OF PROCEEDS	40	Code of Business Conduct and Ethics	98
DIVIDEND POLICY	41	Corporate Governance Guidelines	98
SHARE PRICE	42	Financial Code of Ethics	98
CAPITALIZATION	43	Compensation	99
DILUTION	44	Employees	100
SELECTED HISTORICAL CONSOLIDATED AND		Corporate Governance	102
UNAUDITED PRO FORMA FINANCIAL DATA	46	Share Ownership	102
MANAGEMENT'S DISCUSSION AND ANALYSIS		PRINCIPAL SHAREHOLDERS	103
OF FINANCIAL CONDITION AND RESULTS OF		RELATED PARTY TRANSACTIONS	105
OPERATIONS	48	DESCRIPTION OF SHARE CAPITAL	107
Overview	48	SHARES ELIGIBLE FOR FUTURE SALE	113
General Industry Trends and Outlook	48	TAX CONSIDERATIONS	116
Recent Developments	50	Material Luxembourg Tax Considerations for	
Factors Affecting Comparability of Historical		Holders of Common Shares	116
Financial Results of Operations to Future		Material U.S. Federal Income Tax Considerations	
Financial Results of Operations	50	for Holders of Common Shares	120
Results of Operations	52	UNDERWRITERS	125
Liquidity and Capital Resources	54	ENFORCEABILITY OF CIVIL LIABILITIES	129
Off-Balance Sheet Arrangements	60	EXPENSES RELATED TO THIS OFFERING	130
Contractual Obligations	61	LEGAL MATTERS	131
Critical Accounting Estimates and Policies	62	EXPERTS	131
Recently Issued Accounting Pronouncements	63	WHERE YOU CAN FIND MORE INFORMATION	132
Quantitative and Qualitative Disclosures About		INDEX TO FINANCIAL STATEMENTS	F-1
Market Risk	64		

Table of Contents

Index to Financial Statements

You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized any other person to provide you with additional, different or inconsistent information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission (the “SEC”) is effective. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus is accurate as of any date other than the date on the front cover of this prospectus unless otherwise specified herein. Our business, financial condition, results of operations and prospects may have changed since that date. Information contained on our website does not constitute part of this prospectus.

We have not taken any action to permit a public offering of these securities outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of these securities and the distribution of this prospectus outside the United States.

Until _____, 2011 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Industry and market data

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable and we are not aware of any misstatements regarding our market, industry or similar data presented herein. However, we have not independently verified such third party information and we cannot assure you of the accuracy or completeness of such third party information contained in this prospectus. In addition, some data is also based on our good faith estimates and our management’s understanding of industry conditions. Such data involve risks and uncertainties and is subject to change based on various factors, including those discussed under the headings “Cautionary Statement Regarding Forward-Looking Statements” and “Risk Factors” in this prospectus.

PRESENTATION OF FINANCIAL INFORMATION

Historical Financial Statements

Pacific Drilling S.A. (the “Company”) was formed as a Luxembourg corporation under the form of a *société anonyme* to act as an indirect holding company for its predecessor, Pacific Drilling Limited (our “Predecessor”), a company organized under the laws of Liberia, and its subsidiaries in connection with a corporate reorganization completed on March 30, 2011, referred to in this prospectus as the “Restructuring.” In connection with the Restructuring, our Predecessor was contributed to a wholly owned subsidiary of the Company by a subsidiary of Quantum Pacific International Limited, a British Virgin Islands company and parent company of an investment holdings group (the “Quantum Pacific Group”). The Company did not engage in any business or other activities prior to the Restructuring except in connection with its formation and the Restructuring. The Restructuring was limited to entities that were all under the control of the Quantum Pacific Group and its affiliates, and, as such, the Restructuring was accounted for as a transaction between entities under common control. As a result, the consolidated financial statements of Pacific Drilling S.A. are presented using the historical values of the Predecessor’s financial statements on a combined basis. The financial information relating to the Company and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and are in U.S. dollars.

Pro Forma Financial Statements

In 2007, our Predecessor entered into various agreements with Transocean Ltd. (“Transocean”) and its subsidiaries, which culminated in the formation of a joint venture company, Transocean Pacific Drilling Inc. (“TPDI”), which was owned 50% by our Predecessor and 50% by a subsidiary of Transocean. On March 30, 2011, in connection with the Restructuring, our Predecessor assigned its equity interest in TPDI to another subsidiary of the Quantum Pacific Group for no consideration, which is referred to in this prospectus as the “TPDI Transfer,” to enable the Company to focus on the operation and marketing of the Company’s wholly-owned fleet. As a result, neither the Company nor any of its subsidiaries currently owns any interest in TPDI and, beginning in the second quarter of 2011, the results of operations of TPDI are no longer included in the financial results of the Company.

Pro forma financial information included in this prospectus gives effect to the TPDI Transfer as if it had occurred as of January 1, 2010 for purposes of the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2010. Pro forma financial information of the Company included in this prospectus gives effect to the TPDI Transfer as if it had occurred as of January 1, 2011 for purposes of the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2011. However, the pro forma financial information may not reflect what our actual results of operations would have been if the TPDI Transfer had been completed as of such dates and if we operated on that basis during such periods.

TPDI Financial Statements

The Company determined that Transocean was the primary beneficiary of TPDI for accounting purposes, and, as a result, accounted for TPDI as an equity method investment in its consolidated financial statements. Rule 3-09 of Regulation S-X requires separate financial statements of 50% or less owned persons accounted for under the equity method by the registrant if either the income or the investment test in Rule 1-02(w) of Regulation S-X exceeds 20%. Given that the Company has largely been involved in the construction of new drillships, all of which have only recently been completed or are still under construction, its equity income in TPDI exceeded the 20% threshold in 2009 and 2010 based on the income test. Since TPDI was significant to the Company under the income test, this prospectus also includes audited financial statements for TPDI pursuant to the requirements of Rule 3-09 of Regulation S-X. The audited financial statements of TPDI as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, including the applicable notes thereto, have been prepared in accordance with U.S. GAAP and are presented in U.S. dollars.

PROSPECTUS SUMMARY

This section summarizes information that appears later in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. As an investor or prospective investor, you should carefully review the entire prospectus, including the risk factors and the more detailed information that appears later in this prospectus. The information presented in this prospectus assumes (i) an initial public offering price of \$9.00 per common share, the midpoint of the price range on the cover of this prospectus and (ii) unless otherwise indicated, that the underwriters' right to purchase additional common shares is not exercised.

Unless otherwise indicated, references to the terms "Pacific Drilling," the "Company," "we," "our," "us" or similar terms refer to the registrant, Pacific Drilling S.A., and its subsidiaries. References in this prospectus to our "Predecessor" are to Pacific Drilling Limited and its subsidiaries.

Our Business

We are an international offshore drilling company committed to becoming a preferred provider of ultra-deepwater drilling services to the oil and natural gas industry through the use of high-specification drillships. Our primary business is to contract our ultra-deepwater drilling rigs, related equipment and work crews, primarily on a dayrate basis, to drill wells for our customers. Led by a team of seasoned professionals with significant experience in the oil services and ultra-deepwater drilling sectors, we specialize in the technically demanding segments of the offshore drilling business.

We are primarily focused on the ultra-deepwater market. The term "ultra-deepwater," as used in the drilling industry to denote a particular sector of the market, can vary and continues to evolve with technological improvements. We generally consider ultra-deepwater to begin at water depths of more than 7,500 feet and to extend to the maximum water depths in which rigs are capable of drilling, which is currently approximately 12,000 feet. Although we are primarily focused on the ultra-deepwater market, our drillships can also operate in water depths as shallow as 1,000 feet, giving us the ability to compete for jobs targeting shallower depths than ultra-deepwater.

Following completion of construction, our fully-deployed fleet will consist of six newly constructed sixth generation ultra-deepwater drillships, representing one of the youngest and most technologically advanced fleets in the world. We currently operate three recently delivered drillships, have one drillship under construction and have entered into contracts to construct two additional drillships. The *Pacific Bora* recently completed its customer requested upgrades and modifications and entered service in Nigeria on August 26, 2011 under a three-year contract with a subsidiary of Chevron Corporation ("Chevron"). The *Pacific Scirocco* is expected to enter service in Nigeria in December 2011 under a one-year contract with a subsidiary of Total S.A. ("Total"). The *Pacific Mistral* is expected to enter service in Brazil in December 2011 under a three-year contract with a subsidiary of Petróleo Brasileiro S.A. ("Petrobras"). The *Pacific Santa Ana* is currently under construction by Samsung Heavy Industries ("SHI"), and is scheduled for delivery in December 2011. The *Pacific Santa Ana* is expected to enter service in the U.S. Gulf of Mexico in the first quarter of 2012 under a five-year contract with a subsidiary of Chevron. We entered into contracts with SHI in March 2011 for the construction of our fifth and sixth new advanced-capability, ultra-deepwater drillships, the *Pacific Khamsin* and the *Pacific Sharav*, which are expected to be delivered in the second and third quarters of 2013, respectively.

In June 2011, we signed an agreement with SHI granting us an option through October 31, 2011, which was extended through January 31, 2012, to purchase a seventh drillship at substantially the same price and terms and conditions as the contracts for the *Pacific Khamsin* and the *Pacific Sharav*. We will continue to evaluate the long-term conditions of the deepwater drilling market to determine whether to exercise this option.

Table of Contents

Index to Financial Statements

Because our drillships are highly mobile, our fleet will operate in a single, global market for the provision of contract drilling services to the deepwater exploration and production industry. Deepwater and ultra-deepwater drillships typically compete in many of the same markets as high-specification semi-submersible rigs. However, newer ultra-deepwater drillships like those in our fleet generally have greater load capacity and are more mobile than semi-submersible rigs, making them better suited for drilling in remote locations where re-supply is more difficult, and for exploration programs that require frequent rig relocation. All of our drillships are self-propelled and dynamically positioned and have large carrying capacity. We believe the long-term prospects for deepwater drilling are positive given the expected growth in oil and gas consumption from developing nations, limited growth in crude oil supplies and high depletion rates of mature oil and gas fields. Recent geologic successes in deepwater basins, improving access to promising deepwater areas and new, more efficient technologies, are expected to be catalysts for the long-term exploration and development of deepwater fields. The location of our drillships and the allocation of resources to build or upgrade rigs will be determined by the activities and needs of our customers. Currently, our four existing drillships are committed to work in the deepwater regions of the U.S. Gulf of Mexico, Brazil and West Africa, which are the three most active deepwater basins in the world.

From our inception in 2006, we have committed over \$4.4 billion to establish our existing ultra-deepwater fleet of six drillships, of which we have spent approximately \$2.7 billion through June 30, 2011. We funded the \$2.7 billion spent through June 30, 2011 with related party loans from an affiliate of Quantum Pacific Group, which were subsequently converted into equity, borrowings under our \$1.8 billion Project Facilities Agreement (as defined and described in further detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Description of Our Indebtedness”), and a portion of the net proceeds of approximately \$576 million from our private offering of 60,000,000 common shares to international and U.S. investors in April 2011 (the “2011 Private Placement”). Of the \$1.7 billion of estimated remaining capital expenditures for our six drillships, we expect to spend approximately \$0.5 billion for our four drillships recently delivered or currently under construction, and \$1.2 billion, excluding capitalized interest but including commissioning and testing and other costs, on our fifth and sixth drillships on order from SHI. We intend to finance the approximately \$0.5 billion amount with additional borrowings under the Project Facilities Agreement. We intend to finance the remaining \$1.2 billion of capital expenditures for the two newbuilds with our existing cash balances and additional future indebtedness, which is uncommitted at this time. For more information on the use of proceeds and our capital requirements, please see “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources.”

Our Fleet

Our fleet will initially, on the basis of the current contracts, consist of six wholly-owned sixth generation ultra-deepwater drillships based on a proven design from SHI using well-established advanced drilling systems from National Oilwell Varco (“NOV”). The following table sets forth certain information regarding our high-specification, ultra-deepwater drillships as of November 4, 2011:

Rig	Date Delivered/ Expected Delivery	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Status
<i>Pacific Bora</i> ^{(a)(d)}	October 2010	10,000	37,500	Operating
<i>Pacific Scirocco</i> ^(b)	April 2011	12,000	40,000	Mobilization and Customer Upgrades
<i>Pacific Mistral</i> ^(a)	June 2011	12,000	37,500	Mobilization
<i>Pacific Santa Ana</i> ^{(b)(c)}	December 2011	12,000	40,000	Under construction
<i>Pacific Khamsin</i> ^{(b)(c)}	April 2013	12,000	40,000	On order
<i>Pacific Sharav</i> ^{(b)(c)}	September 2013	12,000	40,000	On order

- (a) These drillships have, or upon completion will have, an off-line stand building system, which permits sections (stands) of the drill string and casing to be assembled and racked for future use while drilling operations are in progress on the main well center without interruption or delay (“off-line stand building system”).
- (b) These drillships have, or upon completion will have, dual load path capability, which allows two drilling stations under a single derrick to simultaneously conduct lifting operations (“dual load path capability”).
- (c) These drillships have, or upon completion will have, dual gradient drilling upgrades. Dual gradient drilling is a technology that allows two different pressure gradients to be maintained in the well (one in the drilling riser and one in the well below the mudline) by a process of replacing mud from the drilling riser with a seawater-density fluid (“dual gradient drilling capability”).
- (d) Maximum water depth could be extended to up to 12,000 feet with drillship modifications.

Our Contract Backlog

Our contract backlog includes firm commitments only, which are represented by signed drilling contracts. As of November 4, 2011, our contract backlog was approximately \$2.2 billion and was attributable to revenues we expect to generate on the *Pacific Bora*, the *Pacific Santa Ana*, the *Pacific Scirocco* and the *Pacific Mistral* under firm contracts with Chevron, Total and Petrobras. We calculate our contract backlog by multiplying the contractual dayrate by the minimum number of days committed under the contracts (excluding options to extend), assuming full utilization, and also include mobilization fees, upgrade reimbursements and other revenue sources, such as the standby rate during upgrades, as stipulated in the contract.

The actual amounts of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods shown in the table below due to, for example, shipyard and maintenance projects, downtime and other factors that result in lower revenues than our average contract backlog per day.

The firm commitments that comprise our contract backlog as of November 4, 2011, are as follows:

Rig	Contracted		Contract Backlog ^(c)	Contractual Dayrate	Average Contract Backlog Revenue Per Day ^(c)	Actual/Expected Contract Commencement	Contracted Term
	Location	Customer					
<i>Pacific Bora</i>	Nigeria	Chevron	\$566,868,850	\$ 474,700	\$553,000	August 26, 2011	3 years ^(a)
<i>Pacific Scirocco</i>	Nigeria	Total	\$210,141,000	\$ 470,000	\$574,000	December 2011	1 year ^(b)
<i>Pacific Mistral</i>	Brazil	Petrobras	\$537,090,000	\$ 458,000	\$490,000	December 2011	3 years
<i>Pacific Santa Ana</i>	U.S. Gulf of Mexico	Chevron	\$916,462,700	\$ 467,500	\$502,000	First Quarter 2012	5 years

- (a) Contract also provides for two successive un-priced one-year options.
- (b) Contract also provides for two successive one-year options and a further two-year option, with escalating dayrates for the option periods.
- (c) Rounded to the nearest \$1,000. Based on signed drilling contracts.

Although we currently do not have letters of award or drilling contracts for the *Pacific Khamsin* or the *Pacific Sharav*, we expect that the long-term demand for deepwater drilling capacity in established and emerging basins should provide us with opportunities to contract these two drillships prior to their delivery dates.

Our Business Strategies

Our principal business objective is to increase shareholder value. We expect to achieve this objective through the following strategies:

- *Establish position as a preferred ultra-deepwater drilling contractor with newly built high-specification units* . High-specification drilling units are specifically designed to meet the requirements of customers for drilling in deepwater basins and complex geological formations and for drilling wells with challenging profiles. In addition, we believe that our new drilling units have a competitive advantage over older units because of their improved safety features, greater efficiency and enhanced mobility. Furthermore, it is easier to attract more experienced operating personnel to newer drilling units due to their superior working and living conditions and potential for better career opportunities.
- *Capitalize on increased exploration and development activity in deepwater basins* . As demand for hydrocarbons increases and mature producing basins naturally decline, we believe there will be an increasing emphasis on exploration and development in deep waters to exploit new and attractive prospects. Recent major discoveries in deepwater basins, together with technological advances that make such exploratory and development activities more economic, have increased potential development opportunities for deepwater drilling services. We believe that the water-depth capability of our ultra-deepwater drilling units will further our ability to secure long-term ultra-deepwater contracts in the future.
- *Develop strategic relationships with high-quality customers* . We expect to derive a significant portion of our future revenue from contracts with national oil companies, major international oil companies and large investment-grade independent exploration and production companies. These customers tend to take a long-term approach to the development of substantial hydrocarbon finds with multi-year development programs as well as multi-year capital expenditure commitments, which we believe will enhance the likelihood of our securing attractive long-term drilling contracts.
- *Identify and generate growth opportunities* . We expect to grow through newbuilds as well as strategic transactions, with a continued focus on the ultra-deepwater market. We will concentrate on those growth opportunities that we believe will create maximum shareholder value.

Competitive Strengths

We have a number of competitive strengths that we believe will help us to successfully execute our business strategies:

- *Experienced and international management team* . Our management team has extensive industry experience operating in locations worldwide, with an average of over 20 years of experience. We believe that our management team's significant experience, as well as its diverse international background, enhances our ability to effectively operate on a global basis and throughout industry cycles.
- *New and technologically advanced fleet* . Our fleet is comprised of some of the newest and most technologically advanced drillships in the world. Each of our premium, high-specification drillships is designed to operate in water depths of up to 12,000 feet. Furthermore, our ultra-deepwater drillships are self-propelled, dynamically positioned and suitable for drilling in remote locations. Our high-specification units are expected to achieve faster drilling and shorter transportation times between locations relative to older units in the market. In addition, the *Pacific Santa Ana*, the *Pacific Khamsin* and the *Pacific Sharav* will have dual gradient drilling capabilities and also offer enhanced capabilities for well completion work.
- *Strong backlog with credit-worthy counterparties* . We have and are continuing to develop a strong revenue backlog that currently consists of contracts for two of our drillships with a subsidiary of

Chevron and contracts for two other drillships with subsidiaries of Total and Petrobras. As of November 4, 2011, our contract backlog on the *Pacific Bora*, the *Pacific Santa Ana*, the *Pacific Scirocco* and the *Pacific Mistral* under these contracts was approximately \$2.2 billion. We believe these high-quality customer commitments will provide us with a stable cash flow for the next several years.

- *Uniformity of assets*. The uniformity of our assets enables efficient and streamlined labor, maintenance, supply chain and operating support systems, which we believe will allow us to develop and maintain a competitive cost structure. The similarity of our ship designs allows for interoperability among our crews and operating systems, which should allow members of our crew to serve interchangeably on any of our drillships. Additionally, our drillships' consistent technical specifications and equipment make spare parts interchangeable, which reduces the capital requirements associated with keeping spare parts in stock, lowering maintenance and supply chain costs.

Recent Developments

On August 26, 2011, Pacific Drilling initiated drilling operations when the *Pacific Bora* commenced its contract with Chevron in Nigeria. Following its operational startup, the *Pacific Bora* has reached performance levels in line with industry expectations. We currently expect the *Pacific Mistral* and the *Pacific Scirocco* to start operations under their respective contracts in December 2011. The *Pacific Santa Ana* is anticipated to commence operations under its contract in March 2012. Our financial results are highly dependent on the contract start dates for our drillships, because our financial recognition policies require that we do not recognize operating expenses or revenues until the start of contract operations. This has particular significance for the full year 2011 because it is our first year of operations. Given the complexity of our drillships and our strategy of accommodating customer requested and funded upgrades to our vessels, it is difficult to forecast with precision the start dates of individual contracts and therefore the start of revenue and cost recognition. In line with this strategy, actual and estimated contract start dates for our drillships have changed materially throughout the year, and the analyst reports available as of November 4, 2011 may not reflect these later start dates or the associated financial results.

Shares Eligible for Future Resale

In April 2011, we completed an offering of 60,000,000 common shares to international and U.S. investors in accordance with Regulation S and Regulation D under the Securities Act, which are currently traded on the Norwegian OTC List. Following the completion of the initial public offering, the 41,850,000 common shares initially sold pursuant to Regulation S in the 2011 Private Placement or those sold in subsequent resales pursuant to Regulation S may be resold immediately in the U.S. public market and the common shares sold pursuant to Rule 144A in the 2011 Private Placement may be resold in the U.S. public market, subject to compliance with Rule 144 under the Securities Act. In addition, Quantum Pacific Group owns 150,000,000 shares, or approximately 69.4% of our total outstanding common shares following the completion of the offering, and certain of our officers and directors will own 100,000 shares, or approximately 0.05% of our outstanding common shares following the completion of the offering, all of which are restricted from immediate resale under the federal securities laws and are subject to the lock-up agreements between such parties and the underwriters described in "Underwriters," but may be sold into the market in the future. In connection with this offering, we intend to enter into a registration rights agreement with Quantum Pacific (Gibraltar) Limited which will require us to effect the registration of its common shares in certain circumstances no earlier than the expiration of the lock-up period contained in the underwriting agreement entered into in connection with this offering. The sales of substantial amounts of our common shares, or the perception that these sales may occur, could cause the market price of our common shares to decline. Please read "Shares Eligible for Future Resale" and "Risk Factors—Risks Relating to the Offering and an Investment in Our Common Shares—Future sales of our common shares in the public market could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us."

Risk Factors

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategies. These risks relate to, among others, changes in the offshore contract drilling industry, including supply and demand, utilization rates, dayrates, customer drilling programs and commodity prices; a downturn in the global economy; hazards inherent in our industry and operations resulting in liability for personal injury or loss of life, damage to or destruction of property and equipment, pollution or environmental damage; inability to comply with covenants in our debt agreements; inability to finance capital projects; and inability to successfully employ our drillships.

You should carefully consider the following risks, those other risks described in “Risk Factors” and the other information in this prospectus before deciding whether to invest in our common shares.

Risks Related to Our Business

- We have a limited operating history, which makes it more difficult to accurately forecast our future results and may make it difficult for investors to evaluate our business and our future prospects, both of which will increase the risk of your investment in our common shares.
- We have a limited asset base and currently rely on three customer accounts. The loss of any customer or significant downtime on any drillship could adversely affect our financial condition and results of operations.
- The contract drilling industry is highly competitive. Compared to companies with greater resources, we may be at a competitive disadvantage.
- The demand for our services depends on the level of activity in the offshore oil and natural gas industry, which is significantly affected by oil and natural gas prices and other factors beyond our control.
- The imposition of stringent restrictions or prohibitions on offshore drilling by any governing body may have a material adverse effect on our business.
- Our current backlog of contract drilling revenue may not be fully realized.
- The Project Facilities Agreement imposes significant operating and financial restrictions on certain of our subsidiaries, which may prevent us from capitalizing on business opportunities and taking some actions.

Risks Relating to the Offering and an Investment in Our Common Shares

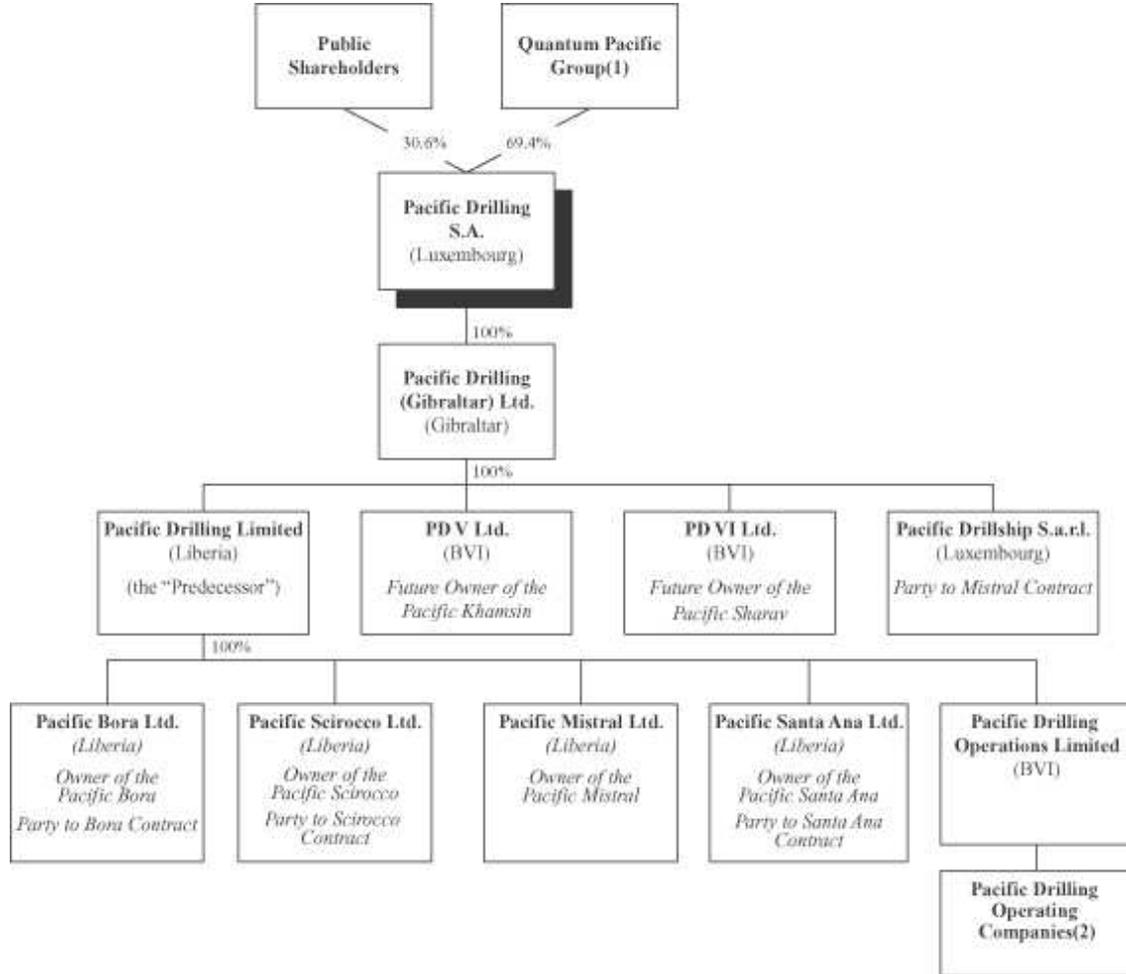
- Your rights and responsibilities as a shareholder will be governed by Luxembourg law and will differ in some respects from the rights and responsibilities of shareholders under other jurisdictions, including the United States, and shareholder rights under Luxembourg law may not be as clearly established as shareholder rights under the laws of other jurisdictions.
- We are controlled by a single shareholder, which could result in potential conflicts of interest with our public shareholders.

Tax Risks

- Changes in tax laws, treaties or regulations or adverse outcomes resulting from examination of our tax returns could adversely affect our financial results.
- We may not be able to make distributions without subjecting you to Luxembourg withholding tax.

Corporate Structure

The following chart illustrates our anticipated corporate structure after giving effect to this offering:



- (1) The 150,000,000 common shares owned by the Quantum Pacific Group are held by Quantum Pacific (Gibraltar) Limited, a wholly-owned subsidiary of Quantum Pacific International Limited, the indirect ultimate owner of which is a trust in which Idan Ofer and certain members of his family are the primary beneficiaries.
- (2) All subsidiaries are, indirectly or directly, wholly owned by us, other than Pacific International Drilling West Africa Limited, "PIDWAL," which is controlled and 90% owned by us with 10% owned by Derotech Offshore Services Limited, a privately-held Nigerian registered limited liability company. In order to comply with local content law in Nigeria, we expect to convey up to a 50% interest in Pacific Bora Limited and Pacific Scirocco Limited, to PIDWAL. PIDWAL is also a party to the drilling contracts for the *Pacific Bora* and *Pacific Scirocco*.

Table of Contents

Index to Financial Statements

Principal Executive Offices

Our principal executive offices and registered office in Luxembourg is located at 16, Avenue Pasteur, L-2310 Luxembourg. Our operational headquarters are located at 3050 Post Oak Blvd., Suite 1500, Houston, Texas 77056. Our telephone number at this address is (713) 334-6662. Investors should contact us for any inquiries through the address and telephone number of our operational headquarters. Our website is www.pacificdrilling.com. The information contained on our website is not a part of this prospectus.

Other Information

Because we are incorporated under the laws of the Grand Duchy of Luxembourg (“Luxembourg”), you may encounter difficulty protecting your interests as shareholders, and your ability to protect your rights through the U.S. federal court system may be limited. Please refer to the sections entitled “Risk Factors” and “Enforcement of Civil Liabilities” for more information.

Table of Contents

Index to Financial Statements

	The Offering
Common shares offered	6,000,000 shares. 6,900,000 shares, if the underwriters exercise their over-allotment option in full.
Common shares outstanding immediately after the offering	216,000,000 shares. 216,900,000 shares, if the underwriters exercise their over-allotment option in full.
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately \$47.4 million, or approximately \$54.9 million if the underwriters exercise their over-allotment option in full, in each case after deducting underwriting discounts, commissions, structuring fees and estimated offering expenses payable by us, based on an assumed initial public offering price of \$9.00 per share, the mid-point of the price range on the cover page of this prospectus. We intend to use the net proceeds of this offering, including any exercise of the underwriters' over-allotment option, for general corporate purposes, which may include working capital and capital expenditures. We may also use a portion of these proceeds to make the down payment for a seventh drillship if we determine to exercise our option with SHI, although we have not made any determination with respect to the exercise of the option as of the date of this prospectus. Please read "Use of Proceeds."
Voting Rights	Holders of our common shares are entitled to one vote per common share in all shareholders' meetings. Please read "Description of Share Capital—Voting Rights."
Dividend Policy	We have not paid a dividend on our common shares, cash or otherwise, and we do not intend to do so in the immediate future. The payment of future dividends, if any, will be determined by us in light of conditions then existing, including our earnings, financial condition, capital requirements, restrictions on cash distributions to us by our subsidiaries in existing (including the Project Facilities Agreement) and future financing agreements, business conditions and other factors. Declaration and payment of any dividend is subject to our discretion and the requirements of applicable law. We intend to make a dividend to holders of

[Table of Contents](#)

[Index to Financial Statements](#)

Exchange listing	our common shares as soon as we determine it is prudent to do so, taking into account capital expenditures, targeted growth and performance metrics, and restrictions on cash distributions to us by certain of our subsidiaries under the terms of the Project Facilities Agreement or any additional debt financing entered into in connection with the construction of the <i>Pacific Khamsin</i> , the <i>Pacific Sharav</i> and any additional drillships we may construct or acquire.
Transfer Agent	We have been approved to list our common shares on the New York Stock Exchange (the “NYSE”) under the symbol “PACD,” subject to official notice of issuance.
Risk factors	American Stock Transfer & Trust Company, LLC. Investment in our common shares involves a high degree of risk. You should carefully read and consider the information set forth under the heading “Risk Factors” and all other information set forth in this prospectus before investing in our common shares.
The number of common shares that will be outstanding after the offering excludes:	
<ul style="list-style-type: none">• 12,000 shares issuable upon the vesting of outstanding restricted stock units outstanding as of November 4, 2011 under our stock incentive plan;• 2,801,311 shares issuable upon the exercise of options outstanding as of November 4, 2011 under our stock incentive plan; and• an aggregate of 4,386,689 common shares reserved and available for future issuance as of November 4, 2011 under our stock incentive plan.	

Summary Historical Consolidated and Unaudited Pro Forma Financial Data

You should read the following summary consolidated financial data in conjunction with “Presentation of Financial Information,” “Selected Historical Consolidated and Unaudited Pro Forma Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and unaudited pro forma financial information and related notes thereto included elsewhere in this prospectus. The financial information included in this prospectus may not be indicative of our future results of operations, financial condition and cash flows. We did not begin to recognize operating revenue until the *Pacific Bora* commenced drilling operations on August 26, 2011.

The following summary historical consolidated financial data of Pacific Drilling S.A. is presented using the historical values from our Predecessor’s financial statements on a combined basis. However, the issued share capital of Pacific Drilling S.A. is retrospectively reflected for all periods in the summary historical consolidated financial data to reflect the 150,000,000 common shares held by the Quantum Pacific Group at the completion of the Restructuring.

Set forth below is (i) summary historical consolidated financial data as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, which have been derived from our consolidated financial statements prepared in accordance with U.S. GAAP included elsewhere in this prospectus, (ii) summary historical consolidated financial data as of December 31, 2008 which have been derived from our unaudited consolidated financial statements prepared in accordance with U.S. GAAP not included in this prospectus, (iii) summary historical consolidated financial data for the six months ended June 30, 2010 and 2011 and balance sheet data at June 30, 2011, which have been derived from our unaudited condensed consolidated financial statements prepared in accordance with U.S. GAAP included elsewhere in this prospectus, and (iv) pro forma consolidated financial data for the year ended December 31, 2010 and for the six months ended June 30, 2011, which have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus.

Pro forma financial information included in this prospectus gives effect to the TPDI Transfer as if it had occurred as of January 1, 2010 for purposes of the unaudited pro forma condensed consolidated statement of operations for the year end December 31, 2010. For purposes of the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2011, pro forma financial information included in this prospectus gives effect to the TPDI Transfer as if it had occurred as of January 1, 2011. However, the pro forma financial information may not reflect what our actual results of operations would have been if the TPDI Transfer had been completed as of such dates and if we operated on that basis during such periods.

	Historical					Pro Forma	
	Years Ended December 31,			Six Months Ended June 30,		Year Ended December 31,	Six Months Ended June 30,
	2010	2009	2008	2011 (unaudited)	2010 (unaudited)	2010 (unaudited)	2011 (unaudited)
	(in thousands, except share and per share data)						
Statement of operations data:							
General and administrative expenses	\$ (19,715)	\$ (8,824)	\$ (1,589)	\$ (23,812)	\$ (7,822)	\$ (19,715)	\$ (23,812)
Depreciation expense	(395)	(134)	—	(316)	(173)	(395)	(316)
Operating income (loss)	(20,110)	(8,958)	(1,589)	(24,128)	(7,995)	(20,110)	(24,128)
Equity in earnings (loss) of TPDI	56,307	4,291	(679)	18,955	23,325	—	—
Other (expense) income	1,102	2,384	7,759	1,760	639	(13)	1,570
Net income (loss)	\$ 37,299	\$ (2,283)	\$ 5,491	\$ (3,413)	\$ 15,969	\$ (20,123)	\$ (22,558)
Earnings (loss) per common share:							
Basic and diluted ⁽³⁾	\$ 0.25	\$ (0.02)	\$ 0.04	\$ (0.02)	\$ 0.11	\$ (0.13)	\$ (0.13)
Average common shares outstanding:							
Basic and diluted ⁽³⁾	150,000,000	150,000,000	150,000,000	178,839,779	150,000,000	150,000,000	178,839,779

Table of Contents

Index to Financial Statements

	Historical			June 30, 2011 (unaudited)
	2010	December 31, 2009	2008 (unaudited)	
Balance sheet data:				
Working capital ⁽¹⁾	\$ 14,482	\$ 4,008	\$ (39)	\$ 163,118
Property and equipment, net	1,893,425	927,556	737,751	2,886,021
Investment in and notes to TPDI	186,714	147,857	102,325	—
Total assets	2,271,949	1,087,291	841,580	3,325,388
Long-term debt ⁽²⁾	450,000	—	—	931,000
Related-party loan	—	832,642	633,997	—
Accrued interest payable on related-party loan	—	39,019	—	—
Shareholders' equity	1,775,207	207,749	206,040	2,256,255

(in thousands)

(1) Working capital is defined as current assets minus current liabilities.
(2) Includes current maturities of long-term debt.
(3) Retrospectively adjusted for all periods to reflect the issued share capital of Pacific Drilling S.A. following the Restructuring.

RISK FACTORS

An investment in our common shares involves a high degree of risk. You should consider carefully the following risk factors, as well as the other information contained in this prospectus, before making an investment in our common shares. Any of the risk factors described below could significantly and negatively affect our business, financial condition or operating results, which may reduce our ability to pay dividends and lower the trading price of our common shares. You may lose part or all of your investment.

Risks Related to Our Business

We have a limited operating history, which makes it more difficult to accurately forecast our future results and may make it difficult for investors to evaluate our business and our future prospects, both of which will increase the risk of your investment in our common shares.

Only one of the drillships that will comprise our initial fleet of six newly constructed ultra-deepwater drillships is currently operating, and only three of these drillships that will comprise our initial fleet had been delivered as of November 4, 2011. In addition, we did not begin to recognize operating revenue until the *Pacific Bora* commenced drilling operations on August 26, 2011. Because of our limited operating history, we lack extensive historical financial and operational data, making it more difficult for an investor to evaluate our business, forecast our future revenues and other operating results and assess the merits and risks of an investment in our common shares. This lack of information will increase the risk of your investment in our common shares. Moreover, you should consider and evaluate our prospects in light of the risks and uncertainties frequently encountered by companies with a limited operating history. These risks and difficulties include challenges in accurate financial planning as a result of limited historical data and the uncertainties resulting from having had a relatively limited time period in which to implement and evaluate our business strategies as compared to older companies with longer operating histories. If we are not able to successfully meet these challenges, our financial condition, results of operations and cash flows could be materially adversely affected.

We have a limited asset base and currently rely on three customer accounts. The loss of any customer or significant downtime on any drillship could adversely affect our financial condition and results of operations.

As a result of our relatively small fleet of drillships, we anticipate revenues will depend on contracts with a limited number of customers. We currently have six drillships, two of which are currently under contract with the same customer, Chevron, one of which is under contract with Total, one of which is under contract with Petrobras, and two of which are on order with SHI, scheduled for delivery in the second and third quarter of 2013, respectively, and which are not yet under contract. Our financial condition, results of operations or cash flows could be materially adversely affected if any one of these customers were to interrupt or curtail its activities in the U.S. Gulf of Mexico, Nigeria or Brazil, fail to pay for the services that have been performed, terminate its contract with us, fail to renew its existing contract with us or refuse to award new contracts to us and we are unable to enter into contracts with new customers on comparable terms. The loss of Chevron, Total or Petrobras as a customer could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, our limited number of drillships makes us more susceptible to incremental loss in the event of downtime on any one operating unit. If any one of our drillships becomes inactive for a substantial period of time and not otherwise earning contractual revenues, it could have a material adverse impact on our operations and financial condition.

The contract drilling industry is highly competitive. Compared to companies with greater resources, we may be at a competitive disadvantage.

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. The proposed dayrate is often the primary factor in determining which qualified contractor is awarded a contract,

Table of Contents

Index to Financial Statements

although rig availability and the quality and technical capability of service and equipment are also important factors. Other key factors include a contractor's reputation for service, safety record, environmental record, technical and engineering support and long-term relationships with national and international oil and natural gas companies. Our competitors in the offshore contract drilling industry generally have larger, more diverse fleets, longer operating histories with established safety and environmental records over a measurable period of time, long-term relationships with customers and appreciably greater financial and other resources and assets than we do. Similarly, some of these competitors are significantly better capitalized than we are, which may make them preferable to us to the extent the customer is concerned about our ability to cover potentially significant liabilities. As a result, our competitors have competitive advantages that may adversely affect our efforts to contract our drillships on favorable terms, if at all, and correspondingly negatively impact our financial condition, results of operations or cash flows. Additionally, we are at a competitive disadvantage to those competitors that are better capitalized because they are in a better position to withstand the effects of a downturn in our industry.

An oversupply of comparable or higher specification rigs could depress the demand and contract prices for ultra-deepwater rigs and could adversely affect our financial condition, results of operations or cash flows.

There are numerous high-specification rigs currently under contract for construction in the industry worldwide. We estimate there are approximately 56 ultra-deepwater rigs scheduled for delivery between November 1, 2011 and the end of 2014, 34 of which are not yet contracted to customers. The entry into service of these new units will increase supply and could curtail a strengthening, or trigger a reduction, in dayrates as rigs are absorbed into the active fleet. Any increase in construction of drilling units could negatively impact utilization and dayrates. Lower utilization and dayrates could require us to enter into lower dayrate contracts or to idle one or more of our drillships, which could have a material adverse effect on our financial condition, results of operations and cash flows or result in the recognition of impairment charges on our drillships.

The demand for our services depends on the level of activity in the offshore oil and natural gas industry, which is significantly affected by oil and natural gas prices and other factors beyond our control.

The demand for our services depends on the level of activity in oil and natural gas exploration, development and production in offshore areas worldwide. Oil and natural gas prices and market expectations about potential changes in these prices significantly affect this level of activity. Higher spot market commodity prices do not necessarily or quickly translate into increased drilling activity since customers' expectations about long-term commodity prices also drive demand for offshore drilling services. Likewise, increased competition for customers' drilling budgets could come from markets in which we do not provide services, such as land-based energy markets in Africa, Russia, Western Asia, the Middle East, North America and elsewhere. Customers' drilling programs are also affected by the availability of attractive drilling prospects, results of exploratory drilling, relative production costs, the stage of reservoir development, budgetary constraints and political and regulatory environments.

Historically, the markets for crude oil and natural gas have been volatile and are likely to continue to be volatile in the future. For example, since January 1, 2010, the New York Mercantile Exchange (the "NYMEX") daily settlement price for the prompt month crude oil contract has ranged from a high of \$115.45 per barrel to a low of \$75.01 per barrel. Since January 1, 2010, the NYMEX daily settlement price for the prompt month natural gas contract ranged from a high of \$6.99 per MMBtu to a low of \$3.72 per MMBtu. As of November 4, 2011, the NYMEX daily settlement price for the prompt month crude oil contract was \$94.26 per barrel, while the NYMEX daily settlement price for the prompt month natural gas contract was \$3.78 per MMBtu. The markets and prices for crude oil and natural gas depend on factors beyond our control. These factors include:

- worldwide demand for oil and natural gas, including economic conditions and activity in the United States, China and other energy-consuming markets;

Table of Contents

Index to Financial Statements

- the cost of exploring for, developing, producing and delivering oil and natural gas, and the relative cost of onshore production or importation of natural gas;
- the ability of the Organization for Petroleum Exporting Countries (“OPEC”) to set and maintain production levels and pricing;
- the level of production in non-OPEC countries;
- expectations regarding future prices and levels of production of oil and natural gas;
- the policies of various governments regarding exploration and development of their oil and natural gas reserves;
- the development and exploitation of alternative fuels, and the competitive, regulatory and political position of hydrocarbons as a source of energy compared with other energy sources;
- the availability and discovery rate of new oil and natural gas reserves;
- the rate of decline of existing and new oil and natural gas reserves;
- global economic and weather conditions;
- advances in exploration, development and production technology;
- domestic and international tax policies and government regulations;
- the ability of oil and natural gas companies to raise capital;
- the worldwide military and political environment, including uncertainty or instability resulting from an outbreak of armed hostilities or other crises in the Middle East or other geographic areas or further acts of terrorism in the United States or elsewhere; and
- acts of civil disobedience or piracy that affect oil and natural gas producing regions, especially in West Africa, where armed conflict and civil unrest remain a concern.

Sustained low market prices for oil and natural gas may cause companies exploring for oil and natural gas to cancel or curtail their drilling programs, thereby reducing demand for drilling services. Any reduction in the demand for drilling services may materially erode dayrates and/or utilization rates for our drillships, which could have a material adverse effect on our financial condition, results of operations and cash flows and could have a significant negative impact on the market price of our common shares.

Failure to secure drilling contracts prior to deployment of our remaining newbuild drillships could have a material adverse effect on our financial condition, results of operations or cash flows.

We have not yet secured drilling contracts for the *Pacific Khamsin* and the *Pacific Sharav*, which are being built pursuant to contracts with SHI and are scheduled for delivery in the second and third quarter of 2013, respectively. Our ability to obtain drilling contracts for these drillships will depend on market conditions and our customers’ drilling programs. If the ultra-deepwater drilling market is experiencing overcapacity when the *Pacific Khamsin* and the *Pacific Sharav* are delivered, we may not be able to contract these drillships on favorable terms, or at all. Our failure to secure a drilling contract for any of our uncontracted rigs prior to its deployment could have a material adverse effect on our financial condition, results of operations and cash flows.

Because our business is focused exclusively on the offshore drilling market, adverse developments in the offshore drilling industry could have a material adverse effect on our financial condition, results of operations or cash flows.

We rely exclusively on the revenues generated from the offshore drilling business. Therefore, any adverse development in the deepwater offshore drilling market would have a significantly more negative impact on our financial condition, results of operations and cash flows than if we operated a more diversified business.

Table of Contents

Index to Financial Statements

The imposition of stringent restrictions or prohibitions on offshore drilling by any governing body may have a material adverse effect on our business.

Events in recent years have heightened environmental and regulatory concerns about the oil and natural gas industry. From time to time, governing bodies have enacted and may propose legislation or regulations that would materially limit or prohibit offshore drilling in certain areas. If laws are enacted or other governmental action is taken that restrict or prohibit offshore drilling in our expected areas of operation, our business could be materially adversely affected.

For example, the U.S. governmental, regulatory and industry response to the *Deepwater Horizon* drilling rig accident in April 2010 and resulting oil spill could have a prolonged and material adverse impact on drilling operations in the U.S. Gulf of Mexico. Following the April 2010 fire and explosion aboard the *Deepwater Horizon* drilling platform owned by a competitor and subsequent release of oil from the Macondo well in the Gulf of Mexico, the federal Bureau of Ocean Energy Management, Regulation and Enforcement (“BOEMRE”) issued a moratorium on deepwater drilling activities in the U.S. Gulf of Mexico, which was lifted on October 12, 2010, and also implemented a series of environmental, technological and safety measures intended to improve offshore safety systems and environmental protection. The recently issued safety regulations require operators to, among other things, submit independent third-party reports on the design and operation of blowout preventers (“BOPs”) and other well control systems, and conduct tests on the functionality of well control systems. Additional regulations address new standards for certain equipment involved in the construction of offshore wells, especially BOPs, and require operators to implement and enforce a safety and environmental management system, including regular third-party audits of safety procedures and drilling equipment to assure that offshore rig personnel and equipment remain in compliance with the new regulations. Prior to the resumption of drilling following the moratorium, each operator is required to demonstrate that it has in place written and enforceable procedures, pursuant to applicable regulations, that ensure containment in the event of a deepwater blowout. Only a limited number of new drilling permits have been issued by the BOEMRE since resumption of new permit issuance in February 2011. Any recovery of growth prospects in the Gulf of Mexico may stall if the current pace of permit issuance by the BOEMRE does not increase significantly. In this regulatory environment, Chevron may be unable to commence drilling operations with the *Pacific Santa Ana* in the U.S. Gulf of Mexico according to its original plans. In such case, and pursuant to the contract, Chevron may choose either to operate the *Pacific Santa Ana* in the U.S. Gulf of Mexico performing operations permitted under existing regulations at that time, to operate the *Pacific Santa Ana* outside of the U.S. Gulf of Mexico or to pay the contractual standby dayrate. Chevron may also choose to exercise the contract’s termination clause, under which Chevron would be required to pay a standby rate to us on a monthly basis for the remaining period of the contract.

The U.S. Gulf of Mexico represents a significant portion of the industry’s existing deepwater drillship demand. The BOEMRE moratorium and new regulations have created significant uncertainty regarding the outlook of offshore drilling activity in the U.S. Gulf of Mexico and possible implications for regions outside of the U.S. Gulf of Mexico. If the new regulations, operating procedures and possibility of increased legal liability are viewed by our current or future customers as a significant impairment to expected profitability on drilling projects in the U.S. Gulf of Mexico, deepwater drillships and other floating rigs could depart the U.S. Gulf of Mexico, which would likely affect the global supply and demand balance for such drillships and rigs, resulting in lower dayrates and/or utilization and a more competitive and challenging business environment in the international sector. In addition to the new safety requirements, the BOEMRE could issue additional safety and environmental guidelines or regulations for drilling in the U.S. Gulf of Mexico that could disrupt or delay drilling operations, increase the cost of drilling operations or reduce the area of operations for deepwater drilling rigs, and other governments could take similar actions. All of these uncertainties could result in increased future operating costs, including insurance costs, which we may not be able to pass through to our customers.

Table of Contents

Index to Financial Statements

Our global operations may be adversely affected by political and economic circumstances in the countries in which we operate. A significant portion of our business is conducted in Nigeria, which exposes us to risks of war, local economic instabilities, corruption, political disruption and civil disturbance in that region.

A primary component of our business strategy is to operate in global oil and natural gas producing areas. We are subject to a number of risks inherent in any business that operates globally, including:

- political, social and economic instability, war, piracy and acts of terrorism;
- potential seizure, expropriation or nationalization of assets;
- damage to our equipment or violence directed at our employees, including kidnappings;
- increased operating costs;
- complications associated with supplying, repairing and replacing equipment in remote locations;
- repudiation, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk and named windstorm coverage in certain areas;
- import-export quotas;
- confiscatory taxation;
- work stoppages;
- unexpected changes in regulatory requirements;
- wage and price controls;
- imposition of trade barriers;
- imposition or changes in interpretation and enforcement of local content laws, such as those we must currently comply with in Nigeria and Brazil;
- restrictions on currency or capital repatriations;
- solicitation by government officials for improper payments or other forms of corruption;
- currency fluctuations and devaluations; and
- other forms of government regulation and economic conditions that are beyond our control.

These risks may be higher in the developing countries such as Nigeria, where the *Pacific Bora* entered service in August 2011 under a three-year drilling contract with a wholly-owned Nigerian subsidiary of Chevron and the *Pacific Scirocco* is expected to enter service in December 2011 under a one-year drilling contract with a subsidiary of Total, with two one-year options and one two-year option. Countries in West Africa have experienced political and economic instability in the past and such instability may continue in the future. Additionally, Nigeria is ranked 134 out of 180 countries in Transparency International's 2010 Corruption Perceptions Index and placed 125 out of 183 in the World Bank's Doing Business 2010 report. Furthermore, there are significant sectarian tensions in Nigeria among the numerous different ethnic and tribal groups, which have resulted in sporadic violence. Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance.

Our contract drilling operations may be adversely affected by various laws and regulations in countries in which we operate relating to the equipment and operation of drilling units, oil and natural gas exploration and development, import and export activities.

Governments in some foreign countries have been increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries, including local content requirements for

Table of Contents

Index to Financial Statements

participating in tenders for certain drilling contracts. Many governments favor or effectively require that drilling contracts be awarded to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may result in inefficiencies or put us at a disadvantage when we bid for contracts against local competitors.

In addition, the shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import and export activities are governed by unique customs laws and regulations in each of the countries where we operate. Moreover, many countries control the import and export of certain goods, services and technology and impose related import and export recordkeeping and reporting obligations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities, and we are also subject to the U.S. anti-boycott law.

The laws and regulations concerning import and export activity, recordkeeping and reporting, import and export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. The global economic downturn may increase some foreign government's efforts to enact, enforce, amend or interpret laws and regulations as a method to increase revenue. Shipments can be delayed and denied import or export for a variety of reasons, some of which are outside our control and some of which may result from failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime. Any failure to comply with these applicable legal and regulatory obligations also could result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from government contracts, seizure of shipments and loss of import and export privileges.

We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available in the country of operation, controls over currency exchange or controls over the repatriation of income or capital.

Delays or cost overruns in the construction of new drillships or the modification of existing drillships could adversely affect our business. These risks are concentrated because all of our drillships currently on order and under construction are being built by SHI in South Korea.

As of November 4, 2011, we have a total of three deepwater newbuild rigs currently on order or under construction or modification (the *Pacific Santa Ana*, the *Pacific Khamsin* and the *Pacific Sharav*). In addition, in June 2011, we signed an agreement with SHI granting us an option through October 31, 2011, which was extended through January 31, 2012, to purchase another newbuild drillship at the same price and on similar terms and conditions as those currently under construction. We may enter into agreements to commence newbuild projects in the future. Additionally, as part of our growth strategy we may contract from time to time for the construction of drilling units. Such construction projects are subject to risks of delay or cost overruns inherent in any large construction project, including costs or delays resulting from the following:

- shipyard availability;
- unexpected delays in delivery times for, or shortages of, key equipment, parts and materials;
- shortages of skilled labor and other shipyard personnel necessary to perform the work;
- shortages or unforeseen increases in the cost of equipment, labor and raw materials, particularly steel;
- unforeseen design and engineering problems, including those relating to the commissioning of newly designed equipment;
- unanticipated actual or purported change orders;
- work stoppages and labor disputes;

Table of Contents

Index to Financial Statements

- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- delays in, or inability to obtain, access to financing;
- failure or delay of third-party service providers and labor disputes;
- disputes with shipyards and suppliers;
- our requests for changes to the original rig specifications;
- delays and unexpected costs of incorporating parts and materials needed for the completion of projects;
- financial or other difficulties at shipyards and suppliers;
- adverse weather conditions or storm damage;
- inability to obtain required permits or approvals; and
- defective construction and the resultant need for remedial work.

These factors may contribute to cost variances and delays in the delivery of our newbuild units. Our risks are concentrated because all of our drillships currently on order and under construction are being built by SHI in South Korea.

Delays in the delivery of our drillships would result in a loss of revenue and may subject us to penalties due to delays in contract commencement and may result in termination or shortening of the term of the drilling contract for the rig by the customer pursuant to applicable late delivery clauses. We will not receive any material increase in revenue or cash flow from new or modified drillships until they are placed in service and customers enter into binding arrangements for the use of such drillships. In the event of termination of one of these contracts, we may not be able to secure a replacement contract on as favorable terms, or at all. If we experience delays and costs overruns in the construction of our drillships due to any of the factors listed above, our financial condition, results of operations or cash flows could be materially adversely affected.

Shortages of equipment, spare parts and ancillary services could have a negative impact on our operations.

Our operations rely on the timely supply of equipment and spare parts to maintain and repair our fleet. We also rely on the supply of ancillary services, including, among others, supply boats, helicopter services, catering services and engineering and technical services. Shortages in materials, delays in the delivery of necessary spare parts, equipment or other materials, or the unavailability of ancillary services could negatively impact our operations and result in increases in rig downtime and delays in the repair and maintenance of our fleet.

Our current backlog of contract drilling revenue may not be fully realized.

As of November 4, 2011, we had a contract backlog on the *Pacific Bora*, the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana* of approximately \$2.2 billion. We calculate our contract backlog by multiplying the contractual dayrate by the minimum number of days committed under the contracts (excluding options to extend), assuming full utilization, and also include mobilization fees, upgrade reimbursements and other revenue sources, such as the standby rate during upgrades, as stipulated in the contract. The actual amounts of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods shown in the tables provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contract Backlog” of this prospectus due to various factors, including shipyard and maintenance projects, downtime and other factors. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contract Backlog.”

Table of Contents

Index to Financial Statements

The contractual dayrate used to calculate average estimated contract backlog per day is higher than other rates that may be in effect at certain times under the contract, including the standby rate or waiting on weather rate, the repair rate or the force majeure rate. We may not be able to realize the full amount of our contract backlog due to events beyond our control. In addition, some of our customers may experience liquidity issues, which could worsen if commodity prices declined to lower levels for an extended period of time. Liquidity issues could lead our customers to go into bankruptcy or could encourage our customers to seek to repudiate, cancel or renegotiate these agreements for various reasons, as described under “—Our drilling contracts may be terminated early in certain circumstances” below. Our inability to realize the full amount of our contract backlog could have a material adverse effect on our financial position, results of operations or cash flows.

Our substantial indebtedness could adversely affect our financial condition and business prospects.

As of November 4, 2011, we and our subsidiaries, on a consolidated basis, had approximately \$1,081 million of debt, which is secured by substantially all of our assets. Our substantial level of indebtedness, and the terms of the agreements that govern such indebtedness, may have important consequences for your investment and our business such as:

- requiring us and our subsidiaries to use a substantial portion of our cash flow from operations to pay interest and principal on the debt, which would reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other investments, which may limit our ability to execute our business strategy;
- heighten our vulnerability to downturns in business or the general economy and restrict us from exploiting business opportunities or making acquisitions;
- make it more difficult for us to satisfy our financial obligations;
- place us at a competitive disadvantage compared to our competitors that may have proportionately less debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- result in higher interest expense if interest rates increase for the portion of our indebtedness that has not been hedged.

Each of these factors may have a material and adverse effect on our financial condition and business prospects. We may also incur substantial additional indebtedness in the future. If we incur additional indebtedness, the related risks that we now face would intensify and could further exacerbate the risks associated with our substantial leverage. Our ability to service our debt depends upon, among other things, our future financial and operating performance, which is affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our cash flows from operations are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

The Project Facilities Agreement imposes significant operating and financial restrictions on certain of our subsidiaries, which may prevent us from capitalizing on business opportunities and taking some actions.

The Project Facilities Agreement contains numerous restrictions on the activities of our subsidiary, Pacific Drilling Limited (as guarantor of borrowings under the Project Facilities Agreement) and all of its subsidiaries, including Pacific Bora Ltd., Pacific Scirocco Ltd, Pacific Mistral Ltd. and Pacific Santa Ana Ltd, each of which

Table of Contents

Index to Financial Statements

is a borrower under the Project Facilities Agreement. Substantially all of our current and expected near-term revenues are derived from these entities. These restrictions limit the ability of each of those entities to, among other things:

- make certain types of loans and investments;
- make dividends or other payments to us, redeem or repurchase stock, prepay, redeem or repurchase other debt or make other restricted payments;
- incur or guarantee additional indebtedness;
- use proceeds from asset sales, new indebtedness or equity issuances for general corporate purposes or investment into our current business;
- invest in certain new joint ventures;
- create or incur liens;
- sell assets or consolidate or merge with or into other companies;
- engage in transactions with affiliates; and
- enter into new lines of business.

The Project Facilities Agreement also contains a number of financial covenants that impose significant restrictions on us, including requirements that our subsidiary, Pacific Drilling Limited, maintain certain liquidity levels and financial ratios. The restrictions and covenants contained in our debt agreements may prevent us from taking actions that we believe would be in our best interest and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that may subject us to additional restrictive covenants that could affect our financial and operational flexibility. Our ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond our control. The breach of any of these covenants and restrictions could result in a default under the agreements governing our debt. An event of default under any of these agreements would permit some of the lenders to declare all amounts borrowed from them to be due and payable. In addition, debt under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, our assets might not be sufficient to repay in full all of our outstanding indebtedness, and we may not be able to find alternative financing. Even if we could obtain alternative financing, such financing might not be on terms that are favorable or acceptable. If we were unable to repay amounts borrowed, the holders of the debt could initiate a bankruptcy or liquidation proceeding. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Description of Indebtedness” for a description of the restrictions and covenants applicable to our Project Facilities Agreement.

We will require a significant amount of cash to service our indebtedness and other obligations. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on, or refinance, our indebtedness and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. A significant reduction in our operating cash flows, including as a result of changes in general economic conditions, timing of contracts or payments, legislative or regulatory conditions, increased competition or other events beyond our control, could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our financial condition, results of operations, cash flows and ability to service our debt and other obligations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Description of Indebtedness” for more information regarding our amortization payment schedule with respect to our borrowings under the Project Facilities Agreement. If we are unable to service our indebtedness or to fund our liquidity needs, we may be forced to adopt an alternative strategy that may include

Table of Contents

Index to Financial Statements

actions such as reducing capital expenditures, selling assets, restructuring or refinancing indebtedness, seeking additional equity capital or any combination of the foregoing. If we raise additional funds by issuing additional equity securities, existing shareholders may experience dilution. We cannot assure you that any of these alternative strategies could be effected on satisfactory terms, or at all, or that they would yield sufficient funds to enable us to make required payments on our indebtedness or to fund our other liquidity needs. Reducing or delaying capital expenditures or selling assets could delay future cash flows. In addition, the terms of existing or future debt agreements may restrict us from adopting any of these alternatives.

Our failure to generate sufficient operating cash flow or to achieve any of these alternatives could significantly adversely affect the value of our securities. In addition, if we default in the payment of amounts due on any current indebtedness, such default would give rise to an event of default under the agreements governing our indebtedness and could lead to the possible acceleration of amounts due under any of our outstanding indebtedness. In the event of any acceleration, we may not have enough cash to repay our outstanding indebtedness.

Operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues.

We do not expect operating and maintenance costs to fluctuate in direct proportion to changes in operating revenues. The principal components of our operating costs are, among other things, direct and indirect costs of labor and benefits, maintenance and spare parts and insurance. Operating revenues may fluctuate as a function of changes in dayrates. However, costs for operating a drillship are generally fixed or only semi-variable regardless of the dayrate being earned. In addition, should one of our drillships incur idle time between contracts, we would typically maintain the crew to prepare the drillship for its next contract and would not reduce costs to correspond with the decrease in revenue. During times of moderate activity, reductions in costs may not be immediate, as the crew may be required to prepare the drillship for stacking, after which time the crew will be reduced to a level necessary to maintain the drillship in working condition with the extra crew members assigned to active drillships or dismissed. In addition, as drillships are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. Equipment maintenance expenses fluctuate depending upon the type of activity a drillship is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

Failure to employ a sufficient number of skilled workers or an increase in labor costs could negatively affect our operations.

We require skilled personnel to operate and provide technical services to, and support for, our drillships. In periods of increasing activity and when the number of operating units in our areas of operation increases, either because of new construction, re-activation of idle units or the mobilization of units into the region, shortages of qualified personnel could arise, creating upward pressure on wages, higher turnover and difficulty in staffing. A shortage of qualified personnel, the inability to obtain and retain qualified personnel or a reduction in the experience level of our personnel as a result of increased turnover could negatively affect the quality and timeliness of our work and lead to higher downtime and more operating incidents, which in turn could decrease revenues and increase costs. If increased competition for labor were to intensify in the future, we may experience increases in costs or limits on operations. In addition, our ability to expand operations depends in part upon our ability to increase the size of our skilled labor force.

An inability to obtain visas and work permits for our employees on a timely basis could negatively affect our operations and have an adverse effect on our business.

Our ability to operate worldwide depends on our ability to obtain the necessary visas and work permits for our personnel to travel in and out of, and to work in, the jurisdictions in which we operate. Governmental actions in some of the jurisdictions in which we operate may make it difficult for us to move our personnel in and out of

Table of Contents

Index to Financial Statements

these jurisdictions by delaying or withholding the approval of these permits. If we are not able to obtain visas and work permits for the employees we need for operating our drillships on a timely basis, we might not be able to perform our obligations under our drilling contracts, which could allow our customers to cancel the contracts. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, our financial condition, results of operations or cash flows could be materially adversely affected.

Our business is subject to numerous governmental laws and regulations, including those that may impose significant costs and liability on us for environmental and natural resource damages.

Many aspects of our operations are subject to foreign, federal, regional, state and local laws and regulations that may relate directly or indirectly to the contract drilling and well servicing industries, including those requiring us to obtain and maintain specific permits or other governmental approvals to control the discharge of oil and other contaminants into the environment or otherwise relating to environmental protection. Countries where we operate have environmental laws and regulations covering the discharge of oil and other contaminants and protection of the environment in connection with our operations. Additionally, any operations and activities in the United States and its territorial waters will be subject to numerous environmental laws and regulations, including the Oil Pollution Act of 1990 (“OPA”), the Outer Continental Shelf Lands Act (“OCSLA”), the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) and the International Convention for the Prevention of Pollution from Ships (“ICPPS”). Failure to comply with these laws, regulations and treaties may result in the assessment of administrative, civil and even criminal penalties, the imposition of remedial obligations, the denial or revocation of permits or other authorizations and the issuance of injunctions that may limit or prohibit our operations. Laws and regulations protecting the environment have become more stringent in recent years and may in certain circumstances impose strict liability, rendering us liable for environmental and natural resource damages without regard to negligence or fault on our part. These laws and regulations may expose us to liability for the conduct of, or conditions caused by, others or for acts that were in compliance with all applicable laws at the time the acts were performed. The application of these laws and regulations, the modification of existing laws or regulations or the adoption of new laws or regulations that curtail exploratory or developmental drilling for oil and natural gas could materially limit future contract drilling opportunities or materially increase our costs. In addition, we may be required to make significant capital expenditures to comply with such laws and regulations.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar foreign anti-bribery laws.

The United States Foreign Corrupt Practices Act (the “FCPA”) and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making, offering or authorizing improper payments to non-U.S. government officials for the purpose of obtaining or retaining business. We operate in several countries where strict compliance with anti-bribery laws may conflict with local customs and practices. Violations of anti-bribery laws (either due to our acts or our inadvertence) may result in criminal and civil sanctions and could subject us to other liabilities in the U.S. and elsewhere. Even allegations of such violations could disrupt our business and result in a material adverse effect on our business and operations. We may be subject to competitive disadvantages to the extent that our competitors are able to secure business, licenses or other preferential treatment by making payments to government officials and others in positions of influence or using other methods that U.S. and foreign laws and regulations and our own policies prohibit us from using.

In order to effectively compete in some foreign jurisdictions, we utilize local agents and/or establish joint ventures with local operators or strategic partners. For example, in Nigeria, we have established the PIDWAL joint venture, which is 90% owned by us and 10% owned by Derotech Offshore Services Limited (“Derotech”), a privately-held Nigerian registered limited liability company. PIDWAL is party to the contract with a subsidiary of Chevron for the *Pacific Bora* and the contract with a subsidiary of Total for the *Pacific Scirocco*. Derotech is also performing marketing services for PIDWAL. In addition, we have retained a marketing agent in Brazil and

Table of Contents

Index to Financial Statements

have agreements with agents in both Nigeria and Brazil, pursuant to which the agents, among other activities, process visas, customs clearance of routine shipments of equipment, materials and supplies and process temporary importation permits, extensions and renewals. One of our logistics agents in Nigeria is an affiliate of Derotech. All of these activities involve interaction by our agents with non-U.S. government officials. Even though some of our agents and partners may not themselves be subject to the FCPA or other non-U.S. anti-bribery laws to which we may be subject, if our agents or partners make improper payments to non-U.S. government officials in connection with engagements or partnerships with us, we could be investigated and potentially found liable for violation of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on our business, financial position, results of operations and cash flows.

We have substantial obligations to fund contracts and other arrangements related to the construction of our newbuild drillships under construction. If we fail to meet these obligations or construction of these newbuild drillships is not completed, such failure could have a material adverse effect on our financial condition, results of operations and cash flows and could adversely affect our ability to meet our obligations.

We have significant contractual commitments to SHI related to the three rigs currently under construction, the *Pacific Santa Ana*, the *Pacific Khamsin* and the *Pacific Sharav*, totaling approximately \$1.2 billion as of June 30, 2011. We intend to fund the remaining \$282 million payable to SHI on the *Pacific Santa Ana* with borrowings under our Project Facilities Agreement. The SHI contracts for the *Pacific Khamsin* and the *Pacific Sharav* provide for an aggregate purchase price of approximately \$1.0 billion for the acquisition of these two vessels, payable in installments during the construction process, of which we have made payments of \$50 million through June 30, 2011. We anticipate making payments of approximately \$75 million during the remainder of 2011, approximately \$224 million in 2012 and approximately \$646 million in 2013. We will need to secure additional financing in order to fund these payments. In addition, in the event that we exercise our option with SHI to construct a seventh drillship, we will also need to secure funding for construction of that vessel. The final terms and availability of any financing for the obligations related to the construction of the *Pacific Khamsin* and the *Pacific Sharav* will be determined by, among other factors, current financial market conditions, our creditworthiness and drilling industry conditions. If we are unable to obtain or arrange the financing for these new drillships on satisfactory terms, these rigs could be delayed or otherwise not delivered by the shipyard, which could have a material adverse effect on our financial condition, results of operations and cash flows.

If any of our newbuild drillships are delayed, cancelled or not delivered as expected for any reason upon completion of construction, we will not be able to deliver the drillship to our customer under the drilling contract entered into for such drillship and for which we provide a performance guarantee. In such event, we will need to find a replacement unit that is acceptable to our customer. If we are unable to deliver an acceptable replacement, we will lose any anticipated income from the employment of such unit and may be required to pay substantial liquidated damages to our customer. Should we become liable under a performance guarantee, we could be held liable for the customer's potential damages, including, but not limited to, any increase in rates between our current drilling contract with the customer and any substitute drilling contract such customer may obtain. If we were to lose all or a portion of our investment, including any anticipated revenue from the operation of a drillship, or become liable to a customer for liquidated damages, our financial condition, results of operations and cash flows could be materially adversely affected.

We may be required to make significant capital expenditures to maintain our competitiveness and to comply with laws and the applicable regulations and standards of governmental authorities and organizations, which would negatively affect our financial condition, result of operations and cash flows.

Changes in offshore drilling technology, customer requirements for new or upgraded equipment and competition within our industry may require us to make significant capital expenditures in order to maintain our competitiveness. Our competitors may have greater financial and other resources than we have, which may

Table of Contents

Index to Financial Statements

enable them to make technological improvements to existing equipment or replace equipment that becomes obsolete. In addition, changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations, may require us to make additional unforeseen capital expenditures. For example, we may be required to make significant capital expenditures for alterations or the addition of new equipment to satisfy requirements of the U.S. Coast Guard and the American Bureau of Shipping. As a result, we may be required to take our vessels out of service for extended periods of time, with corresponding losses of revenues, in order to make such alterations or to add such equipment. In the future, market conditions may not justify these expenditures or enable us to operate our older vessels profitably during the remainder of their economic lives.

If we are unable to fund these capital expenditures with cash flow from operations, we may either incur additional borrowings or raise capital through the sale of debt or equity securities. Our ability to access the capital markets for future offerings may be limited by our financial condition at the time, by changes in laws and regulations (or interpretation thereof) and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we raise additional funds by issuing additional equity securities, existing shareholders may experience dilution. Our failure to obtain the funds for necessary future capital expenditures would limit our ability to continue to operate some of our vessels and could have a material adverse effect on our business and on our financial condition, results of operations and cash flows.

Worldwide economic and financial problems may materially reduce our revenue, profitability and cash flows.

The recent worldwide economic and financial problems reduced the availability of liquidity and credit to fund business operations worldwide and adversely affected our customers, suppliers and lenders. The recent global recession has caused a reduction in worldwide demand for energy and resulted in lower oil and natural gas prices. Demand for our services depends on activity in the oil and natural gas industry and capital expenditure levels, each of which is directly affected by trends in oil and natural gas prices. Any prolonged reduction in oil and natural gas prices would further depress the current levels of exploration, development and production activity. Perceptions of lower oil and natural gas prices by oil and natural gas companies over the long-term can similarly reduce or delay major expenditures. Lower levels of activity result in a corresponding decline in the demand for our services, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Global ultra-deepwater rig demand is heavily dependent on Petrobras' development plan for offshore Brazil.

While disruptions in any region or country or to any major operator have the potential to adversely impact our business either directly through our operations or indirectly through a reduction in overall demand for high-specification, ultra-deepwater rigs, this risk is especially pronounced in Brazil and with respect to Petrobras as an operator. Petrobras has announced a multi-billion dollar drilling program over the next several years to develop recently discovered pre-salt oil fields. As a result, we expect Brazil to be a major source of demand growth in the industry. However, Petrobras may not spend the sums outlined in its 2011-2015 business plan within the next several years or at all. Furthermore, Petrobras may not be able to obtain the necessary financing due to budget pressures, higher interest rates, adverse credit markets and other factors. Lower oil prices or lower-than-expected production may also prompt Petrobras to curtail its drilling program. Any substantial reduction in Petrobras' proposed drilling program for any reason would reduce demand for drilling services worldwide. Any reduction in the demand for drilling services may materially erode dayrates and/or utilization rates for our drillships, which could have a material adverse effect on our financial condition, results of operations and cash flows and could have a significant negative impact on the market price of our common shares.

Table of Contents

Index to Financial Statements

New technology and/or products may cause us to become less competitive, negatively impact our operations or increase our costs.

The offshore contract drilling industry is subject to the introduction of new drilling techniques and services that utilize new technologies, some of which may be subject to patent protection. New technologies and applications are constantly being developed that improve the economics of producing oil and natural gas and allow for the production of deposits formerly considered uneconomic to develop. As our competitors and others use or develop new technologies, we may be placed at a competitive disadvantage. Further, we may face competitive pressure to implement or acquire certain new technologies at a substantial cost. Some of our competitors have greater financial, technical and personnel resources that may allow them to access technological advantages and implement new technologies before we can. We cannot be certain that we will be able to implement new technology or products on a timely basis or at an acceptable cost. Thus, our inability to effectively use and implement new and emerging technology could have a material adverse effect on our financial condition, results of operations or cash flows.

Technology disputes involving us, our suppliers or sub-suppliers could negatively impact our operations or increase our costs.

Drilling units and drilling rig operations use patented or otherwise proprietary technology and, consequently, involve a potential risk of infringement of third party rights. The majority of the intellectual property rights relating to our drillships and related equipment are owned by us or our suppliers or sub-suppliers. In the event that we or one of our suppliers or sub-suppliers becomes involved in a dispute over infringement of intellectual property rights relating to equipment owned or used by us, we may lose access to repair services or replacement parts, or we could be required to cease use of some equipment. We could also be required to pay royalties for the use of equipment. Technology disputes involving us or our suppliers or sub-suppliers could adversely affect our financial results and operations.

We could be sued for patent infringement.

We could be sued for patent infringement related to certain technologies used on our drillships. Transocean sued Maersk Contractors USA Inc. (“Maersk”) for infringing two of Transocean’s U.S. patents involving dual activity on drilling assemblies. Some of our drillships can utilize technology related to the subject of this patent dispute. In April 2011, a jury determined that Maersk had not established that the asserted patent claims were invalid, that Maersk had infringed those claims, and awarded Transocean \$15 million for Maersk’s infringement. On June 30, 2011, the judge presiding over the case invalidated the jury award, entered judgment in Maersk’s favor, and determined as a matter of law that the asserted patent claims were invalid for obviousness, that they were invalid for having a defective patent application and that Maersk had not infringed. However, Transocean has appealed this judgment, and if they were to prevail upon the appeal, Transocean could choose to sue us or our customers for infringing its patents if we use, offer to sell, or sell related technology in the United States, and we could be forced to discontinue the use of the technology in question, pay royalties to Transocean, or make indemnity payments to our customers.

Dual gradient drilling techniques may not result in the currently expected benefits and, as a result, adequate demand may not develop for these capabilities.

The *Pacific Khamsin* and the *Pacific Sharav* will be upgraded to have dual gradient drilling capabilities. Dual gradient drilling is a technology that allows two different pressure gradients to be maintained in the well (one in the drilling riser and one in the well below the mudline) by a process of replacing mud from the drilling riser with a seawater-density fluid. Although dual gradient drilling technology was technically proven ten years ago, the *Pacific Santa Ana* will be the first rig to deploy this technology for commercial application. Dual gradient drilling may not result in expected savings in cost and time per well, higher flow rates and greater access to “undrillable” reserves and, as a result, adequate demand may not develop for these capabilities. In addition, the

Table of Contents

Index to Financial Statements

dual gradient drilling concept that will be deployed by the *Pacific Santa Ana* are disclosed in patents assigned to Chevron. A court could interpret our license with Chevron to use the technical information, data, and knowledge made available by Chevron for dual gradient drilling operations in all of our drilling units to require that our drilling contract with Chevron for the use of the *Pacific Santa Ana* remain in effect even after the license takes effect on February 1, 2014.

There may be limits to our ability to mobilize drillships between geographic areas, and the time and costs of such mobilizations may be material to our business.

The offshore contract drilling market is generally a global market as drilling units may be mobilized from one area to another. However, the ability to mobilize drilling units can be impacted by several factors including, but not limited to, governmental regulation and customs practices, the significant costs to move a drilling unit, weather, political instability, civil unrest, military actions and the technical capability of the drilling units to operate in various environments. Additionally, while a drillship is being mobilized from one geographic market to another, we may not be paid by the customer for the time that the drillship is out of service. Also, we may mobilize a drillship to another geographic market without a customer contract, which will result in costs not reimbursable by future customers.

Our drilling contracts may be terminated early in certain circumstances.

Our contracts with customers may be terminated at the option of the customer upon payment of an early termination fee, which is typically a significant percentage of the dayrate or the standby rate under the drilling contract for a specified period of time. Such payments may not, however, fully compensate us for the loss of the contract. Our contracts also provide for termination by the customer without the payment of any termination fee, under various circumstances, typically including, but not limited to, our non-performance, as a result of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events. Many of these events are beyond our control. During periods of depressed market conditions, we are subject to an increased risk of our customers seeking to terminate their contracts, including through claims of non-performance. Our customers' ability to perform their obligations under their drilling contracts with us may also be negatively impacted by continuing global economic uncertainty. If our customers terminate some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if payments due under our contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, our financial condition, results of operations or cash flows could be materially adversely affected. In addition, if any of our drilling contracts defaults, is terminated, and is not replaced in a timely manner with an acceptable contract under our Project Facilities Agreement, our obligations to repay outstanding indebtedness under the Project Facilities Agreement can be accelerated.

We are a holding company and are dependent upon cash flow from subsidiaries to meet our obligations. If our operating subsidiaries experience sufficiently adverse changes in their financial position or results of operations, or we otherwise become unable to pay our debts as they become due and obtain further credit, we may become subject to Luxembourg insolvency proceedings.

As we currently conduct our operations through, and most of our assets are owned by, our subsidiaries, our operating income and cash flow are generated by our subsidiaries. As a result, cash we obtain from our subsidiaries is the principal source of funds necessary to meet our obligations. Contractual provisions or laws, as well as our subsidiaries' financial condition, operating requirements and debt requirements, may limit our ability to obtain cash from subsidiaries that we require to pay our expenses or meet our current or future debt service obligations. Applicable tax laws may also subject such payments to us by subsidiaries to further taxation.

The inability to transfer cash from our subsidiaries may mean that, even though we may have sufficient resources on a consolidated basis to meet our obligations, we may not be permitted to make the necessary transfers from our subsidiaries to meet our debt and other obligations. Likewise, we may not be able to make

Table of Contents

Index to Financial Statements

necessary transfers from our subsidiaries in order to provide funds for the payment of our obligations, for which we are or may become responsible under the terms of the agreements governing our indebtedness. The terms of certain of the agreements governing our indebtedness described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Description of Indebtedness” also place restrictions on our cash balance and require us to maintain reserves of cash which could inhibit our ability to meet our obligations.

If our operating subsidiaries experience sufficiently adverse changes in their financial position or results of operations, or we otherwise become unable to pay our debts as they become due and obtain further credit, we may be in a state of cessation of payments (*cessation de paiements*) and lose our commercial creditworthiness (*ébranlement de crédit*), which could result in the commencement of insolvency proceedings in Luxembourg. Such proceedings would have a material adverse effect on our financial condition, results of operations or cash flows and could have a significant negative impact on the market price of our common shares.

The loss of some of our key executive officers and employees could negatively impact our business.

Our future operational performance depends to a significant degree upon the continued service of key members of our management as well as marketing, sales and operations personnel. The loss of one or more of our key personnel could have a material adverse effect on our business. We believe our future success will also depend in large part upon our ability to attract, retain and further motivate highly skilled management, marketing, sales and operations personnel. We may experience intense competition for personnel, and we may not be able to retain key employees or be successful in attracting, assimilating and retaining personnel in the future.

Our business involves numerous operating hazards, and our insurance may not be adequate to cover our losses.

Our operations are subject to the usual hazards inherent in the drilling and operation of oil and natural gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, craterings, fires, explosions and pollution. The occurrence of any of these events could result in the suspension of our drilling or production operations, claims by the operator, severe damage to, or destruction of, the property and equipment involved, injury or death to drilling unit personnel and environmental damage. Our operations could be suspended as a result of these hazards whether the fault is ours or that of a third party. In certain circumstances, governmental authorities may suspend drilling operations as a result of these hazards, and our customers may cancel or terminate their contracts. We may also be subject to personal injury and other claims of drilling unit personnel as a result of our drilling operations. Our operations also may be suspended because of machinery breakdowns, abnormal operating conditions, failure of subcontractors to perform or supply goods or services and personnel shortages.

In addition, our operations will be subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Severe weather could have a material adverse effect on our operations. Our drilling units could be damaged by high winds, turbulent seas or unstable sea bottom conditions which could potentially cause us to curtail operations for significant periods of time until such damages are repaired.

Damage to the environment could result from our operations, particularly through oil spillage or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and natural gas companies, other businesses operating offshore and in coastal areas, environmental conservation groups, governmental entities and other third parties. Insurance policies and contractual rights to indemnity may not adequately cover losses, and we may not have insurance coverage or rights to indemnity for all risks. Moreover, pollution and environmental risks generally are not fully insurable.

As a result of the number of catastrophic events in the offshore drilling industry in recent years, such as hurricanes in the Gulf of Mexico and the *Deepwater Horizon* drilling rig incident, insurance underwriters have

Table of Contents

Index to Financial Statements

increased insurance premiums and increased restrictions on coverage. In particular, hurricane losses in recent years have impacted named windstorm insurance coverage, rates and availability for Gulf of Mexico area exposures. The Project Facilities Agreement requires us to carry named windstorm insurance in the event that two or more of our drillships operate in the Gulf of Mexico or other areas prone to the occurrence of named windstorms. Currently, we only have one drillship, the *Pacific Santa Ana*, contracted to operate in the Gulf of Mexico and are therefore presently not required to carry named windstorm insurance. If we were required to obtain named windstorm insurance in the future, our costs for obtaining insurance coverage could significantly increase. Furthermore, we may not be able to obtain such insurance on commercially reasonable terms.

Losses caused by the occurrence of a significant event against which we are not fully insured, or caused by a number of lesser events against which we are insured but are subject to substantial deductibles, aggregate limits and/or self-insured amounts, could materially increase our costs and impair our profitability and financial condition. Our policy limits for property, casualty, liability and business interruption insurance, including coverage for severe weather, terrorist acts, war, civil disturbances, pollution or environmental damage, may not be adequate should a catastrophic event occur related to our property, plant or equipment, or our insurers may not have adequate financial resources to sufficiently or fully pay related claims or damages. When any of our coverage expires, adequate replacement coverage may not be available, offered at reasonable prices or offered by insurers with sufficient financial resources.

Our customers may be unable or unwilling to indemnify us.

Consistent with standard industry practice, our customers generally assume, and indemnify us against, well control and subsurface risks under our dayrate contracts. These risks are associated with the loss of control of a well, such as blowout or cratering, the cost to regain control or redrill the well and associated pollution. However, our indemnification may not cover all damages, claims or losses to us or third parties, and the customer may not have sufficient resources to cover their indemnification obligations or the customer may contest their obligation to indemnify us. Also, in the interest of maintaining good relations with our key customers, we may choose not to assert certain indemnification claims. In addition, from time to time, we may be unable to negotiate contracts containing indemnity provisions that obligate our customers to indemnify us for such damages and risks.

Our financial condition may be adversely affected if we fail to successfully integrate acquired assets or businesses we acquire, or are unable to obtain financing for acquisitions on acceptable terms.

We believe that acquisition opportunities may arise from time to time, and any such acquisition could be significant. At any given time, discussions with one or more potential sellers may be at different stages. However, any such discussions may not result in the consummation of an acquisition transaction, and we may not be able to identify or complete any acquisitions. We cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading price of our common shares.

Any future acquisitions could present a number of risks, including:

- the risk of using management time and resources to pursue acquisitions that are not successfully completed;
- the risk of incorrect assumptions regarding the future results of acquired operations;
- the risk of failing to integrate the operations or management of any acquired operations or assets successfully and timely; and
- the risk of diversion of management's attention from existing operations or other priorities.

In addition, if we are unsuccessful in integrating any acquisitions in a timely and cost-effective manner, our financial condition, results of operations or cash flows could be materially adversely affected.

Table of Contents

Index to Financial Statements

Our potential purchase of existing vessels carries risks associated with the quality of those vessels.

In the future, we may acquire existing vessels as a way of renewing and expanding our fleet. Unlike newbuilds, existing vessels typically do not carry warranties with respect to their condition. While we generally inspect any existing vessel prior to purchase, such an inspection would normally not provide us with as much knowledge of its condition as we would possess if the vessel had been built for us and operated by us during its life. Repairs and maintenance costs for existing vessels are difficult to predict and may be more substantial than for vessels that we have operated since they were built. These costs could decrease our profits and reduce our liquidity.

We may enter into short-term drilling contracts, which may cause us to experience reduced profitability if customers reduce activity levels, terminate or seek to renegotiate drilling contracts, or if market conditions dictate that we enter into contracts that provide for payment based on a footage or turnkey basis, rather than on a dayrate basis.

Many drilling contracts are short-term, and oil and natural gas companies tend to reduce activity levels quickly in response to declining oil and natural gas prices. We may enter into short-term drilling contracts, which may adversely affect our business during a decline in market conditions if customers reduce their levels of operations.

During depressed market conditions, a customer may no longer need a unit that is currently under contract or may be able to obtain a comparable unit at a lower dayrate. As a result, customers may seek to renegotiate the terms of their existing drilling contracts or avoid their obligations under those contracts. In addition, our customers may have the right to terminate, or may seek to renegotiate, existing contracts if we experience downtime, operational problems above the contractual limit or safety-related issues, if the drilling unit is a total loss, if the drilling unit is not delivered to the customer within the period specified in the contract or in other specified circumstances, which include events beyond the control of either party.

We may enter into contracts in the future that include terms allowing customers to terminate those contracts without cause, with little or no prior notice and without penalty or early termination payments. In addition, we could be required to pay penalties, which could be material, if those contracts are terminated due to downtime, operational problems or failure to deliver. In addition, we may enter into contracts in the future that may be cancellable at the option of the customer upon payment of a penalty, which may not fully compensate us for the loss of the contract. Early termination of a contract may result in a drilling unit being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness.

Currently, our drilling contracts are dayrate contracts, where we charge a fixed rate per day regardless of the number of days needed to drill the well. While we plan to continue to perform services on a dayrate basis, market conditions may dictate that we enter into contracts that provide for payment based on a footage basis, where we are paid a fixed amount for each foot drilled regardless of the time required or the problems encountered in drilling the well, or enter into turnkey contracts, whereby we agree to drill a well to a specific depth for a fixed price and bear some of the well equipment costs. These types of contracts are more risky than a dayrate contract as we would be subject to downhole geologic conditions in the well that cannot always be accurately determined and subject us to greater risks associated with equipment and downhole tool failures. Unfavorable downhole geologic conditions and equipment and downhole tool failures may result in significant cost increases or may result in a decision to abandon a well project which would result in us not being able to invoice revenues for providing services. Any such termination or renegotiation of contracts and unfavorable cost increases or loss of revenue could have a material adverse effect on our financial condition, results of operations or cash flows.

Table of Contents

Index to Financial Statements

Our labor costs and the operating restrictions under which we operate could increase as a result of collective bargaining negotiations and changes in labor laws and regulations.

Some of our employees working in Nigeria and Brazil may in the future be represented by, and some of our contracted labor work under, collective bargaining agreements. Many of these represented individuals are working under agreements that are subject to annual salary negotiation. These negotiations could result in higher personnel expenses, other increased costs or increased operational restrictions as the outcome of such negotiations apply to all offshore employees not just the union members. Although our U.S. employees are not covered by a collective bargaining agreement, the marine services industry has been targeted by maritime labor unions in an effort to organize U.S. Gulf of Mexico employees. In addition, legislation has been introduced in the U.S. Congress that could encourage additional unionization efforts in the United States, as well as increase the chances that such efforts succeed. A significant increase in the wages paid by competing employers or the unionization of our U.S. Gulf of Mexico employees could result in a reduction of our skilled labor force, increases in the wage rates that we must pay, or both. Additional unionization efforts, if successful, new collective bargaining agreements could materially increase our labor costs. Strikes and work stoppages could have material adverse effect on our operations.

We may suffer losses as a result of foreign currency fluctuations.

A significant portion of the contract revenues of our foreign operations will be paid in U.S. Dollars; however, some payments are made in foreign currencies. As a result, we are exposed to currency fluctuations and exchange rate risks as a result of our foreign operations. To minimize the financial impact of these risks when we are paid in foreign currency, we attempt to match the currency of operating costs with the currency of contract revenue. If we are unable to substantially match the timing and amounts of these payments, any increase in the value of the U.S. Dollar in relation to the value of applicable foreign currencies could adversely affect our operating revenues when translated into U.S. Dollars.

We are exposed to the credit risks of our customers, and nonpayment by our customers could adversely affect our financial condition, results of operations or cash flows.

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. Any material nonpayment or nonperformance by our customers and certain other third parties could adversely affect our financial condition, results of operations or cash flows. If any of our customers or other parties default on their obligations to us, our financial condition, results of operations or cash flows could be adversely affected. Furthermore, some of our customers and other parties may be highly leveraged and subject to their own operating and regulatory risks.

Terrorist attacks, piracy, increased hostilities or war could lead to further economic instability, increased costs and disruption of our business.

Terrorist attacks, piracy and the current conflicts in Egypt and Libya and other current and future conflicts, may adversely affect our business, operating results, financial condition, ability to raise capital and future growth. Continuing hostilities in the Middle East may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States, or elsewhere, which may contribute to further to economic instability and disruption of oil production and distribution, which could result in reduced demand for our services.

In addition, oil facilities, shipyards, vessels, pipelines and oil and natural gas fields could be targets of future terrorist attacks and our vessels could be targets of pirates or hijackers. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport oil and natural gas to or from certain locations. Terrorist attacks, war, piracy or other events beyond our control that adversely affect the production of oil could entitle our customers to terminate our drilling contracts, which would have a material adverse effect on our financial condition, results of operations and cash flows.

Table of Contents

Index to Financial Statements

Risks Relating to the Offering and an Investment in Our Common Shares

The price of our common shares after the offering may be volatile.

The trading price of our common shares could fluctuate significantly in response to, among other things, variations in operating results, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors or changes to the regulatory environment in which we operate.

The price of our common shares may be volatile and may fluctuate due to various factors, including:

- actual or anticipated fluctuations in quarterly and annual results;
- mergers and strategic alliances in the offshore contract drilling industry;
- market conditions in the offshore contract drilling industry;
- changes in government regulations;
- shortfalls in our operating results from levels forecasted by securities analysts;
- changes in our dividend policy;
- announcements concerning us or our competitors;
- the failure of securities analysts to publish research about us after the offering, or analysts making changes in their financial estimates;
- general economic conditions;
- terrorist acts;
- future issuances of our common shares or other securities;
- sales of substantial amounts of our common shares or the perception that such sales could occur;
- investors' perception of us and the offshore contract drilling industry;
- the general state of the securities market; and
- other developments affecting our business, our industry or our competitors.

The offshore contract drilling industry has been unpredictable and volatile. Securities markets worldwide are experiencing significant price and volume fluctuations. The market price for our common shares may also be volatile. This market volatility, as well as general economic, market or political conditions, could reduce the market price of the common shares despite our operating performance. Consequently, you may not be able to sell the common shares at prices equal to or greater than the purchase price set in the offering.

Your rights and responsibilities as a shareholder will be governed by Luxembourg law and will differ in some respects from the rights and responsibilities of shareholders under other jurisdictions, including the United States, and shareholder rights under Luxembourg law may not be as clearly established as shareholder rights under the laws of other jurisdictions.

Our corporate affairs are governed by our articles of association, as amended from time to time (the “Articles”), and by the laws governing companies incorporated in Luxembourg. The rights of our shareholders and the responsibilities of members of our board of directors (the “Board of Directors”) under Luxembourg law may not be as clearly established as shareholder rights under the laws of other jurisdictions. We anticipate that all of our shareholder meetings will take place in Luxembourg.

In addition, the rights of shareholders as they relate to, for example, the exercise of shareholder rights, are governed by Luxembourg law and our Articles and differ from the rights of shareholders under other

Table of Contents

Index to Financial Statements

jurisdictions, including the United States. The holders of our common shares may have more difficulty in protecting their interests in the face of actions by the Board of Directors than if we were incorporated in the United States.

Because we are incorporated under the laws of Luxembourg, you may face difficulty protecting your interests, and your ability to protect your rights through other international courts, including the United States, may be limited.

We are incorporated under the laws of Luxembourg, and the majority of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within certain jurisdictions, including the United States, in a way that will permit a court in such country to have jurisdiction over us, or to enforce judgments against them obtained in the U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal and state securities laws. Please read “Enforceability of Civil Liabilities.”

We are controlled by a single shareholder, which could result in potential conflicts of interest with our public shareholders.

At the completion of this offering, an entity controlled by the Quantum Pacific Group will beneficially own approximately 69% of our outstanding common shares (assuming that the underwriters’ option to purchase additional common shares is not exercised) and will be in a position to control actions that require the consent of our shareholders, including the election of directors, amendment of our Articles and any merger or sale of substantially all of our assets. In addition, three members of our Board of Directors are also employees of Quantum Pacific Advisory Limited, an affiliate of the Quantum Pacific Group, including Mr. Ron Moskovitz, the Chairman of our Board of Directors, who is also the Chief Executive Officer of Quantum Pacific Advisory Limited. We also have certain contractual arrangements with the Quantum Pacific Group. See “Related Party Transactions.”

There are no restrictions on the ability of the Quantum Pacific Group to compete with us and they are a 50% owner of TPDI, a potential direct competitor in our markets. In addition, potential conflicts of interest exist or could arise in the future for our directors who are also officers of Quantum Pacific Advisory Limited with respect to a number of areas relating to the past and ongoing relationships of the Quantum Pacific Group and us. Although the affected directors may abstain from voting on matters in which our interests and those of the Quantum Pacific Group are in conflict, the presence of potential or actual conflicts could affect the process or outcome of the deliberations of our Board of Directors and may have an adverse effect on our public shareholders.

There is no guarantee that an active and liquid public market will develop for you to resell our common shares.

Our common shares are quoted and traded on the OTC List in the Norwegian securities market, which is a trading support system for unlisted shares for members of the Norwegian Securities Dealers Association. In connection with this offering, we have been approved to list our common shares on the NYSE, subject to official notice of issuance. We cannot assure you that an active and liquid public market for our common shares will develop as a result of listing on the NYSE. If an active public market for our common shares does not develop on the NYSE following the completion of this offering, the market price and liquidity of our common shares may be materially and adversely affected. The initial public offering price for our common shares will be determined by negotiation between us and the underwriters based upon several factors, and the trading price of our common shares after this offering may decline below the initial public offering price. As a result, investors in our common shares may experience a significant decrease in the value of their common shares.

Table of Contents

Index to Financial Statements

Future sales of our common shares in the public market could lower our share price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

We may sell additional common shares in subsequent public offerings. We may also issue additional common shares or convertible securities. After the completion of this offering, we will have 216,000,000 outstanding common shares. This number includes 6,000,000 shares that we are selling in this offering (assuming no exercise of the underwriters' over-allotment option), which may be resold immediately in the public market.

Following the completion of this offering, Quantum Pacific Group will own 150,000,000 shares, or approximately 69% of our total outstanding common shares, and certain of our officers and directors will own 100,000 shares, or approximately 0.05% of our outstanding common shares, all of which are restricted from immediate resale under the federal securities laws and are subject to the lock-up agreements between such parties and the underwriters described in "Underwriters," but may be sold into the market in the future. In connection with this offering, we intend to enter into a registration rights agreement with Quantum Pacific (Gibraltar) Limited which will require us to effect the registration of its common shares in certain circumstances no earlier than the expiration of the lock-up period contained in the underwriting agreement entered into in connection with this offering.

In addition, we previously issued 60,000,000 common shares in the 2011 Private Placement. The 41,850,000 common shares initially sold pursuant to Regulation S in the 2011 Private Placement or those sold in subsequent resales pursuant to Regulation S may be resold immediately in the U.S. public market and the common shares sold pursuant to Rule 144A in the 2011 Private Placement may be resold in the U.S. public market, subject to compliance with Rule 144 under the Securities Act.

As soon as practicable after this offering, we intend to file a registration statement with the SEC on Form S-8 providing for the registration of 7,200,000 common shares issued or reserved for issuance under our stock incentive plan. Subject to the satisfaction of vesting conditions and the expiration of lock-up agreements, common shares registered under this registration statement on Form S-8 will be available for resale immediately in the public market without restriction.

We cannot predict the size of future issuances of our common shares or the effect, if any, that future issuances and sales of our common shares will have on the market price of our common shares. Sales of substantial amounts of our common shares (including any common shares registered pursuant to the registration rights agreement with Quantum Pacific (Gibraltar) Limited, any shares transferred by shareholders on the Norwegian OTC to the NYSE, any common shares registered on Form S-8, any shares issued in connection with an acquisition or any other sales of common shares in the public market), or the perception that such sales could occur, may adversely affect prevailing market prices of our common shares.

Upon the completion of this offering, our common shares will be listed on two separate stock markets and investors seeking to take advantage of price differences between such markets may create unexpected volatility in our share price; in addition, investors may not be able to easily move shares between such markets for trading.

Our common shares are already listed and traded on the Norwegian OTC List and concurrently with the completion of this offering will be additionally listed and traded on the NYSE. Price levels for our common shares could fluctuate significantly on either market, independent of our share price on the other market. Investors could seek to sell or buy our shares to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on either exchange and the volumes of shares available for trading on either exchange. In addition, holders of shares in either jurisdiction will not immediately be able to transfer such shares for trading on the other market without effecting necessary procedures with our transfer agent. This could result in time delays and additional costs for our shareholders who wish to move their securities to be traded in the alternative market. Shareholders on the Norwegian OTC List may seek to sell their shares on the NYSE as it is a more liquid market, causing the trading price of our common shares on the NYSE to decline.

Table of Contents

Index to Financial Statements

We will continue to incur significant increased costs as a result of operating as a company whose shares are publicly traded in the United States, and our management will be required to devote substantial time to new compliance initiatives.

As a company whose shares are publicly traded in the United States, we will incur significant legal, accounting and other expenses that we did not incur prior to this offering. In addition, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), and the rules of the SEC and the NYSE, have imposed various requirements on public companies, including those requiring establishment and maintenance of effective disclosure and financial controls. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and investors’ views of us could be harmed.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, beginning with our annual report on Form 20-F for the fiscal year ending December 31, 2012. Our compliance with Section 404 of the Sarbanes-Oxley Act will require that we incur substantial accounting expense and expend significant management efforts. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our common shares could decline and we could be subject to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources.

Our ability to successfully implement our business plan and comply with Section 404 requires us to be able to prepare timely and accurate financial statements. We expect that we will need to continue to improve existing, and implement new, operational and financial systems, procedures and controls to manage our business effectively. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer, and we may be unable to conclude that our internal control over financial reporting is effective and to obtain an unqualified report on internal controls from our auditors as required under Section 404 of the Sarbanes-Oxley Act. Moreover, we cannot be certain that these measures would ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we were to conclude, and our auditors were to concur, that our internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. This, in turn, could have an adverse impact on trading prices for our common shares, and could adversely affect our ability to access the capital markets.

We will be a “foreign private issuer” and “controlled company” under the NYSE rules, and as such we are entitled to exemption from certain NYSE corporate governance standards, and you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

After the consummation of this offering, we will be a “foreign private issuer” under the securities laws of the United States and the rules of the NYSE. Under the NYSE rules, a “foreign private issuer” is subject to less stringent corporate governance requirements than a domestic issuer. Subject to certain exceptions, the rules of the

Table of Contents

Index to Financial Statements

NYSE permit a “foreign private issuer” to follow its home country practice in lieu of the listing requirements of the NYSE. In addition, after the consummation of this offering, Quantum Pacific Group will continue to control a majority of our outstanding common shares. As a result, we will be a “controlled company” within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by another company or group is a “controlled company” and may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the nominating committee be composed entirely of independent directors and have a written charter addressing the committee’s purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee’s purpose and responsibilities and (4) the requirement of an annual performance evaluation of the nominating and corporate governance and compensation committees. As permitted by these exemptions, as well as by our bylaws and the laws of Luxembourg, we currently intend to have a board of directors with a majority of non-independent directors, an audit committee comprised solely of three independent directors and a compensation committee with one or more non-independent directors serving as committee members. As a result, non-independent directors, may, among other things, fix the compensation of our management, make common share and option awards and resolve governance issues regarding our company. Accordingly, in the future you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

As a “foreign private issuer,” we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than other U.S. public companies. This may limit the information available to holders of our common shares.

As a “foreign private issuer,” we are not subject to all of the disclosure requirements applicable to companies organized within the United States. For example, we are exempt from certain rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers and directors are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as other U.S. public companies. Accordingly, there may be less information concerning our company publicly available than there is for other U.S. public companies.

Tax Risks

Changes in tax laws, treaties or regulations or adverse outcomes resulting from examination of our tax returns could adversely affect our financial results.

Our future effective tax rates could be adversely affected by changes in tax laws, treaties and regulations, both in the United States and internationally. Tax laws, treaties and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate or are resident. Our income tax expense is based upon the interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings. If any country successfully challenges our income tax filings based on our structure, or if we otherwise lose a material tax dispute, our effective tax rate on worldwide earnings could increase substantially and our financial results could be materially adversely affected.

We may not be able to make distributions without subjecting you to Luxembourg withholding tax.

If we are not successful in our efforts to make distributions, if any, through a withholding tax free reduction of share capital or share premium (the absence of withholding on such distributions is subject to certain requirements), then any dividends paid by us will generally be subject to a Luxembourg withholding tax at a rate

Table of Contents

Index to Financial Statements

of 15% (17.65% if the dividend tax is not charged to the shareholder) (subject to the reductions/exceptions discussed under “Tax Considerations—Material Luxembourg Tax Considerations for Holders of Common Shares—Exemption from Luxembourg Withholding Tax”). The withholding tax must be withheld from the gross distribution and paid to the Luxembourg tax authorities. Under current Luxembourg tax law, a reduction of share capital or share premium is not subject to Luxembourg withholding tax provided that certain conditions are met, including, for example, the condition that we do not have distributable reserves or profits. However, there can be no assurance that our shareholders will approve such a reduction in share capital or share premium, that we will be able to meet the other legal requirements for a reduction in share capital or share premium, or that Luxembourg tax withholding rules will not be changed in the future. In addition, over the long term, the amount of share capital and share premium available for us to use for capital reductions will be limited. If we are unable to make a distribution through a withholding tax free reduction in share capital or share premium, we may not be able to make distributions without subjecting you to Luxembourg withholding taxes.

U.S. tax authorities could treat us as a “passive foreign investment company,” which could have adverse U.S. federal income tax consequences to U.S. holders.

A foreign corporation will be treated as a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of “passive income” or (2) at least 50% of the average value of the corporation’s assets for any taxable year produce or are held for the production of those types of “passive income.” For purposes of these tests, “passive income” includes dividends, interest and gains from the sale or exchange of investment property and rents and royalties other than certain rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, but does not include income derived from the performance of services. U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their interests in the PFIC.

We believe that we will not be a PFIC for the current taxable year or for any future taxable year. Based on our operations described herein, all or a substantial portion of our income from offshore contract drilling services should be treated as services income and not as passive income, and thus all or a substantial portion of the assets that we own and operate in connection with the production of that income should not constitute passive assets, for purposes of determining whether we are a PFIC. However, this involves a facts and circumstances analysis and it is possible that the IRS would not agree with this conclusion. Please read “—Material U.S. Federal Income Tax Considerations for Holders of Common Shares—Passive Foreign Investment Company Rules.”

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. Where any forward-looking statement includes a statement about the assumptions or bases underlying the forward-looking statement, we caution that, while we believe these assumptions or bases to be reasonable and made in good faith, assumed facts or bases almost always vary from the actual results, and the differences between assumed facts or bases and actual results can be material, depending upon the circumstances. Where, in any forward-looking statement, our management expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. We cannot assure you, however, that the statement of expectation or belief will result or be achieved or accomplished. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. Forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar terms and phrases, including references to assumptions. Forward-looking statements involve risks and uncertainties that may cause actual future activities and results of operations to be materially different from those suggested or described in this prospectus. These risks include the risks that are identified in the “Risk Factors” section of this prospectus, and also include, among others, risks associated with the following:

- our limited operating history;
- our limited number of assets and small number of customers;
- competition within our industry;
- oversupply of rigs comparable to ours or higher specification rigs;
- reduced expenditures by oil and natural gas exploration and production companies;
- restrictions on offshore drilling, including the impact of the *Deepwater Horizon* incident on offshore drilling;
- corruption, militant activities, political instability, ethnic unrest and regionalism in Nigeria and other countries where we may operate;
- delays and cost overruns in construction projects;
- our substantial level of indebtedness;
- our ability to incur additional indebtedness under and compliance with restrictions and covenants in our debt agreements;
- our need for cash to meet our debt service obligations;
- our levels of operating and maintenance costs;
- availability of skilled workers and the related labor costs;
- compliance with governmental, tax, environmental and safety regulation;
- any non-compliance with the FCPA or the United Kingdom’s Anti-Bribery Act;
- general economic conditions and conditions in the oil and natural gas industry;
- effects of new products and new technology in our industry;
- termination of our customer contracts;
- our dependence on key personnel;
- operating hazards in the oilfield services industry;
- adequacy of insurance coverage in the event of a catastrophic event;

Table of Contents

Index to Financial Statements

- our ability to obtain indemnity from customers;
- changes in tax laws, treaties or regulations;
- the volatility of the price of our common shares;
- our incorporation under the laws of Luxembourg and the limited rights to relief that may be available compared to other countries, including the United States; and
- potential conflicts of interest between our controlling shareholder and our public shareholders.

Any forward-looking statements contained in this prospectus should not be relied upon as predictions of future events. No assurance can be given that the expectations expressed in these forward-looking statements will prove to be correct. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions or expectations proves to be inaccurate or is not realized. You should thoroughly read this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and in “Risk Factors” in this prospectus. Additionally, new risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the forward-looking statements by these cautionary statements.

Readers are cautioned not to place undue reliance on the forward-looking statements contained in this prospectus, which represent the best judgment of our management. Such statements, estimates and projections reflect various assumptions made by us concerning anticipated results, which are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond our control and which may or may not prove to be correct. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately \$47.4 million, or approximately \$54.9 million if the underwriters exercise their over-allotment option in full, in each case after deducting underwriting discounts, commissions, structuring fees and estimated offering expenses payable by us, based on an assumed initial public offering price of \$9.00 per common share, the mid-point of the price range on the cover page of this prospectus.

The principal purposes of this offering are to increase our visibility in the marketplace and create a liquid public market in the United States for our common shares. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for these proceeds or the amounts that we plan to use for any particular purpose. Accordingly, our management team will have broad discretion in using these proceeds. However, we currently expect to use the net proceeds of this offering, including any exercise of the underwriters' over-allotment option, primarily for general corporate purposes, which may include working capital, general and administrative matters and capital expenditures. We may also use a portion of these proceeds to make the down payment for a seventh drillship if we determine to exercise our option with SHI, although we have not made any determination with respect to the exercise of the option as of the date of this prospectus.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$9.00 per common share would increase (decrease) the net proceeds to us from this offering by approximately \$5.5 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts, commissions, structuring fees and estimated offering expenses payable by us.

DIVIDEND POLICY

We have not paid a dividend on our common shares, cash or otherwise, and we do not intend to do so in the immediate future. Additionally, our Project Facilities Agreement restricts the entities that own the *Pacific Bora*, the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana* from distributing cash to us until January 2014, which may restrict our ability to make dividends to our shareholders. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Description of Indebtedness” for a more detailed description of the terms of our Project Facilities Agreement.

The payment of future dividends, if any, will be determined by us in light of conditions then existing, including our earnings, financial condition, capital requirements, restrictions in existing and future financing agreements, business conditions and other factors. Pursuant to our Articles, the Board of Directors has the power to distribute interim dividends in accordance with applicable Luxembourg law. Dividends may be lawfully declared and paid if our net profits and distributable reserves are sufficient under Luxembourg law. Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve subsequently falls below the 10% threshold, at least 5% of net profits again must be allocated toward the reserve. The legal reserve is not available for distribution.

We intend to make a dividend to holders of our common shares as soon as we determine it is prudent to do so, taking into account capital expenditures, targeted growth and performance metrics, and restrictions on cash distributions to us by certain of our subsidiaries under the terms of our Project Facilities Agreement and any additional debt financing we enter into in connection with the construction of the *Pacific Khamsin*, the *Pacific Sharav* and any additional drillships we may construct or acquire.

Table of Contents

Index to Financial Statements

SHARE PRICE

Our common shares have traded on the Norwegian OTC since the closing of our 2011 Private Placement on April 5, 2011, under the symbol “PDSA.” The closing price of our common shares on the Norwegian OTC was 48.00 NOK per share on November 4, 2011, which was equivalent to approximately \$8.85 per share based on the federal reserve noon buying rate of NOK 5.42 to \$1.00 in effect on that date.

We have been approved to list our common shares on the NYSE under the symbol “PACD,” subject to official notice of issuance.

The following table sets forth the monthly high and low sale price for our common shares as reported on the Norwegian OTC List since April 5, 2011, the day our common shares commenced trading, as well as the equivalent US\$ per common share based on the Bloomberg Composite London Close rates in effect on such date.

	<u>Fiscal Year Ended December 31, 2011</u>	<u>Price Per Common Share</u>			
		<u>High (NOK)</u>	<u>High (US\$)</u>	<u>Low (NOK)</u>	<u>Low (US\$)</u>
October		51.00	\$ 9.43	46.00	\$7.76
September		53.00	9.54	47.50	8.18
August		47.00	8.78	38.00	6.87
July		47.50	8.88	44.50	8.06
June		49.50	9.29	42.00	7.64
May		50.00	8.57	46.25	8.25
April ⁽¹⁾		55.00	10.06	49.00	8.94

(1) April 5, 2011–April 30, 2011

Table of Contents

Index to Financial Statements

CAPITALIZATION

The following table sets forth our (i) cash and cash equivalents, (ii) restricted cash and (iii) consolidated capitalization at June 30, 2011, on an:

- actual basis; and
- as adjusted basis, giving effect to the issuance and sale of the common shares offered hereby at an assumed initial public offering price of \$9.00 per share, the mid-point of the price range on the cover page of this prospectus.

This information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	As of June 30, 2011	
	Actual	As Adjusted
	(In thousands, except for par value and share amounts)	
Cash and cash equivalents ⁽¹⁾	<u>\$ 181,533</u>	<u>\$ 228,963</u>
Restricted cash ⁽²⁾	<u>113,955</u>	<u>113,955</u>
Long-term debt, including current maturities ⁽¹⁾	931,000	931,000
Stockholders’ equity:		
Common shares, \$0.01 par value; 5,000,000,000 shares authorized on an actual basis and on an as adjusted basis; 210,000,000 shares issued and outstanding on an actual basis, 216,000,000 shares issued and outstanding on an as adjusted basis	2,100	2,160
Additional paid-in capital	2,292,099	2,339,469
Accumulated other comprehensive loss	(25,396)	(25,396)
Accumulated deficit	(12,548)	(12,548)
Total shareholders’ equity	<u>2,256,255</u>	<u>2,303,685</u>
Total capitalization	<u>\$3,187,255</u>	<u>\$3,234,685</u>

- (1) We used an estimated \$310 million of the proceeds from the 2011 Private Placement to fund a portion of the construction costs for the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana* through June 30, 2011. Following June 30, 2011, we borrowed \$175 million under the Scirocco Term Loan to fund our obligations and paid \$25 million in principal on the Pacific Bora Term Loan. We expect to borrow an additional \$250 million under the Mistral Term Loan in connection with the Lenders’ approval of our drilling contract and an additional \$344 million under the Santa Ana Term Loan to fund the remaining \$282 million payable to SHI on the *Pacific Santa Ana* upon delivery and our other future obligations.
- (2) Restricted cash consists primarily of bank accounts held with financial institutions as security for the term loan facilities of our Project Facilities Agreement and includes \$25.5 million of current restricted cash and \$88.5 million of long-term restricted cash as of June 30, 2011.

Table of Contents

Index to Financial Statements

DILUTION

As of June 30, 2011, we had net adjusted tangible book value of \$2,201 million, or \$10.48 per share. After giving effect to the sale of 6,000,000 common shares at an assumed initial offering price of \$9.00 per share, the mid-point of the price range on the cover page of this prospectus, deducting the estimated underwriting discounts and commissions and estimated offering expenses, and assuming that the underwriters' over-allotment option is not exercised, the pro forma net adjusted tangible book value as of June 30, 2011 would have been \$2,249 million, or \$10.41 per share. This represents an immediate dilution in net tangible book value of \$0.07 per share to existing shareholders and an immediate accretion of net adjusted tangible book value of \$1.41 per share to new investors. The following table illustrates the pro forma per share accretion and dilution as of June 30, 2011:

Assumed initial public offering price per share	\$ 9.00
Net adjusted tangible book value per share	\$ 10.48
Decrease in net adjusted tangible book value per share attributable to new investors in this offering	(\$ 0.07)
Pro forma net adjusted tangible book value per share after giving effect to this offering	\$ 10.41
Accretion per share to new investors	\$ 1.41

Net tangible book value per common share is determined by dividing our tangible net worth, which consists of tangible assets less liabilities, by the number of common shares outstanding. Dilution or accretion is the amount by which the offering price paid by the purchasers of our common shares in this offering will differ from the net tangible book value per common share after the offering. Accretion per share to new investors would be \$1.40 if the underwriters exercised their over-allotment option in full.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$9.00 per share would increase (decrease) our pro forma as adjusted net tangible book value after giving effect to this offering by \$5.5 million, our pro forma as adjusted net tangible book value per share after giving effect to this offering by \$0.03 per share, and the accretion in our pro forma as adjusted net tangible book value per share to new investors in this offering by \$0.97 per share, after deducting the estimated underwriting discounts, commissions, structuring fees and estimated offering expenses payable by us in connection with this offering.

The following table summarizes, on a pro forma basis as of June 30, 2011, the differences between the number of common shares acquired from us, the total amount paid and the average price per share paid by the existing holders of common shares and by you in this offering, based upon an assumed initial public offering price of \$9.00 per share (the mid-point of the initial public offering price range on the cover page of this prospectus of \$8.00 to \$10.00 per share).

	Pro Forma Shares Outstanding		Total Consideration		Average Price Per Share
	Number	Percentage	Amount	Percentage	
(Expressed in thousands of U.S. dollars, except percentages and per share data)					
Existing investors	210,000,000	97.2%	\$2,294,199	97.7%	\$ 10.92
New investors	6,000,000	2.8%	\$ 54,000	2.3%	\$ 9.00
Total	216,000,000	100%	\$2,348,199	100%	\$ 10.87

A \$1.00 increase (decrease) in the assumed initial public offering price of \$9.00 per share would increase (decrease) total consideration paid by new investors, total consideration paid by all shareholders and the average price per share paid by all shareholders by \$6.0 million, \$6.0 million and \$0.03, respectively, assuming no change in the number of shares sold by us as set forth on the cover page of this prospectus and before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering.

Table of Contents

Index to Financial Statements

The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our common shares and other terms of this offering determined at pricing.

The discussion and tables above also assume no exercise of any outstanding share options or restricted stock units. As of November 4, 2011, there were 2,801,311 shares issuable upon exercise of outstanding share options at a weighted average exercise price of \$10.00 per share and 12,000 shares issuable upon the vesting of outstanding restricted stock units. To the extent that any of these options are exercised, there may be further dilution to new investors.

Table of Contents

Index to Financial Statements

SELECTED HISTORICAL CONSOLIDATED AND UNAUDITED PRO FORMA FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with “Presentation of Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and unaudited pro forma financial information and related notes thereto included elsewhere in this prospectus. The financial information included in this prospectus may not be indicative of our future results of operations, financial condition and cash flows. We did not begin to recognize operating revenue until the *Pacific Bora* commenced drilling operations on August 26, 2011.

The following selected historical consolidated financial data of Pacific Drilling S.A. is presented using the historical values from our Predecessor’s financial statements on a combined basis. However, the issued share capital of Pacific Drilling S.A. is retrospectively reflected for all periods in the selected historical consolidated financial data to reflect the 150,000,000 common shares held by the Quantum Pacific Group at the completion of the Restructuring.

Set forth below is (i) selected historical consolidated financial data as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008, which have been derived from our audited consolidated financial statements prepared in accordance with U.S. GAAP included elsewhere in this prospectus, (ii) selected historical consolidated financial data as of December 31, 2008, which have been derived from our unaudited consolidated financial statements prepared in accordance with U.S. GAAP not included in this prospectus, (iii) selected historical consolidated financial data as of and for the years ended December 31, 2007 and 2006, which have been derived from our unaudited consolidated financial statements prepared in accordance with U.S. GAAP not included in this prospectus, (iv) selected historical consolidated financial data for the six months ended June 30, 2010 and 2011 and balance sheet data at June 30, 2011, which have been derived from our unaudited condensed consolidated financial statements prepared in accordance with U.S. GAAP included elsewhere in this prospectus, and (v) pro forma consolidated financial data for the year ended December 31, 2010 and for the six months ended June 30, 2011, which have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus.

Table of Contents

Index to Financial Statements

Pro forma financial information included in this prospectus gives effect to the TPDI Transfer as if it had occurred as of January 1, 2010 for purposes of the unaudited pro forma condensed consolidated statement of operations for the year end December 31, 2010. For purposes of the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2011, pro forma financial information included in this prospectus gives effect to the TPDI Transfer as if it had occurred as of January 1, 2011. However, the pro forma financial information may not reflect what our actual results of operations would have been if the TPDI Transfer had been completed as of such dates and if we operated on that basis during such periods.

	Historical						Pro Forma		
	Years Ended December 31,					Six Months Ended		Year Ended December 31,	Six Months Ended June 30,
	2010	2009	2008	2007 (unaudited)	2006 (unaudited)	2011 (unaudited)	2010 (unaudited)		
(in thousands, except share and per share data)									
Statement of operations data:									
General and administrative expenses	\$ (19,715)	\$ (8,824)	\$ (1,589)	\$ (676)	\$ —	\$ (23,812)	\$ (7,822)	\$ (19,715)	\$ (23,812)
Gain on sale of asset under construction	—	—	—	50,015	—	—	—	—	—
Depreciation expense	(395)	(134)	—	—	—	(316)	(173)	(395)	(316)
Operating income (loss)	(20,110)	(8,958)	(1,589)	49,339	—	(24,128)	(7,995)	(20,110)	(24,128)
Equity in earnings (loss) of TPDI	56,307	4,291	(679)	(500)	—	18,955	23,325	—	—
Other (expense) income	1,102	2,384	7,759	1,710	—	1,760	639	(13)	1,570
Net income (loss)	\$ 37,299	\$ (2,283)	\$ 5,491	\$ 50,549	\$ —	\$ (3,413)	\$ 15,969	\$ (20,123)	\$ (22,558)
Earnings (loss) per common share:									
Basic and diluted ⁽³⁾	\$ 0.25	\$ (0.02)	\$ 0.04	\$ 0.34	\$ —	\$ (0.02)	\$ 0.11	\$ (0.13)	\$ (0.13)
Average common shares outstanding:									
Basic and diluted ⁽³⁾	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	178,839,779	150,000,000	150,000,000	178,839,779

	Historical					
	December 31,					June 30,
	2010	2009	2008 (unaudited)	2007 (unaudited)	2006 (unaudited)	2011 (unaudited)
(in thousands)						
Balance sheet data:						
Working capital ⁽¹⁾	\$ 14,482	\$ 4,008	\$ (39)	\$ 1,710	\$ —	\$ 163,118
Property and equipment, net	1,893,425	927,556	737,751	58,880	281,754	2,886,021
Investment in and notes to TPDI	186,714	147,857	102,325	238,770	—	—
Total assets	2,271,949	1,087,291	841,580	299,360	281,754	3,325,388
Long-term debt ⁽²⁾	450,000	—	—	—	—	931,000
Related-party loan	—	832,642	633,997	248,811	281,754	—
Accrued interest payable on related-party loan	—	39,019	—	—	—	—
Shareholders' equity	1,775,207	207,749	206,040	50,549	—	2,256,255

(1) Working capital is defined as current assets minus current liabilities.

(2) Includes current maturities of long-term debt.

(3) Retrospectively adjusted for all periods to reflect the issued share capital of Pacific Drilling S.A. following the Restructuring.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Selected Historical Consolidated and Unaudited Pro Forma Financial Data" and the accompanying financial statements and related notes included elsewhere in this prospectus. In addition, please read "Presentation of Financial Information" at the beginning of the prospectus for important information relating to our presentation of financial information in this prospectus and concerning the financial statements and related notes included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Please read "Risk Factors" and "Forward-Looking Statements." In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur.

Overview

We were formed as a Luxembourg corporation under the form of a *société anonyme* to act as an indirect holding company for our Predecessor in connection with a corporate reorganization completed on March 30, 2011, referred to in this prospectus as the "Restructuring." We did not engage in any business or other activities prior to the Restructuring except in connection with our formation and the Restructuring. The Restructuring was limited to entities that were all under the control of the Quantum Pacific Group and its affiliates, and, as such, the Restructuring was accounted for as a transaction between entities under common control. As a result, the consolidated financial statements of Pacific Drilling S.A. are presented using the historical values of the Predecessor's financial statements on a combined basis.

We are an international offshore drilling company committed to becoming a preferred provider of ultra-deepwater drilling services to the oil and natural gas industry through the use of high-specification drillships. Following completion of construction, our fully-deployed fleet will consist of six newly constructed sixth generation ultra-deepwater drillships, representing one of the youngest and most technologically advanced fleets in the world. We currently operate three recently delivered drillships, have one drillship under construction and have entered into contracts to construct two additional drillships. To date, we have incurred substantial capital expenditures to construct our fleet and did not recognize any operating revenues until August 26, 2011 when the *Pacific Bora* commenced drilling operations.

General Industry Trends and Outlook

Historically, operating results in the offshore contract drilling industry have been cyclical and directly related to the demand for and the available supply of drilling rigs.

Drilling Rig Demand

Demand for rigs is driven by the worldwide levels of offshore exploration and development spending by oil and gas companies. Expectations about future oil and natural gas prices have historically been a key driver for exploration and development spending. However, the political and regulatory environments, the availability of quality drilling prospects, exploration success, availability of qualified drilling rigs and operating personnel, relative production costs, availability and lead time requirements for drilling and production equipment and the stage of reservoir development also affect our customers' drilling programs.

Beginning in 2008, the global financial crisis resulted in a reduction in global economic activity and a resultant reduction in demand for oil and natural gas. The financial crisis also greatly reduced the ability of participants in the offshore exploration and production industry to access capital to invest in both long- and short-

Table of Contents

Index to Financial Statements

term drilling programs. Operators deferred development of some deepwater projects, which delayed the commencement of drilling operations. However, the ultra-deepwater market is dominated by major oil companies and national oil companies, which are less sensitive to short-term oil prices for their investment decisions. Despite these economic disruptions, the ultra-deepwater market experienced an increase in demand as evidenced by an approximately threefold increase in contracted ultra-deepwater rigs since 2007.

The market for deepwater drilling services was characterized by uncertainty through much of 2010 due to the moratorium on offshore drilling in the U.S. Gulf of Mexico and continued concerns about the extent of the global economic recovery. This uncertainty has dissipated to some extent in the first half of 2011, attributable in part to expanding client demand for ultra deepwater rigs in a number of locations worldwide and in part due to the BOEMRE resuming issuance of drilling permits in the U.S. Gulf of Mexico, although more limited in number than pre-Macondo levels and subject to a more protracted permit application process.

Assuming the global macro-economic conditions remain supportive, we believe the demand for ultra-deepwater drilling services should continue to increase for the following reasons:

- continued favorable oil prices;
- expanding ultra-deepwater demand in Brazil to support aggressive government production targets;
- resumption of drilling activity in the U.S. Gulf of Mexico;
- recent exploration success and the backlog of development projects in West Africa; and
- the emergence of new under-explored frontier deepwater areas such as South East Asia, India, the Mediterranean and the Black Sea.

We believe that on a global basis, oil and natural gas companies are now generally planning to increase drilling operations. According to ODS-Petrodata, an industry data source, outstanding deepwater and ultra-deepwater rig tenders (excluding Brazil) as of May 2011 were roughly 20% higher than in January 2011, and 30% higher than in September 2010. Furthermore, according to Barclays Capital's June 2011 survey, global exploration and production spending in 2011 is expected to rise 16% to a record total \$529 billion compared to \$458 billion in 2010. Given these positive trends, we do not expect the current level of tendering activity to decrease substantially over the foreseeable future. Although numerous risks and uncertainties are inherent in our industry, we believe that the demand for high-specification, ultra-deepwater rigs will continue to grow over the next few years.

Drilling Rig Supply

Numerous drilling contractors have recently placed shipyard orders to build additional semi-submersibles and drillships. We estimate there are approximately 56 ultra-deepwater rigs scheduled for delivery between November 1, 2011 and the end of 2014, 34 of which are not yet contracted to customers. Supply of ultra-deepwater units for 2012 and 2013 can be reasonably estimated based on the existing known construction capacity of the relevant shipyards, information about the orders placed and the time required to complete construction. Almost all rigs to be delivered in 2012 and 2013 have already been ordered. Beyond this time frame the supply is uncertain and any projections have diminished predictive value.

Designing and constructing an ultra-deepwater drillship requires long lead times and, as a result, a decision to order a drillship is made up to four years prior to delivery. These decisions are based on supply-demand balance projections available at the time. Consequently there is no guarantee that the drilling units will be delivered at a time when demand meets or exceeds supply. In the event the delivery of an uncontracted drillship coincides with a period of oversupply, the drillship could remain uncontracted or be forced to enter into lower day rate contracts.

Table of Contents

Index to Financial Statements

Supply and Demand Balance

Even though dayrates for ultra-deepwater drilling rigs have declined from their highs in 2008, we believe that ultra-deepwater drilling dayrates are likely to improve from the recession lows as the demand for ultra-deepwater rigs continues to grow. Newer, higher specification units that are able to handle technically demanding operations in remote locations are generally able to command higher dayrates than older, lower specification units.

While we believe that these trends will benefit us and that the demand for ultra-deepwater rigs will continue to meet or exceed supply over the next few years, our markets may be adversely affected by industry conditions that are beyond our control. Any prolonged substantial reduction in oil and gas prices would likely affect ultra-deepwater oil and gas drilling and production levels and therefore would affect demand for the services we provide. In the absence of the anticipated international rig demand from Brazil, West Africa and under-explored deepwater areas as described above or if deepwater drilling activity in the Gulf of Mexico remains limited or becomes economically unattractive as a result of increased compliance costs, a more challenging business environment, characterized by weakening and declining dayrates, could develop in our industry. For more information on this and other risks to our business and our industry, please read “Risk factors—Risks Related to Our Business.”

Recent Developments

On August 26, 2011, Pacific Drilling initiated drilling operations when the *Pacific Bora* commenced its contract with Chevron in Nigeria. Following its operational start up, the *Pacific Bora* has reached performance levels in line with industry expectations. We currently expect the *Pacific Mistral* and the *Pacific Scirocco* to start operations under their respective contracts in December 2011. The *Pacific Santa Ana* is anticipated to commence operations under its contract in March 2012. Our financial results are highly dependent on the contract start dates for our drillships, because our financial recognition policies require that we do not recognize operating expenses or revenues until the start of contract operations. This has particular significance for the full year 2011 because it is our first year of operations. Given the complexity of our drillships and our strategy of accommodating customer requested and funded upgrades to our vessels, it is difficult to forecast with precision the start dates of individual contracts and therefore the start of revenue and cost recognition. In line with this strategy, actual and estimated contract start dates for our drillships have changed materially throughout the year, and the analyst reports available as of November 4, 2011 may not reflect these later start dates or the associated financial results.

Factors Affecting Comparability of Historical Financial Results of Operations to Future Financial Results of Operations

We have a limited operating history. Because all of our drillships have been recently completed or are currently under construction, our historical results of operations primarily reflect the impact of establishing our fleet of new ultra-deepwater drillships, our investment in TPDI and the costs we have incurred in establishing the infrastructure needed to support the future operation of our fleet. Our future results of operations may not be comparable to the historical results of operations for the periods presented, primarily for the reasons described below:

- Revenues earned and incremental costs incurred directly related to contract preparation and mobilization are deferred and recognized over the primary term of the drilling contract. As a result, we did not begin to recognize operating revenue or incur any material operating expenses until the *Pacific Bora* commenced drilling operations on August 26, 2011. We expect the *Pacific Scirocco* and the *Pacific Mistral* to commence drilling operations in December 2011, and we expect the *Pacific Santa Ana* to commence drilling operations in March 2012. We expect a substantial increase in our revenues, operating expenses and operating income as a result of completing construction of our vessels and placing them into service.
- On March 30, 2011, we completed the TPDI Transfer in which we transferred our interest in TPDI to a subsidiary of the Quantum Pacific Group in connection with the Restructuring. As a result, our results of operations do not include the equity investment in TPDI after March 30, 2011.

Table of Contents

Index to Financial Statements

- Throughout 2010, we continued to expand management and other personnel in operations, finance, human resources, information technology and other corporate departments needed to market our drillships and conduct operations. Going forward, we expect that our general and administrative expenses will increase from 2010 levels as a result of having a complete corporate team as well as the incremental costs of being a public company.
- We did not recognize any interest expense during 2010, 2009 and 2008 for borrowings under our Project Facilities Agreement and related party loans in our statement of operations because we capitalize interest costs incurred on new borrowings attributable to qualifying new construction until all the activities necessary to prepare the qualifying asset for its intended use are complete. Once our drillships are placed into service, we expect interest expenses will be material to our results of operations.

Developmental Activities

The following discussion provides an overview of the principal activities conducted during the periods indicated, which are material factors for changes in our financial position and results of operations.

Years ended December 31, 2006, 2007 and 2008

Our Predecessor was formed in Liberia in 2006 as an independent operating subsidiary of the Quantum Pacific Group. Our initial investment in the ultra-deepwater drilling industry in 2006 was through the purchase of a drillship under construction by SHI and the subsequent exercise of an option for a second drillship.

In 2007, we formed the TPDI joint venture with Transocean, and the two drillships then under construction were transferred to TPDI. We initially formed a construction management team to oversee the construction of drillships by SHI that was then seconded to Transocean, which assumed responsibility for management of construction and operation of the two TPDI drillships through a contract with TPDI. In 2007, we also entered into contracts with SHI for the construction of the *Pacific Bora* and the *Pacific Mistral*, neither of which were contributed to TPDI.

In 2008, we decided to expand our activities to include the operation and marketing of ultra-deepwater drillships, and we entered into contracts with SHI for the construction of the *Pacific Scirocco* and the *Pacific Santa Ana*, which were similarly not contributed to TPDI. A principal activity during this time was establishing our executive leadership team. In 2008, we assumed the core of the original construction management team responsible for the TPDI vessels, supplemented the team with additional resources to oversee the construction of the *Pacific Bora*, the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana* and initiated our marketing efforts.

Year ended December 31, 2009

During 2009, our principal activities consisted of the following:

- expanded management and personnel in operations, finance, human resources, information technology and other corporate departments needed to market our drillships and conduct operations;
- developed training programs and implemented operating systems and procedures;
- initiated efforts to secure long-term financing for the construction of our drillships;
- implemented an SAP global Enterprise Resource Planning system that supports many of the essential functions of our business;
- continued to increase market exposure to major international oil companies and national oil companies; and

Table of Contents

Index to Financial Statements

- continued oversight of construction of the *Pacific Bora*, the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana* to ensure quality, timely delivery and cost management.

Year ended December 31, 2010

During 2010, we continued the principal activities related to marketing, operations, construction and finance from 2009 that resulted in several important accomplishments as follows:

- secured contracts with Chevron for the *Pacific Santa Ana* and the *Pacific Bora* (see “Business—Drilling Contracts”);
- entered into the \$1.8 billion Project Facilities Agreement;
- recruited and trained staff, including rig personnel, for the *Pacific Bora*; and
- accepted delivery of the *Pacific Bora* on October 13, 2010.

Additionally, during 2010, construction activity continued on the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana* for on-time delivery. After its delivery, the *Pacific Bora* underwent contract specific modifications prior to starting its mobilization to commence operations. During these modifications in 2010, Chevron reimbursed us for purchases of certain capital expenditures related to the *Pacific Bora*; however the revenues and incremental costs incurred were directly related to contract preparation and mobilization and were deferred in 2010 and will be recognized over the primary term of the drilling contract with Chevron.

2011 Activities

Through November 4, 2011, our principal activities during 2011 have consisted of the following:

- entered into contracts with SHI in March 2011 for the construction of the *Pacific Khamsin* and the *Pacific Sharav*;
- completed the Restructuring and the TPD I Transfer in March 2011;
- completed the 2011 Private Placement in which we sold 60,000,000 common shares to international institutional investors for net proceeds of approximately \$576 million;
- amended and restated the Project Facilities Agreement in March 2011;
- accepted delivery in April 2011 of the *Pacific Scirocco*, which is expected to enter service in Nigeria in December 2011 under a one-year contract with Total;
- accepted delivery in June 2011 of the *Pacific Mistral*, which is expected to enter service in Brazil in December 2011 under a three-year contract with Petrobras;
- entered into an agreement with SHI in June 2011 granting us an option through October 31, 2011, which was extended through January 31, 2012, to purchase a seventh drillship;
- placed the *Pacific Bora* into service in Nigeria on August 26, 2011 under a three-year contract with a subsidiary of Chevron;
- hired crew for all four drill ships at the senior staff level and oversaw client requested modifications and post delivery upgrades on all vessels; and
- developed and refined operating procedures, management systems and work instructions, to facilitate safe, consistent activities on our rigs.

Results of Operations

We have a limited operating history. Prior to the completion of the Restructuring on March 30, 2011, we generated non-operating income in the form of equity in earnings from TPD I, which was accounted for under the equity method. We did not begin to recognize operating revenue until the *Pacific Bora* commenced drilling operations on August 26, 2011.

Table of Contents

Index to Financial Statements

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

General and administrative expenses . General and administrative expenses were \$23.8 million for the six months ended June 30, 2011, compared to \$7.8 million for the six months ended June 30, 2010. The increase in general and administrative expenses was largely due to establishing the infrastructure needed to support the future operations of our fleet as described in more detail in “—Factors Affecting Comparability of Historical Results of Operations to Future Financial Results of Operations” above. Additionally, the Company incurred \$6.9 million of field support and certain rig related expenses, such as crew training, during the six months ended June 30, 2011. These costs were immaterial for the six months ended June 30, 2010. Prior to contract commencement, these field support and certain rig related expenses are recognized as general and administrative expenses. Upon contract commencement, additional field support and rig related expenses are recognized as contract drilling operating costs as incurred.

Depreciation expense . Depreciation expense was \$0.3 million for the six months ended June 30, 2011, compared to \$0.2 million for the six months ended June 30, 2010, and was primarily related to office equipment and software. We recorded no depreciation expense related to our drillships and related equipment for the six months ended June 30, 2011 and 2010 because our drillships were under construction during those periods and had not yet been placed into service.

Equity in earnings (losses) of TPDI . Equity in earnings (losses) of TPDI was \$19.0 million for the six months ended June 30, 2011, compared to \$23.3 million for the six months ended June 30, 2010. The decrease in equity in earnings of TPDI was primarily the result of the TPDI Transfer on March 30, 2011. Neither the Company nor any of its subsidiaries currently owns any interest in TPDI and, beginning in the second quarter of 2011, the results of operations of TPDI are no longer included in our financial results. As such, there was only one quarter of equity in earnings of TPDI during the six months ended June 30, 2011 compared to two quarters for the six months ended June 30, 2010.

Interest income from TPDI . Interest income from TPDI was \$0.5 million for the six months ended June 30, 2011, compared to \$1.0 million for the six months ended June 30, 2010. The decrease in interest income from TPDI was primarily due to the TPDI Transfer on March 30, 2011, which included assignment of notes receivable from TPDI. As such, no interest income from TPDI was recorded during the second quarter of 2011 in our financial results.

Interest expense . Interest expense was approximately \$0.3 million for the six months ended June 30, 2011, compared to \$0.2 million for the six months ended June 30, 2010. The interest expense results from a letter of credit fee agreement with Transocean related to TPDI’s compliance with the terms under its bank credit facility. We did not recognize any interest expense for the six months ended June 30, 2011 and 2010 for borrowings under our Project Facilities Agreement and related-party loans in our statement of operations because we capitalize interest costs incurred on new borrowings attributable to qualifying new construction until all the activities necessary to prepare the qualifying asset for its intended use are complete.

Other income . Other income was approximately \$1.2 million for the six months ended June 30, 2011, compared to \$(0.1) million for the six months ended June 30, 2010. The increase in other income was primarily due to income from TPDI management fees of approximately \$0.7 million. In connection with the TPDI Transfer, we entered into a management agreement pursuant to which we provide day-to-day oversight and management services with respect to the Quantum Pacific Group’s equity interest in TPDI for a fee of \$4,000 per drillship per day, or \$8,000 per day.

Years Ended December 31, 2010, 2009 and 2008

General and administrative expenses . General and administrative expenses were \$19.7 million in 2010, compared to \$8.8 million in 2009 and to \$1.6 million in 2008. The increase in general and administrative

Table of Contents

Index to Financial Statements

expenses in 2010 as compared to 2009 and 2009 as compared to 2008 was primarily due to establishing the infrastructure needed to support the future operations of our fleet as described in more detail in “—Factors Affecting Comparability of Historical Results of Operations” above.

Depreciation expense . Depreciation expense was \$0.4 million in 2010, compared to \$0.1 million in 2009, and was primarily related to office equipment and software. We had no depreciation expense in 2008. We recorded no depreciation expense related to our drillships and related equipment for 2010, 2009 and 2008 because our drillships were under construction during those periods and had not yet been placed into service.

Equity in earnings (losses) of TPDI . Equity in earnings (losses) of TPDI was \$56.3 million in 2010, compared to \$4.3 million in 2009 and to \$(0.7) million in 2008. The increase in equity in earnings of TPDI in 2010 as compared to 2009 was primarily due to the start of operations of TPDI’s second drillship in March 2010. The increase in equity in earnings of TPDI in 2009 as compared to 2008 was primarily due to the start of operations of TPDI’s first drillship in July 2009.

Interest income from TPDI . At its inception, TPDI entered into unsecured promissory note agreements with each of its shareholders for the purpose of funding the joint venture formation. As of December 31, 2010 and 2009, promissory notes to TPDI were \$139.9 million and \$139.9 million, respectively. As of December 31, 2010 and 2009, the accrued interest receivable on these promissory notes was \$5.5 million and \$3.5 million, respectively. Interest income from TPDI was \$2.0 million in 2010, compared to \$2.1 million in 2009 and to \$7.8 million in 2008. The decrease in interest income from TPDI in 2009 and 2010 as compared to 2008 was primarily due to a repayment of note receivables from TPDI in October 2008.

Interest expense . Interest expense was approximately \$0.9 million in 2010 primarily due to a letter of credit fee agreement with Transocean related to TPDI’s compliance with the terms under its bank credit facility. We did not recognize any interest expense during 2010, 2009 and 2008 for borrowings under our Project Facilities Agreement and related-party loans in our statement of operations because we capitalize interests costs incurred on new borrowings attributable to qualifying new construction until all the activities necessary to prepare the qualifying asset for its intended use are complete.

Liquidity and Capital Resources

We operate in a capital intensive industry. Through November 4, 2011, our principal sources of liquidity have been provided through a combination of borrowings from Quantum Pacific Group and its affiliates, capital contributions from Quantum Pacific Group and its affiliates, proceeds from the 2011 Private Placement and borrowings under our Project Facilities Agreement described in “—Description of Indebtedness” below. In the future, we expect that our investment in newbuild ultra-deepwater drillships will be financed through a combination of proceeds from this offering, equity issuances, available funding under the Project Facilities Agreement, additional debt financing and cash flow from operations. Our liquidity requirements relate to funding investments in newbuild ultra-deepwater drillships, servicing debt, funding working capital requirements and maintaining adequate cash reserves to mitigate the effects of fluctuations in operating cash flows. Most of our contract drilling and reimbursable revenues will be received monthly in arrears, and most of our operating costs will be paid on a monthly basis.

Primary sources of funds for our short-term liquidity needs will be cash flow from operations, available cash balances, borrowings under the Project Facilities Agreement and the proceeds from this offering. Our long-term sources of funds will also include other debt or equity financings. Our liquidity needs fluctuate depending on a number of factors, including, among others, demand for services, dayrates received and operating costs. To date, our principal use of funds has been expenditures to establish and expand our fleet, comply with applicable operating standards and environmental laws and regulations and fund working capital requirements. We believe that our current cash balance, anticipated cash flow from operations, proceeds from this offering and borrowings under our Project Facilities Agreement will be adequate to meet our near-term liquidity requirements. Our ability

Table of Contents

Index to Financial Statements

to meet our long-term liquidity requirements will depend in large part on our future performance, which is subject to many factors beyond our control, as well as our ability to secure additional financing for the *Pacific Khamsin* and the *Pacific Sharav*. See “Risk Factors—Risks Related to Our Business.”

As of June 30, 2011 and December 31, 2010, we had \$181.5 million and \$40.3 million, respectively, of cash and cash equivalents. Additionally, as of June 30, 2011 and December 31, 2010, we had \$114.0 million and \$61.7 million, respectively, of restricted cash, which primarily consisted of restricted cash accounts held with financial institutions as security for the borrowings under the Project Facilities Agreement.

As the parent company of our operating subsidiaries, we are not a party to any drilling contracts directly and are therefore dependent on receiving cash distributions from our subsidiaries. Surplus cash held in our subsidiaries owning the *Pacific Bora*, the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana*, which act as Borrowers under the Project Facilities Agreement, is restricted until 2014 by the Project Facilities Agreement from transfer by intercompany loans and/or dividend payments to us. After 2014, transfers from these subsidiaries to us are permitted assuming we are in compliance with the provisions of the Project Facilities Agreement. As of June 30, 2011 and December 31, 2010, our borrowing subsidiaries held \$1.5 billion in restricted net assets. We do not believe these restrictions will prevent us and other non-borrowing subsidiaries from meeting our respective liquidity needs.

We may review from time to time possible expansion and acquisition opportunities relating to our business, which may include the construction or acquisition of additional rigs or acquisitions of other businesses. Any decision to construct or acquire additional rigs for our fleet will be based on our assessment of market conditions and opportunities existing at such time, including the availability of long-term contracts with attractive dayrates and the relative costs of building or acquiring new rigs with advanced capabilities compared with the costs of retrofitting or converting existing rigs to provide similar capabilities. The timing, size or success of any additional acquisition or construction efforts and the associated potential capital commitments are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Debt or equity financing may not, however, be available to us at that time due to a variety of factors, including, among others, general industry conditions, general macro-economic conditions, perceptions of us and credit rating agency opinions of our outstanding debt.

Capital Expenditures and Working Capital Funding

We anticipate making capital expenditures of approximately \$1.4 billion during the year ending December 31, 2011 related to the total remaining construction project costs for the *Pacific Bora*, the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana*. As of June 30, 2011, we have paid approximately \$920 million of these remaining construction costs and intend to fund the remaining \$497 million with existing cash balances, together with borrowings under the Project Facilities Agreement. As of June 30, 2011, we have outstanding borrowings of \$931 million under the Project Facilities Agreement and have approximately \$769 million available to fund remaining construction costs for each of the *Pacific Mistral*, the *Pacific Scirocco* and the *Pacific Santa Ana*, respectively.

On March 15, 2011, we entered into two contracts with SHI for the construction of our fifth and sixth new advanced-capability, ultra-deepwater drillships, the *Pacific Khamsin* and the *Pacific Sharav*, which are expected to be delivered to us at the shipyard in the second quarter and third quarter of 2013, respectively. The contracts provide for an aggregate purchase price of approximately \$1.0 billion for the acquisition of these two vessels, payable in installments during the construction process, of which we anticipate making payments of approximately \$124 million in 2011, approximately \$224 million in 2012 and approximately \$646 million in 2013. We expect the total project cost per vessel, including commissioning and testing and other costs, to be approximately \$600 million, excluding capitalized interest. As of June 30, 2011, we have paid \$50 million of the costs of constructing the *Pacific Khamsin* and the *Pacific Sharav* and intend to fund the remaining \$1.2 billion with existing cash balances and additional indebtedness, which is uncommitted at this time.

Table of Contents

Index to Financial Statements

Sources and Uses of Cash

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

For the six months ended June 30, 2011 and 2010, we used cash in operating activities of \$8.9 million and \$8.3 million, respectively. The increase in cash used in operating activities primarily results from increases in general and administrative expenses, payments for materials and supplies and mobilization expenses that were partially offset from collection of customer accounts receivables.

For the six months ended June 30, 2011 and 2010, we used \$1.0 billion and \$226.0 million, respectively, in cash from investing activities. The increase in cash used in investing activities primarily results from progress and delivery payments for our drillship construction projects and restricted cash deposits.

For the six months ended June 30, 2011 and 2010, we received \$1.2 billion and \$235.3 million, respectively, in cash from financing activities. The increase in cash provided by financing activities primarily resulted from the net proceeds of the 2011 Private Placement of approximately \$576 million and proceeds from borrowings under the Project Facilities Agreement of \$506 million. These increases in cash provided by financing activities were partially offset by decreased related-party loan borrowings of \$93.1 million for the six months ended June 30, 2011 compared to the six months ended June 30, 2010, payment of \$25.0 million on the Bora Term Loan, and financing costs related to proceeds from the Project Facilities Agreement of \$6.8 million.

Years Ended December 31, 2010, 2009 and 2008

For the years ended December 31, 2010, 2009 and 2008, we used cash in operating activities of \$30.1 million, \$7.3 million and \$1.0 million, respectively. The increase in cash used in operating activities in 2010 primarily results from increases in general and administrative expenses, payments for materials and supplies and insurance expense. Cash used in operating activities in 2009 and 2008 primarily consisted of general and administrative expenses.

For the years ended December 31, 2010, 2009 and 2008, we used \$944.8 million, \$184.0 million and \$534.1 million, respectively, in cash from investing activities, which primarily consisted of progress payments for our drillship construction projects, restricted cash deposits and TPDI investment activities.

For the years ended December 31, 2010, 2009 and 2008, we received \$1.0 billion, \$198.6 million and \$535.2 million, respectively, in cash from financing activities. The increase in cash provided by financing activities in 2010 resulted from increased net proceeds from our related-party loan with a subsidiary of Quantum Pacific Group and proceeds from the Project Facilities Agreement, net of financing costs. Financing activities in 2009 and 2008 consisted of proceeds from the related-party loan with a subsidiary of Quantum Pacific Group. In 2010, all principal and accrued interest balances due under the loan with a subsidiary of Quantum Pacific Group were converted into equity in a non-cash transaction. Please read “Related Party Transactions.”

Letters of Credit

We were contingently liable under certain performance, bid and custom bonds and letters of credit which totaled \$20.2 million and \$0.7 million as of June 30, 2011 and December 31, 2010, respectively.

Description of Indebtedness

Project Facilities Agreement . In September 2010, Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd., and Pacific Santa Ana Ltd. (collectively, the “Borrowers”), and Pacific Drilling Limited (as the “Guarantor”) (collectively, the “Borrowing Group”) entered into a project facilities agreement with a group of lenders to finance the construction, operation and other costs associated with the *Pacific Bora* , the *Pacific Mistral* , the *Pacific Scirocco* and the *Pacific Santa Ana* (the “Original Project Facilities Agreement”). On

Table of Contents

Index to Financial Statements

March 31, 2011, in connection with the Restructuring, the Borrowing Group amended and restated the Original Project Facilities Agreement by entering into the Amended and Restated Project Facilities Agreement (the “Project Facilities Agreement” or “PFA”) and a Charter Waiver Request Letter (“Waiver Letter”).

The Project Facilities Agreement includes a Bora term loan, a Mistral term loan, a Scirocco term loan and a Santa Ana term loan (each, a “Term Loan” and, collectively, the “Term Loans”) with maximum aggregate amounts available of \$450 million, \$500 million, \$500 million and \$500 million, respectively, that collectively may not exceed \$1.8 billion. Each Term Loan consists of three tranches: one provided by a syndicate of nine commercial banks (the “Commercial Tranche”), one provided by Eksportfinans (and guaranteed by the Norwegian Guarantee Institute for Export Credits) (the “GIEK Tranche”) and one provided by The Export-Import Bank of Korea (the “KEXIM Tranche”), with maximum aggregate amounts available of \$1.0 billion, \$350 million and \$450 million, respectively.

Borrowings under each Term Loan are conditioned upon the lenders’ approval of a drilling contract in respect of the applicable drillship. As of June 30, 2011, the lenders have approved borrowings of \$450 million for each of the Bora and Santa Ana Term Loans based on a signed drilling contract for each of the two vessels. As of June 30, 2011, based on the terms of the Waiver Letter, in the situation where no drilling contract existed, the lenders have also approved borrowings of \$200 million for each of the Scirocco and Mistral bridge loans. The PFA allows that, upon either the Pacific Scirocco Ltd. or Pacific Mistral Ltd. entering into a drilling contract with a minimum duration of 12 months, all additional available amounts under the applicable Term Loan may be borrowed.

Borrowings under the Term Loans bear interest at the London Interbank Offered Rate (“LIBOR”) plus an applicable margin. Prior to the effective date of the first drilling contract in respect of a Drillship, the applicable margin under the relevant Term Loan made available to a Borrower is 4% per annum. Subsequent to the effective date of the first drilling contract in respect of such Borrower’s Drillship and until 12 months after delivery of all four Drillships, the applicable margin is 3.5% per annum. Subsequent to 12 months after the delivery of all four Drillships, the applicable margin is based on the Borrowing Group’s historical debt service coverage ratio. If the ratio is not greater than 125%, the Applicable Margin is 3.5% per annum. If the ratio is greater than 125%, the applicable margin is 3% per annum.

Borrowings under the two bridge loans for the Pacific Scirocco and the Pacific Mistral bear interest at LIBOR plus 4.75% per annum and mature on the earlier of (i) the date on which Pacific Mistral Ltd. or Pacific Scirocco Ltd. (as applicable) enter into a drilling contract, (ii) the commencement date of the Pacific Santa Ana drilling contract or (iii) October 31, 2011. In October 2011, Pacific Mistral Ltd. entered into a waiver period amendment that extends the Pacific Mistral Bridge Loan maturity date to November 30, 2011.

The Project Facilities Agreement requires the Borrowers to pay a quarterly commitment fee until the end of the availability period on the undrawn amounts available under the Project Facilities Agreement. The commitment fee is computed at the rate of 50% of the applicable margin per annum.

The Commercial Tranche under the Term Loan Facility matures on October 31, 2015 and the GIEK Tranche and the KEXIM Tranche each mature on October 31, 2019. The GIEK Tranche and the KEXIM Tranche each contain put options exercisable if GIEK and KEXIM do not receive timely refinancing for the Commercial Tranche or if the Commercial Tranche is not refinanced on terms acceptable to GIEK and KEXIM. If the GIEK and KEXIM Tranche put options are exercised, it would require full prepayment of the relevant GIEK and KEXIM Tranche proportion of all loans outstanding without any premium, penalty or fees of any kind on the maturity date of the Commercial Tranche.

Amortization payments are required every six months and commence six months after the delivery date of each drillship, but only if a drilling contract has been signed by such date. Otherwise, amortization payments commence on the date falling six months after the signing of a drilling contract or as otherwise approved by the lenders. Interest is generally payable every three months. The Commercial Tranche requires a residual debt

Table of Contents

Index to Financial Statements

payment of \$200 million at maturity for each Term Loan. Borrowings under the Commercial Tranche may be prepaid in whole or in part with a 1% penalty on the amount prepaid if such prepayment takes place within one year after the delivery of the fourth Drillship and no penalty thereafter. Borrowings under the GIEK Tranche and the KEXIM Tranche may be prepaid in whole or in part with a 0.5% penalty. Borrowings under the Project Facilities Agreement are subject to acceleration upon the occurrence of events of default.

In November 2010, Pacific Bora Ltd. borrowed the maximum amount available under the Bora Term Loan of \$450 million. As of June 30, 2011, we have outstanding principal of \$425 million, \$200 million, \$200 million and \$106 million under the Bora Term Loan, the Mistral Term Loan, the Scirocco Term Loan and the Santa Ana Term Loan, respectively. Following June 30, 2011, we borrowed \$175 million under the Scirocco Term Loan and paid \$25 million in principal on the Pacific Bora Term Loan. We expect to borrow an additional \$250 million under the Mistral Term Loan in connection with the Lenders' approval of a drilling contract for the drillship. We also expect to borrow an additional \$344 million under the Santa Ana Term Loan in connection with the delivery of the *Pacific Santa Ana*.

The Bora Term Loan requires us to make ten amortization payments of \$25.0 million every six months commencing in April 2011, with the residual debt payment of \$200 million due in October 2015. The Santa Ana and Scirocco Term Loan requires us to make eight amortization payments of \$31.3 million and \$21.9 million, respectively, every six months commencing in April 2012, with the residual debt payment of \$200 million each due in October 2015. Once the Mistral Term Loan is fully funded, we expect to make eight amortization payments of \$31.3 million every six months commencing in April 2012, with the residual debt payment of \$200 million due in October 2015.

The indebtedness under the Project Facilities Agreement is guaranteed by the Guarantor. In conjunction with entering the Project Facilities Agreement and in relation to the Guarantor's transfer of its TPDI investment, a subsidiary of the Quantum Pacific Group has guaranteed to the lenders that any proceeds from the exercise of the put option relating to the equity interest in TPDI will be used to prepay or secure the Project Facilities Agreement. The obligations of the Borrowers under the Term Loan Facility are joint and several. The Project Facilities Agreement is secured by several collateral components, which are usual and customary for facilities of this type, size and purpose. The security provided to the lenders is cross-collateralized across all Term Loans and comprises assignments of refund guarantees, shipbuilding contracts and insurances, a first preferred mortgage over each Drillship and other types of collateral.

The Project Facilities Agreement requires compliance with certain affirmative and negative covenants that are customary for such financings. These include, but are not limited to, restrictions on (i) the ability of each of the Borrowers to pay dividends to its shareholder or to sell assets and (ii) the ability of the Borrowing Group to incur additional indebtedness or liens, make investments or transact with affiliates (except for certain specified exceptions). The Borrowers are restricted in their ability to transfer their net assets to the Guarantor whether in the form of dividends, loans or advances. As of June 30, 2011 and December 31, 2010, the Borrowing Group held \$1.5 billion of restricted net assets.

The Guarantor (through the Borrowing Group) is also required to (i) enter into and maintain drilling contracts for each drillship (except as permitted by the Waiver Letter), (ii) maintain cash account balances reserved for debt service payments, (iii) maintain Guarantor liquidity and (iv) maintain contributed equity above certain levels and to meet a required level of collateral maintenance whereby the aggregate appraised collateral value must not be less than a certain percentage of the total outstanding balances and commitments under the Project Facilities Agreement.

The Project Facilities Agreement also requires compliance by the Guarantor with financial covenants including (i) a projected debt service coverage ratio of the Borrowing Group, (ii) a historical debt service coverage ratio of the Borrowing Group, (iii) a maximum leverage ratio of the Guarantor and (iv) minimum liquidity requirements of the Guarantor. The Project Facilities Agreement requires that the Guarantor maintain (i) a projected (looking forward over the following twelve months) debt service coverage ratio of at least 1.1x

Table of Contents

Index to Financial Statements

through June 30, 2012 and 1.2x thereafter; (ii) a historical (looking back over the preceding twelve months) debt service coverage ratio of at least 1.1x through December 31, 2013 and 1.2x thereafter; (iii) a maximum leverage ratio of 65% and (iv) a minimum liquidity of \$50 million after the delivery of all four Drillsips. We were in compliance with all covenants as of June 30, 2011.

Within 60 days after the first drawdown under such Term Loan, each Borrower is also required under the Project Facilities Agreement to hedge 75% of outstanding and available balances against floating interest rate exposure. The only other hedge arrangements that are permitted, under circumstances, are to address foreign currency exchange risks.

The Project Facilities Agreement contains events of default that are usual and customary for a financing of this type, size and purpose.

Temporary Import Bond Facility . On July 13, 2011, we entered into a temporary Standby Letter of Credit (“SBLC”) facility with Citibank, N.A. to support the Temporary Importation (“TI”) bond for the *Pacific Bora* required in Nigeria. As part of the standard Nigerian importation requirements for equipment, we are required to either import the vessel into Nigeria on a permanent basis and pay import duties or apply for a TI permit and put up a bond for the value of the import duties instead. In order to be able to place the TI bond for the *Pacific Bora* , we have negotiated a form of a SBLC with Citibank New York to allow for a TI bond to be issued by Citibank Nigeria.

Under the SBLC facility, Citibank, N.A., as issuing bank, has issued a Letter of Credit (“LC”) for the benefit of Citibank Nigeria denominated in the Nigerian currency, Naira, in the amount of approximately \$96 million. This LC provides credit support for the TI bond that was issued by Citibank Nigeria in favor of the Government of Nigeria Customs Service in connection with the entry of the *Pacific Bora* into Nigerian territorial waters.

The SBLC facility will expire after a one-year period and will be renewable for additional one-year terms based on the initial contract term of each vessel. Our obligations under the temporary SBLC facility are secured by a \$50 million cash deposit and a guaranty from Quantum Pacific International Limited. It is expected that in November 2011, we will replace the temporary SBLC facility with a permanent SBLC facility, which will be secured by second priority assignments of certain marine vessel insurances, a cash deposit currently estimated to be \$10.5 million, a similar Pacific Drilling S.A. guaranty, and a first priority assignment of the proceeds in the drilling contract related to reimbursement of import/export duties.

We anticipate entering into an identical permanent SBLC for purposes of the *Pacific Scirocco* TI bond.

Related-party loans . Beginning in 2007, we received funding from Winter Finance Limited (“Winter Finance”), a subsidiary of the Quantum Pacific Group, in the form of a related-party loan. Prior to January 1, 2009, the loan did not accrue interest, but effective January 1, 2009, borrowings under the related-party loan accrued interest at the rate of 6% per annum. For the years ended 2010, 2009 and 2008, we received proceeds from the related-party loan of approximately \$685.3 million, \$198.6 million and \$535.2 million, respectively. On November 29, 2010, Winter Finance assigned \$655 million of the loan receivable under the Intercompany Loan Agreement to Quantum Pacific International Limited, its parent and the sole parent of our Predecessor at such time. The \$655 million receivable was then contributed by Quantum Pacific International Limited to our Predecessor, as an additional capital contribution for the common shares held by it as sole shareholder of the Predecessor. On December 31, 2010, Winter Finance assigned all then-outstanding principal and accrued interest under the Intercompany Loan Agreement, in the amount of approximately \$892.6 million, to Quantum Pacific International Limited. The approximately \$892.6 million receivable was then cancelled by Quantum Pacific International Limited in exchange for the issuance of 1,115,761 common shares in our Predecessor. From January 1, 2011 to March 23, 2011, the company received additional funds of \$142.2 million under the Intercompany Loan Agreement. On March 23, 2011, Winter Finance assigned the receivable for all outstanding

Table of Contents

Index to Financial Statements

principal and accrued interest under the Intercompany Loan Agreement, in the amount of approximately \$142.8 million, to Quantum Pacific International Limited. The \$142.8 million receivable was then contributed by Quantum Pacific International Limited, as an additional capital contribution for the common shares held by it as sole shareholder of the Predecessor. The Intercompany Loan Agreement was terminated following such conversion and there is currently no intercompany loans between us and Winter Finance. During 2010 and 2009, we capitalized interest expense of \$60.1 million and \$39.0 million, respectively, on the related-party loan as a cost of property and equipment. We do not expect related-party loans to be a source of funding our operations and working capital needs going forward. For more information on related-party loans, please see “Related Party Transactions.”

Derivative Instruments and Hedging Activities

We may enter into derivative instruments from time to time to manage our exposure to fluctuations in interest rates and to meet our debt covenant requirements. We do not enter into derivative transactions for speculative purposes; however, for accounting purposes, certain transactions may not meet the criteria for hedge accounting.

On January 14, 2011, we entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Bora Term Loan. We designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays a fixed rate of interest of 1.83% and receives LIBOR. The notional amount hedges 100% of outstanding commitments and borrowings under the Bora Term Loan. The interest rate swap expires on October 31, 2015.

On February 11, 2011, we entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Santa Ana Term Loan. We designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays a fixed rate of interest of 2.39% and receives LIBOR. The notional amount hedges 100% of outstanding commitments and borrowings under the Santa Ana Term Loan. The interest rate swap expires on October 31, 2015.

On May 6, 2011, we entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Scirocco Term Loan. We designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.87% and receives LIBOR. The notional amount hedges \$375 million of outstanding commitments and borrowings under the Scirocco Term Loan. The interest rate swap expires October 31, 2015.

On May 31, 2011, we entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Mistral Term Loan. We designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.6% and receives LIBOR. The notional amount hedges \$375 million of outstanding commitments and borrowings under the Mistral Term Loan. The interest rate swap expires October 31, 2015.

Off-Balance Sheet Arrangements

Currently, we do not have any off-balance sheet arrangements.

Table of Contents

Index to Financial Statements

Contractual Obligations

The table below sets forth our contractual obligations as of:

December 31, 2010

Contractual Obligation	Obligations Due in Period				Total
	Less than 1 year	1-3 years	3-5 years (in thousands)	More than 5 years	
Long-term debt ^(a)	\$ 50,000	\$ 100,000	\$300,000	\$ —	\$ 450,000
Interest on long-term debt ^(b)	24,242	37,873	25,199	—	87,314
Operating leases	496	710	559	—	1,765
Purchase obligations ^(c)	64,554	—	—	—	64,554
Ultra-deepwater drillships ^(d)	1,029,506	—	—	—	1,029,506
Long-term payable ^(e)	—	—	4,002	—	4,002
Total contractual obligations	<u>\$1,168,798</u>	<u>\$ 138,583</u>	<u>\$329,760</u>	<u>\$ —</u>	<u>\$1,637,141</u>

June 30, 2011

Contractual Obligation	Obligations Due in Period				Total
	Remaining six months	1-3 years	3-5 years (in thousands)	More than 5 years	
Long-term debt ^(a)	\$ 25,000	\$ 150,000	\$756,000	\$ —	\$ 931,000
Interest on long-term debt ^(b)	26,622	135,625	33,302	—	195,549
Operating leases	445	1,340	241	—	2,026
Purchase obligations ^(c)	21,336	—	—	—	21,336
Ultra-deepwater drillships ^(d)	357,029	869,750	—	—	1,226,779
Long-term payable ^(e)	—	4,002	—	—	4,002
Total contractual obligations	<u>\$ 430,432</u>	<u>\$1,160,717</u>	<u>\$789,543</u>	<u>\$ —</u>	<u>\$2,380,692</u>

Some of the figures included in these tables are based on estimates and assumptions about these obligations, including their duration and other factors. The contractual obligations we will actually pay in future periods may vary from those reflected in the tables because the estimates and assumptions are subjective.

- (a) Includes current maturities of long-term debt. In preparing the scheduled maturities of our debt, we assume the debt holders will exercise their options to accelerate the maturity date to October 31, 2015. See “Description of Indebtedness.”
- (b) Interest payments are based on our existing outstanding borrowings. It is assumed there is not a refinancing of existing long-term debt and there are no prepayments. Interest has been calculated using the fixed interest rate swap rate of 1.83% for the Bora Term Loan, 1.87% for the Scirocco Term Loan, 1.60% for the Mistral Term Loan and 2.39% for the Santa Ana Term Loan plus an estimated applicable margin for each of the Term Loans of 4.0% to the estimated effective date of the first drilling contract and 3.5% thereafter.
- (c) Purchase obligations are agreements to purchase goods and services that are enforceable and legally binding, that specify all significant terms, including the quantities to be purchased, price provisions and the approximate timing of the transactions, which includes our purchase orders for goods and services entered into in the normal course of business.
- (d) Amounts for ultra-deepwater drillships include amounts due under construction contracts.
- (e) The long-term payable is due to the customer for reimbursements of certain capital equipment upon the termination of the *Pacific Bora* contract with Chevron. For purposes of the contractual obligations table, we assume the contract will terminate after its initial three-year period.

Table of Contents

Index to Financial Statements

Critical Accounting Estimates and Policies

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions impact the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. On an ongoing basis, we evaluate our estimates and assumptions, including those related to allowance for doubtful accounts, financial instruments, depreciation of property and equipment, impairment of long-lived assets, income taxes, share-based compensation and contingencies. We base our estimates and assumptions on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

Our critical accounting estimates are important to the portrayal of both our financial condition and results of operations and require us to make difficult, subjective or complex assumptions or estimates about matters that are uncertain. We would report different amounts in our consolidated financial statements, which could be material, if we used different assumptions or estimates. We have discussed the development and selection of our critical accounting estimates with our Board of Directors, and the Board of Directors has reviewed the disclosure presented below. During the past three fiscal years, we have not made any material changes in accounting methodology.

We believe that the following is a summary of the critical accounting policies used in the preparation of our consolidated financial statements.

Revenue recognition . Contract drilling revenues are recognized as earned, based on contractual dayrates. In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. Revenues earned and incremental costs incurred directly related to contract preparation and mobilization are deferred and recognized over the primary term of the drilling contract. Upon completion of drilling contracts, any demobilization fees received and related expenses are reported in income. Amortization of deferred revenue is recorded on a straight-line basis over the primary drilling contract term, which is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract.

We record reimbursements received for the purchase of supplies, equipment, personnel services and other services provided at the request of our customers in accordance with a contract or agreement, for the gross amount billed to the customer, as revenues related to reimbursable expenses. Reimbursements received for capital expenditures are deferred and recognized over the primary contract term of the drilling project. The actual cost incurred for capital expenditure is depreciated over the estimated useful life of the asset.

Property and equipment . Deepwater drillships are recorded at cost of construction, including any major capital improvements, less accumulated depreciation and impairment. Other property and equipment are recorded at cost and consist of purchased software systems, furniture, fixtures and other equipment. Planned major maintenance, ongoing maintenance, routine repairs and minor replacements are expensed as incurred.

Interest costs incurred on new borrowings attributable to qualifying new construction are capitalized. We capitalize interest costs for qualifying new construction from the point borrowing costs are incurred for the qualifying new construction and cease when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

Table of Contents

Index to Financial Statements

Property and equipment are depreciated to their salvage value on a straight-line basis over the estimated useful lives of each class of assets. Our estimated useful lives of property and equipment are as follows:

	<u>Years</u>
Drillships and related equipment	15-35
Other property and equipment	2-7

Long-lived assets . We review our long-lived assets, including property and equipment, for impairment when events or changes in circumstances indicate that the carrying amounts of our assets held and used may not be recoverable. Potential impairment indicators include rapid declines in commodity prices and related market conditions, actual or expected declines in rig utilization, increases in idle time, cancellations of contracts or credit concerns of customers. We assess impairment using estimated undiscounted cash flows for the long-lived assets being evaluated by applying assumptions regarding future operations, market conditions, dayrates, utilization and idle time. An impairment loss is recorded in the period if the carrying amount of the asset is not recoverable.

Contingencies . We record liabilities for estimated loss contingencies when we believe a loss is probable and the amount of the probable loss can be reasonably estimated. Once established, we adjust the estimated contingency loss accrual for changes in facts and circumstances that alter our previous assumptions with respect to the likelihood or amount of loss.

Income taxes . Income taxes are provided based upon the tax laws and rates in the countries in which our subsidiaries are registered and where their operations are conducted and income and expenses are earned and incurred, respectively. We recognize deferred tax assets and liabilities for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the applicable enacted tax rates in effect the year in which the asset is realized or the liability is settled. A valuation allowance for deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We recognize tax benefits from an uncertain tax position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the position. The amount recognized is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement. Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations and the final audit of tax returns by taxing authorities. We recognize interest and penalties related to uncertain tax positions in income tax expense.

Recently Issued Accounting Pronouncements

Variable interest entities . In June 2009, the FASB issued an accounting standard update that clarifies the characteristics that identify a variable interest entity (“VIE”). Additionally, the standard changes how a reporting entity identifies a primary beneficiary that would consolidate the VIE from a quantitative risk and rewards calculation to a qualitative approach based on which variable interest holder has controlling financial interest and the ability to direct the most significant activities that impact the VIE’s economic performance.

This standard requires the primary beneficiary assessment to be performed on a continuous basis. It also requires additional disclosures about involvement with the VIE and how that involvement with a VIE impacts the consolidated financial statements of the reporting entity.

The standard is effective for reporting periods beginning after November 15, 2009. We adopted this standard on January 1, 2010. There was no impact to our consolidated financial statements. The additional disclosures required under this standard are included within the notes to our consolidated financial statements.

Table of Contents

Index to Financial Statements

Fair value measurements and disclosures . In January 2010, the FASB issued an accounting standards update that requires additional disclosures related to transfers between levels in the hierarchy of fair value measurements. The update also requires disclosure of valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements.

These updates are effective for interim and annual reporting periods beginning after December 15, 2009. We adopted these on January 1, 2010. Because the standard does not change how fair values are measured, the standard did not have an impact on our consolidated financial statements.

There are additional provisions for the fair value measurement accounting standards update effective for interim and annual periods beginning after December 15, 2010. These remaining updates require entities to separately disclose information about purchases, sales, issuances and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. We adopted these on January 1, 2011. Because the standard does not change how fair values are measured, the adoption did not have an impact on our consolidated financial statements.

In May 2011, the FASB issued an accounting standards update that changes the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments included in this update are intended to clarify the application of existing fair value measurement requirements.

This update is effective for annual periods beginning after December 15, 2011. We do not expect that our adoption will have a material effect on the disclosures contained in our notes to consolidated financial statements.

Presentation of Comprehensive Income . In June 2011, the FASB issued an accounting standards update that eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate consecutive statements. Each component of net income and each component of other comprehensive income together with totals are required to be displayed under either alternative.

This update is effective for public entities as of the beginning of a fiscal year that begins after December 15, 2011. As we present a separate statement of comprehensive income, this standard will not have an impact on our consolidated financial statement presentation.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. These risks arise primarily as a result of potential changes in the fair market value of financial instruments that would result from adverse fluctuations in interest rates and foreign currency exchange rates as discussed below. We have entered, and in the future may enter, into derivative financial instrument transactions to manage or reduce market risk, but we do not enter into derivative financial instrument transactions for speculative or trading purposes.

Interest Rate Risk . We are exposed to changes in interest rates through our variable rate long-term debt. We use interest rate swaps to manage our exposure to interest rate risks. Interest rate swaps are used to convert floating rate debt obligations to a fixed rate in order to achieve an overall desired position of fixed and floating rate debt. As of June 30, 2011, we have hedged 100% of the outstanding variable rate debt with fixed for float interest rate swaps. Please read “—Liquidity and Capital Resources—Derivative Instruments and Hedging Activities.”

[Table of Contents](#)

[Index to Financial Statements](#)

Foreign Currency Exchange Rate Risk . We use the U.S. Dollar as our functional currency because the substantial majority of our revenues and expenses are denominated in U.S. Dollars. Accordingly, our reporting currency is also U.S. Dollars. However, there is a risk that currency fluctuations could have an adverse effect on us as we do earn revenue and incur expenses in other currencies. We utilize the payment structure of customer contracts to selectively reduce our exposure to exchange rate fluctuations in connection with monetary assets, liabilities and cash flows denominated in certain foreign currencies. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual local currency needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies have not had a material impact on our overall operating results or financial condition.

INDUSTRY AND MARKET CONDITIONS

Overview

The offshore contract drilling industry provides drilling, workover and well construction services to oil and natural gas exploration and production companies using mobile barges, jack-ups, semi-submersible rigs, drillships and other drilling units. The following discussion will focus on the deepwater and particularly the ultra-deepwater sectors of the offshore contract drilling industry. We generally consider ultra-deepwater to begin in water depths of more than 7,500 feet and to extend to the maximum water depths in which rigs are capable of drilling, which is currently approximately 12,000 feet. We consider deepwater to be between 5,000 and 7,500 feet of water depth. Although we are primarily focused on the ultra-deepwater market, our drillships can operate in water depths as shallow as 1,000 feet, so we may also compete to provide services at shallower depths than deepwater. While not currently a core focus for our business, our drillships are also capable of operating in harsh environment areas, where there are typically rougher sea conditions.

Deepwater and ultra-deepwater drillships typically compete in many of the same markets as high-specification semi-submersible rigs. However, newer ultra-deepwater drillships generally have greater load capacity and are more mobile than semi-submersible rigs, making them better suited for drilling in remote locations where re-supply is more difficult and for exploration programs that require frequent rig relocation.

Drillships are marketed worldwide, as they can move self-propelled from one region to another. In some cases, the cost of relocating a ship may result in significant short-term variations in regional supply and demand, but these are typically short-lived in comparison to contract duration.

The market for deepwater and ultra-deepwater drilling contractor services is more established across the U.S. Gulf of Mexico, offshore Brazil, and several West African nations, including Angola, Ghana, and Nigeria, than it is in newer emerging regions where the industry has begun exploring for large discoveries. Large oil companies have deepwater and ultra-deepwater exploration programs in other emerging areas including offshore East Africa, South-East Asia and Australia, as well as other parts of the world. The market for drillships could continue to expand in those areas as exploration programs continue to grow.

Key demand drivers for ultra-deepwater drillships include:

- *Oil Prices* : Market expectations about potential changes in the price of oil significantly affect the level of activity in exploration, development and production in offshore areas worldwide. Ultra-deepwater rig demand is driven primarily by the long-term outlook for oil prices rather than short-term fluctuations.
- *Global Consumption of Oil* : The demand for ultra-deepwater drillships is driven by the worldwide demand for oil, which is affected by many factors including oil prices and the general state of the worldwide economy.
- *Increased Emphasis on Exploring in Ultra-Deepwater Areas by Major International Oil Companies and National Oil Companies* : International and national oil companies have been increasing their deepwater exploration and production activities, in part due to the relative scarcity of large, new onshore discoveries, and the discovery of numerous large ultra-deepwater fields.
- *Drilling Technology* : Advances in drilling technology in recent years have enabled international and national oil companies to increase their ability to operate in deeper water and on a more efficient basis than was previously possible. The ability to access new fields has led to an increase in demand for high-specification ultra-deepwater drillships over the past few years, which is expected to continue going forward.
- *General Political and Economic Environment* : Variations in the political and regulatory climate across regions affect global ultra-deepwater rig demand differently. For instance, drilling in the U.S. Gulf of

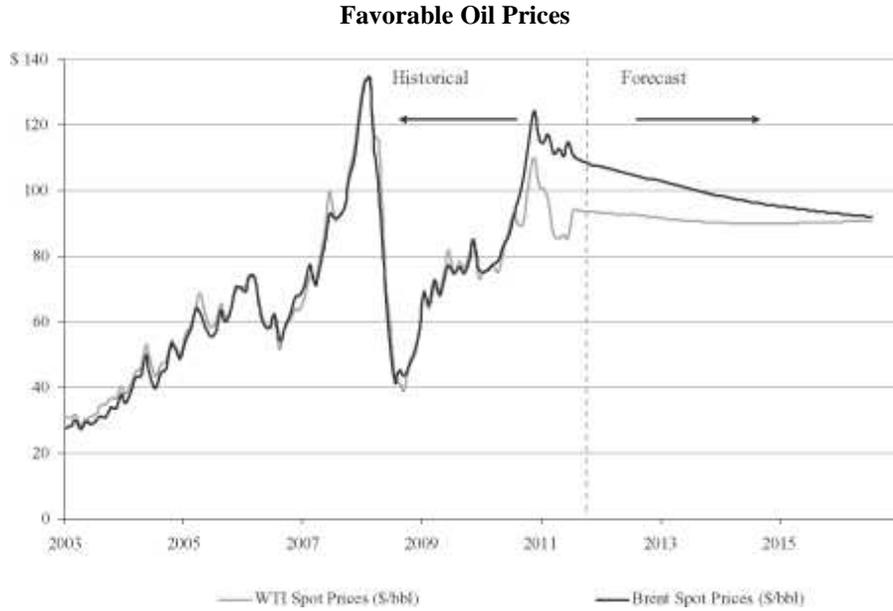
Table of Contents

Index to Financial Statements

Mexico has experienced regulatory and permitting delays because of the Deepwater Horizon oil spill in April 2010. This has significantly reduced ultra-deepwater drilling activity and rig demand in that region. Concerns about political instability, corruption, terrorism and regulatory requirements in West Africa and other emerging ultra-deepwater plays could affect demand for ultra-deepwater drillships in those areas. For a further discussion of these issues, please read “Risk Factors” and “Business—Environmental and Other Regulatory Issues.”

Oil Prices

Current oil prices are high relative to historical levels and have rebounded from their lows reached during the economic downturn of 2009. The chart below illustrates historical spot prices for West Texas Intermediate (WTI) and Brent oil through November 3, 2011 and NYMEX futures prices through 2016.



Source: Bloomberg; Historical, WTI and Brent NYMEX monthly pricing as of November 3, 2011

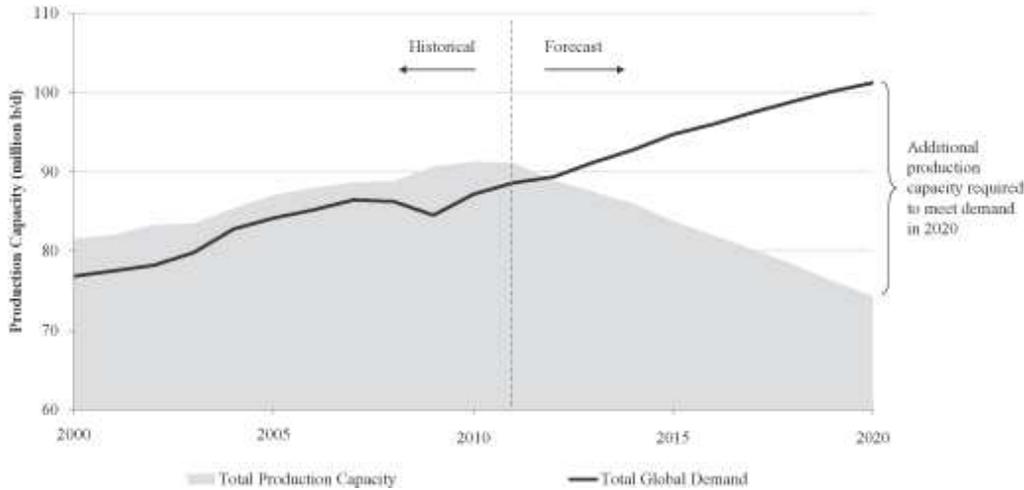
[Table of Contents](#)

[Index to Financial Statements](#)

Global Consumption

In spite of an oil price environment that is high by historical standards, the International Energy Agency (IEA) expects that worldwide demand for oil will continue to grow due to global economic growth. According to the IEA, continued upward revisions in global oil consumption have led to a growth in estimated global consumption of 1.2 million Bbl/d in 2011. In 2012, the IEA Oil Market Report (as of July 13, 2011) expects global oil consumption to grow by an additional 1.5 million Bbl/d. A production shortfall and resulting supply gap will likely emerge as existing reserves are depleted. We believe that current oil prices, if sustained, could result in increased exploration and development drilling activity and higher demand and competitive dayrates for drillships as energy companies seek to meet growing worldwide oil demand.

Expected Decline in Global Production Capacity



Source: Wood Mackenzie; 2010 Global Upstream Forum, London, November 2010, Slide 80

Notes: Total Production Capacity indicates total onstream production and excess capacity from current proved reserves only as of November 2010. Numbers from 2011 onwards are forecasted estimates.

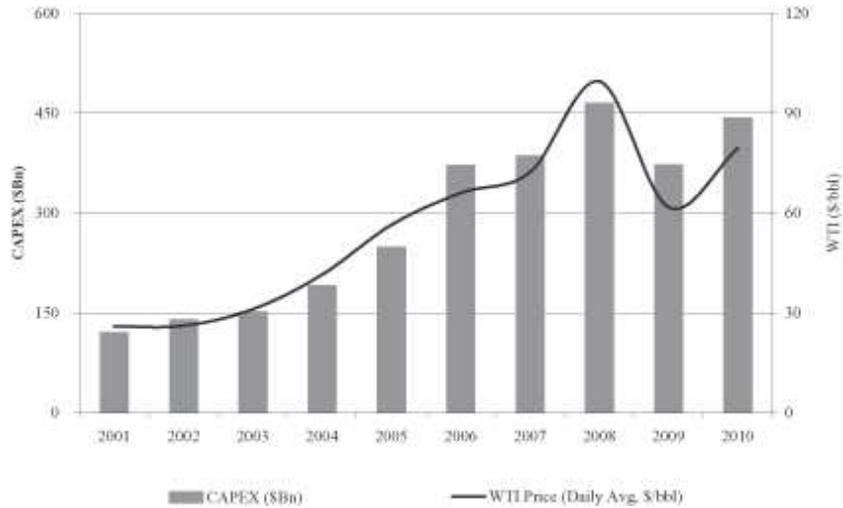
Upstream Capital Expenditures Are Increasing

With relatively high oil prices, many exploration and production companies are generating cash flows that exceed their capital requirements for investment projects. Many of these companies use a portion of their excess cash flow to increase capital expenditure budgets in an attempt to meet rising demand for oil and natural gas and to increase production and to mitigate reserve declines. We believe that a portion of the increased capital expenditures by such exploration and production companies is likely to be used to drill new deepwater wells, which could increase the demand for our services.

Global exploration and production expenditures have increased from approximately \$120 billion in 2001 to approximately \$443 billion in 2010, as reported in IHS Herold's Financial and Operations Database as of June 2011. According to the BP Energy Outlook 2030 (published January 2011), global oil and gas production is expected to grow by approximately 1% per annum over the next 20 years. In order to achieve this level of production, global exploration and production spending is expected to continue its long-term increase.

Given the general decline in production of existing onshore reserves, the deepwater component of major oil companies' upstream capital budgets may increase in the future as a percentage of their overall capital expenditures.

Global Capital Expenditures of Oil and Gas Producers on the Rise



Source: Capital Expenditure (CAPEX) data from IHS Herold's Financial and Operations Database (as of June 2011), Historical WTI NYMEX prices (yearly average) from Bloomberg
Note: CAPEX exhibited is total capital costs incurred, including acquisition, exploration and development costs. Peer set includes all 243 Global, Integrated, Diversified and Independent exploration & production Oil and Gas Companies contained in IHS Herold's Financial and Operations Database as of June 2011

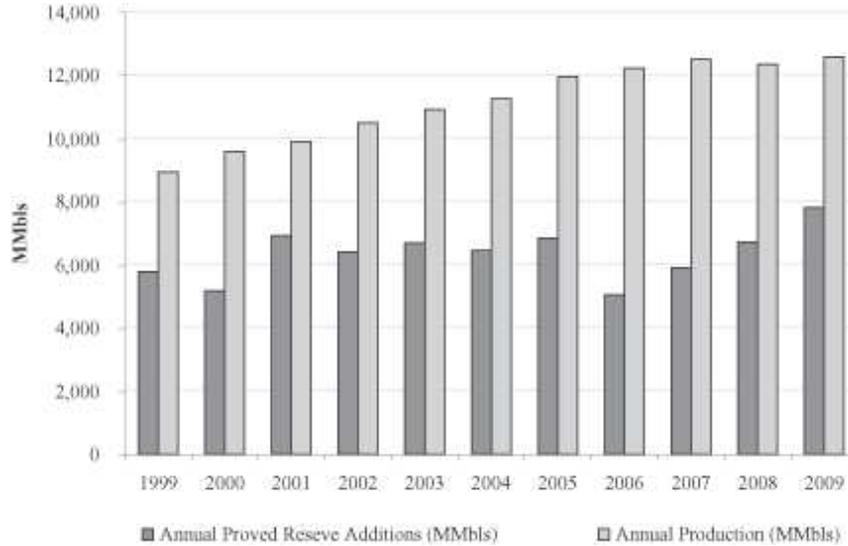
Table of Contents

Index to Financial Statements

Declining Reserve Replacement

Worldwide, the major oil companies have generally reported declining reserve replacement ratios (the ratio of new proved reserve additions to oil produced). For instance, the top six global integrated oil companies (as covered by IHS Herold as of July 2011) have recorded fewer reserve extensions and discoveries than their annual oil production since 2001. The easiest extractable oil and gas reserves have already been found and developed or are controlled by national oil companies. At the same time, international consumption has been increasing. As a result, major oil companies are increasingly forced to explore new frontiers, and exploration activity is trending from shallower to deeper waters and to environments that are more challenging.

Declining Global Liquids Proved Reserve Additions vs. Production



Source: IHS Herold's Financial and Operations Database as of July 18, 2011

Note: Peer set includes all 243 Global, Integrated, Diversified and Independent exploration & production Oil and Gas Companies contained in IHS Herold's Financial and Operations Database

[Table of Contents](#)

[Index to Financial Statements](#)

Market Conditions in the Ultra-Deepwater Space

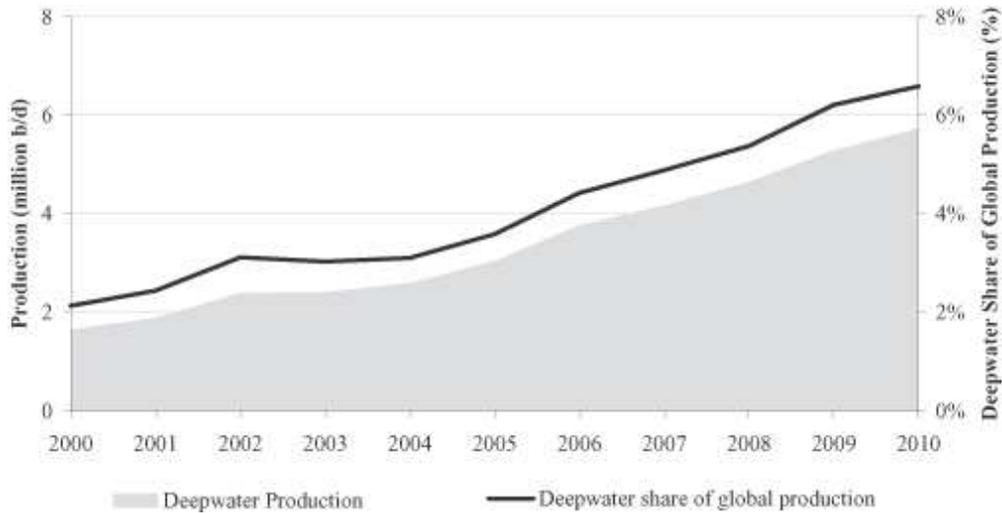
The positive long-term trend for rig demand in the ultra-deepwater market is expected to persist because ultra-deepwater resources in select regions are one of the few frontiers where international oil companies have access to drill for sufficiently large and material exploration plays and discoveries.

Deepwater and ultra-deepwater drilling projects generally have greater demand visibility due to long development timelines and project planning periods. As a result, customer contracts in the deepwater and ultra-deepwater drilling markets tend to have a longer duration than those in the broader drilling sector. For example, the Thunder Horse field in the central Gulf of Mexico took approximately 9 years to develop, since its discovery in 1999 until the start of oil production in 2008.

Deepwater production has nearly doubled over the past five years, as illustrated in the chart below. Based on the trend over this period and our knowledge of the sector activity, we believe deepwater production will continue to increase in the future as exploration and development activities expand. In addition, we expect that a leading source of future value in deepwater will be the “golden triangle,” consisting of the U.S. Gulf of Mexico, Brazil and West Africa (Angola, Ghana and Nigeria).

Brazil in particular, has seen significant growth in offshore sector activity in recent years. According to their 2011-2015 Business Plan published on July 22, 2011, Petrobras announced its intention to spend \$225 billion over five years, with \$128 billion dedicated to exploration and production.

Growing Global Deepwater Liquids Production



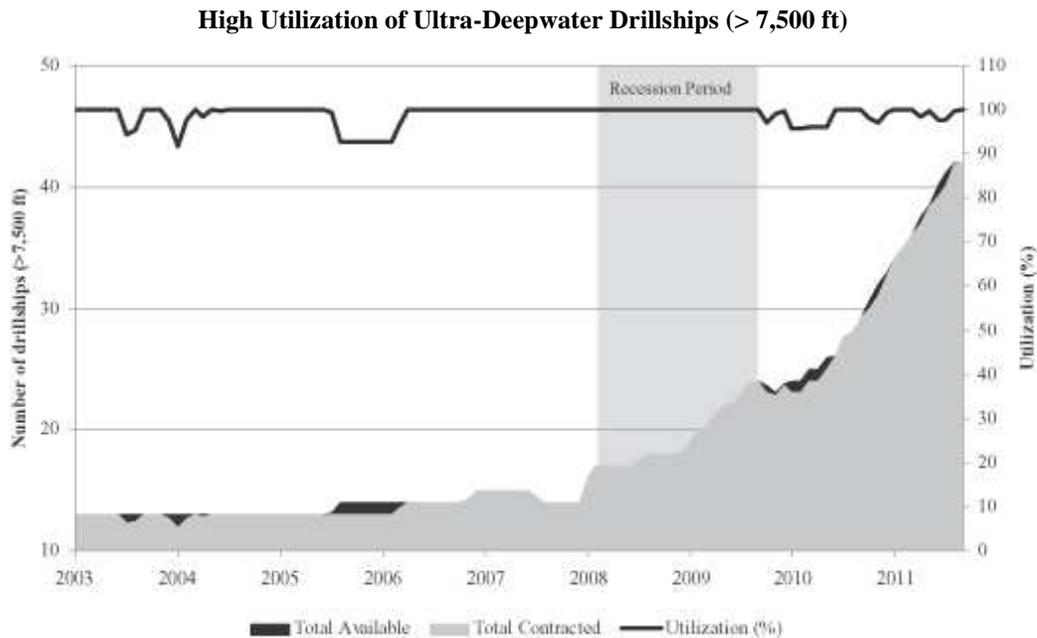
Source: Wood Mackenzie Global Oil Supply Tool, Macro Oils Service, Global Deepwater Production, June 2011
Note: Wood Mackenzie Global Oil Supply Tool defines “deepwater” as depths greater than or equal to 400 meters.

Demand and Supply for Ultra-Deepwater Rigs

In the near future, we expect that large exploration and development companies, including major international oil companies and national oil companies, will primarily drive demand for ultra-deepwater rigs. Demand from these oil companies is generally perceived to be less volatile and less vulnerable to market disruptions because these companies generally possess stronger credit profiles and greater capital resources than smaller independents.

Numerous drilling contractors have recently placed orders to build additional drillships. We estimate there are approximately 56 ultra-deepwater rigs scheduled for delivery between November 1, 2011 and the end of 2014, 34 of which are currently not contracted to customers. As of November 2011, ODS-Petrodata counted 91 ultra-deepwater rigs in service, of which 45 are ultra-deepwater drillships.

The graph below demonstrates the historical demand and supply of ultra-deepwater drillships and drillship utilization rates from January 2003 through October 2011.



Source: ODS-Petrodata (RigPoint Data as of October 7, 2011)

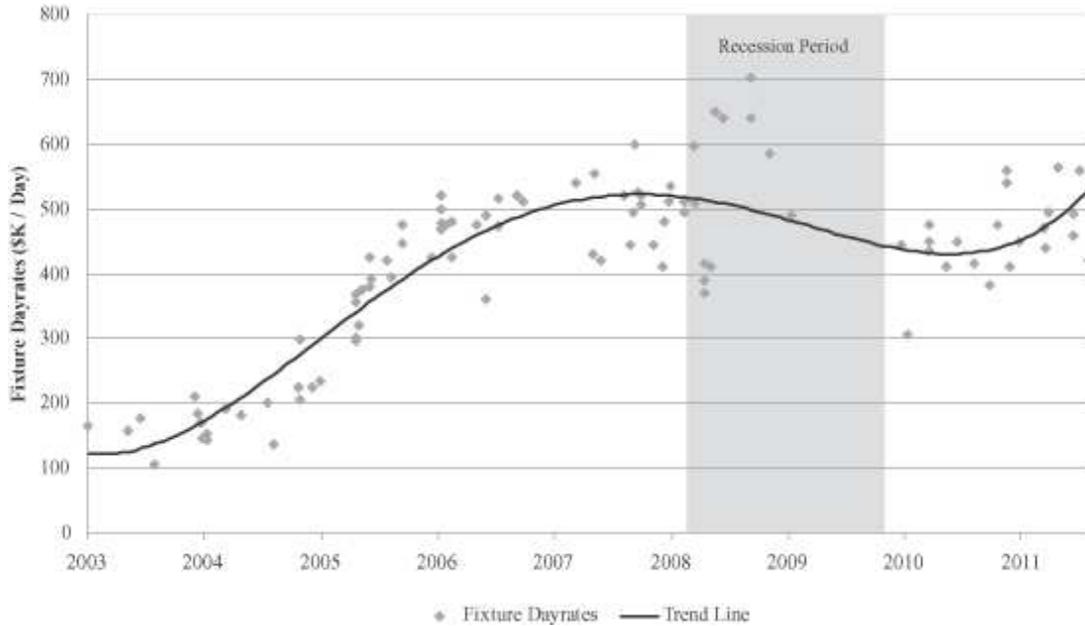
Notes:

- 1) "Recession Period" indicates negative quarterly growth rates of real GDP (change over previous quarter) of Organization for Economic Co-operation and Development (OECD) economies (Sourced from OECD Statistics Quarterly GDP data)
- 2) "Total Available" indicates drillships that are available for contracts
- 3) "Total Contracted" indicates drillships that have been contracted

Dayrate Recovery

As exploration and production activity increasingly focuses on deepwater regions, ultra-deepwater dayrates are expected to increase from current levels. Though the industry witnessed a dayrate weakening for drilling units during the recent global recession, utilization of ultra-deepwater units has remained close to 100% since 2007.

Rising Fixture Dayrates of Ultra-Deepwater Drillships (>7,500 ft)



Source: ODS Petrodata (RigPoint Data, as of October 7, 2011)

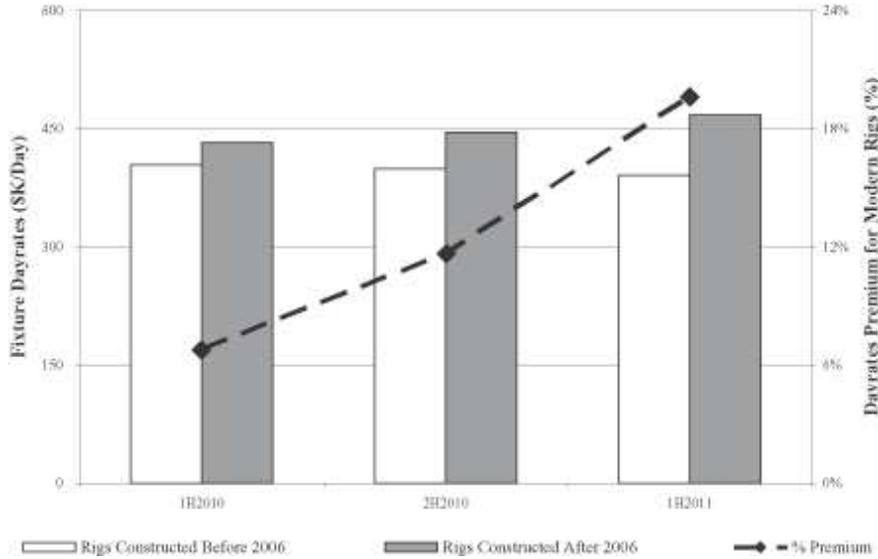
Notes

- 1) Includes only dayrates by fixture date; does not include options, sublets, single-well contracts and cancelled contracts
- 2) Fixture dayrates represent dayrates contractually agreed upon by the operator and service provider, and can be agreed upon significantly ahead of actual starting date
- 3) Trendline calculated from regression analysis
- 4) "Recession Period" indicates negative quarterly growth rates of real GDP (change over previous quarter) of Organization for Economic Co-operation and Development (OECD) economies (Sourced from OECD Statistics Quarterly GDP data)

Evolving Drilling Technology

With improving technology, drillships have been able to drill at ever-increasing depths. Drillships can also be used as platforms to carry out completion work such as casing and tubing installation or subsea wellhead and valve installations. Recent dayrates demonstrate a bifurcation in which newer, higher specification drillships that are able to handle technically demanding operations in remote locations are generally able to command higher dayrates than older, lower specification drillships, as illustrated in the chart below.

Preference for Modern Ultra-Deepwater Drillships and Semi-Submersibles (> 7,500 ft)



Source: ODS Petrodata (drillship fixture dayrates from RigPoint as of July 25, 2011)

Notes:

- 1) Does not include fixture dayrates for options, sublets and cancelled contracts
- 2) Fixture dayrates represent dayrates contractually agreed upon by the operator and service provider; Fixture dayrates could be agreed upon and signed into a contract significantly ahead of actual starting date of contract
- 3) Percentage Premium denotes the percentage difference between average fixture dayrates of Rigs Constructed After 2006 and Rigs Constructed Before 2006

BUSINESS

Overview

We are an international offshore drilling company committed to becoming a preferred provider of ultra-deepwater drilling services to the oil and natural gas industry through the use of high-specification drillships. Our primary business is to contract our ultra-deepwater drilling rigs, related equipment and work crews, primarily on a dayrate basis, to drill wells for our customers. Led by a team of seasoned professionals with significant experience in the oil services and ultra-deepwater drilling sectors, we specialize in the technically demanding segments of the offshore drilling business.

We are primarily focused on the ultra-deepwater market. The term “ultra-deepwater,” as used in the drilling industry to denote a particular sector of the market, can vary and continues to evolve with technological improvements. We generally consider ultra-deepwater to begin at water depths of more than 7,500 feet and to extend to the maximum water depths in which rigs are capable of drilling, which is currently approximately 12,000 feet. Although we are primarily focused on the ultra-deepwater market, our drillships can also operate in water depths as shallow as 1,000 feet, giving us the ability to compete for jobs targeting shallower depths than ultra-deepwater. While not currently a core focus for our business, our drillships are also capable of operating in harsh environment areas, where there are typically rougher sea conditions.

Following completion of construction, our fully-deployed fleet will consist of six newly constructed sixth generation ultra-deepwater drillships, representing one of the youngest and most technologically advanced fleets in the world. We currently operate three recently delivered drillships, have one drillship under construction and have entered into contracts to construct two additional drillships. The *Pacific Bora* recently completed its customer requested upgrades and modifications and entered service in Nigeria on August 26, 2011 under a three-year contract with a subsidiary of Chevron. The *Pacific Scirocco* is expected to enter service in Nigeria in December 2011 under a one-year contract with a subsidiary of Total. The *Pacific Mistral* is expected to enter service in Brazil in December 2011 under a three-year contract with a subsidiary of Petrobras. The *Pacific Santa Ana* is currently under construction by SHI, and is scheduled for delivery in December 2011. The *Pacific Santa Ana* is expected to enter service in the U.S. Gulf of Mexico in the first quarter of 2012 under a five-year contract with a subsidiary of Chevron. We entered into contracts with SHI in March 2011 for the construction of our fifth and sixth new advanced-capability, ultra-deepwater drillships, the *Pacific Khamsin* and the *Pacific Sharav*, which are expected to be delivered in the second and third quarters of 2013, respectively.

In June 2011, we signed an agreement with SHI granting us an option through October 31, 2011, which was extended through January 31, 2012, to purchase a seventh drillship at substantially the same price and terms and conditions as the contracts for the *Pacific Khamsin* and the *Pacific Sharav*. We will continue to evaluate the long-term conditions of the deepwater drilling market to determine whether to exercise this option.

Because our drillships are highly mobile, our fleet will operate in a single, global market for the provision of contract drilling services to the deepwater exploration and production industry. Deepwater and ultra-deepwater drillships typically compete in many of the same markets as high-specification semi-submersible rigs. However, newer ultra-deepwater drillships like those in our fleet generally have greater load capacity and are more mobile than semi-submersible rigs, making them better suited for drilling in remote locations where re-supply is more difficult, and for exploration programs that require frequent rig relocation. All of our drillships are self-propelled and dynamically positioned and have large carrying capacity. We believe the long-term prospects for deepwater drilling are positive given the expected growth in oil and gas consumption from developing nations, limited growth in crude oil supplies and high depletion rates of mature oil and gas fields. Recent geologic successes in deepwater basins, improving access to promising deepwater areas and new, more efficient technologies, are expected to be catalysts for the long-term exploration and development of deepwater fields. The location of our drillships and the allocation of resources to build or upgrade rigs will be determined by the activities and needs of our customers. Currently, our four existing drillships are committed to work in the deepwater regions of the U.S. Gulf of Mexico, Brazil and West Africa, which are the three most active deepwater basins in the world.

Table of Contents

Index to Financial Statements

From our inception in 2006, we have committed over \$4.4 billion to establish our existing ultra-deepwater fleet of six drillships, of which we have spent approximately \$2.7 billion through June 30, 2011. We funded the \$2.7 billion spent through June 30, 2011 with related party loans from an affiliate of Quantum Pacific Group, which were subsequently converted into equity, borrowings under our \$1.8 billion Project Facilities Agreement (as defined and described in further detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Description of Our Indebtedness”), and a portion of the net proceeds of approximately \$576 million from 2011 Private Placement. Of the \$1.7 billion of estimated remaining capital expenditures for our six drillships, we expect to spend approximately \$0.5 billion for our four drillships recently delivered or currently under construction, and \$1.2 billion, excluding capitalized interest but including commissioning and testing and other costs, on our fifth and sixth drillships on order from SHI. We intend to finance the approximately \$0.5 billion amount with additional borrowings under the Project Facilities Agreement. We intend to finance the remaining \$1.2 billion of capital expenditures for the two newbuilds with our existing cash balances and additional future indebtedness, which is uncommitted at this time. For more information on the use of proceeds and our capital requirements, please see “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources.”

Our Business Strategies

Our principal business objective is to increase shareholder value. We expect to achieve this objective through the following strategies:

- *Establish position as a preferred ultra-deepwater drilling contractor with newly built high-specification units* . High-specification drilling units are specifically designed to meet the requirements of customers for drilling in deepwater basins and complex geological formations and for drilling wells with challenging profiles. In addition, we believe that our new drilling units have a competitive advantage over older units because of their improved safety features, greater efficiency and enhanced mobility. Furthermore, it is easier to attract more experienced operating personnel to newer drilling units due to their superior working and living conditions and potential for better career opportunities.
- *Capitalize on increased exploration and development activity in deepwater basins* . As demand for hydrocarbons increases and mature producing basins naturally decline, we believe there will be an increasing emphasis on exploration and development in deep waters to exploit new and attractive prospects. Recent major discoveries in deepwater basins, together with technological advances that make such exploratory and development activities more economic, have increased potential development opportunities for deepwater drilling services. We believe that the water-depth capability of our ultra-deepwater drilling units will further our ability to secure long-term ultra-deepwater contracts in the future.
- *Develop strategic relationships with high-quality customers* . We expect to derive a significant portion of our future revenue from contracts with national oil companies, major international oil companies and large investment-grade independent exploration and production companies. These customers tend to take a long-term approach to the development of substantial hydrocarbon finds with multi-year development programs as well as multi-year capital expenditure commitments, which we believe will enhance the likelihood of our securing attractive long-term drilling contracts.
- *Identify and generate growth opportunities* . We expect to grow through newbuilds as well as strategic transactions, with a continued focus on the ultra-deepwater market. We will concentrate on those growth opportunities that we believe will create maximum shareholder value.

Table of Contents

Index to Financial Statements

Competitive Strengths

We have a number of competitive strengths that we believe will help us to successfully execute our business strategies:

- *Experienced and international management team* . Our management team has extensive industry experience operating in locations worldwide, with an average of over 20 years of experience. We believe that our management team's significant experience, as well as its diverse international background, enhances our ability to effectively operate on a global basis and throughout industry cycles.
- *New and technologically advanced fleet* . Our fleet is comprised of some of the newest and most technologically advanced drillships in the world. Each of our premium, high-specification drillships is designed to operate in water depths of up to 12,000 feet. Furthermore, our ultra-deepwater drillships are self-propelled, dynamically positioned and suitable for drilling in remote locations. Our high-specification units are expected to achieve faster drilling and shorter transportation times between locations relative to older units in the market. In addition, the *Pacific Santa Ana*, the *Pacific Khamsin* and the *Pacific Sharav* will have dual gradient drilling capabilities and also offer enhanced capabilities for well completion work.
- *Strong backlog with credit-worthy counterparties* . We have and are continuing to develop a strong revenue backlog that currently consists of contracts for two of our drillships with a subsidiary of Chevron and contracts for two other drillships with subsidiaries of Total and Petrobras. As of November 4, 2011, our contract backlog on the *Pacific Bora* , the *Pacific Santa Ana*, the *Pacific Scirocco* and the *Pacific Mistral* under these contracts was approximately \$2.2 billion. We believe these high-quality customer commitments will provide us with a stable cash flow for the next several years.
- *Uniformity of assets* . The uniformity of our assets enables efficient and streamlined labor, maintenance, supply chain and operating support systems, which we believe will allow us to develop and maintain a competitive cost structure. The similarity of our ship designs allows for interoperability among our crews and operating systems, which should allow members of our crew to serve interchangeably on any of our drillships. Additionally, our drillships' consistent technical specifications and equipment make spare parts interchangeable, which reduces the capital requirements associated with keeping spare parts in stock, lowering maintenance and supply chain costs.

Risk Factors

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategies. These risks relate to, among others, changes in the offshore contract drilling industry, including supply and demand, utilization rates, dayrates, customer drilling programs and commodity prices; a downturn in the global economy; hazards inherent in our industry and operations resulting in liability for personal injury or loss of life, damage to or destruction of property and equipment, pollution or environmental damage; inability to comply with covenants in our debt agreements; inability to finance capital projects; and inability to successfully employ our drillships.

You should carefully consider the following risks, those other risks described in "Risk Factors" and the other information in this prospectus before deciding whether to invest in our common shares.

Risks Related to Our Business

- We have a limited operating history, which makes it more difficult to accurately forecast our future results and may make it difficult for investors to evaluate our business and our future prospects, both of which will increase the risk of your investment in our common shares.

Table of Contents

Index to Financial Statements

- We have a limited asset base and currently rely on three customer accounts. The loss of any customer or significant downtime on any drillship could adversely affect our financial condition and results of operations.
- The contract drilling industry is highly competitive. Compared to companies with greater resources, we may be at a competitive disadvantage.
- The demand for our services depends on the level of activity in the offshore oil and natural gas industry, which is significantly affected by oil and natural gas prices and other factors beyond our control.
- The imposition of stringent restrictions or prohibitions on offshore drilling by any governing body may have a material adverse effect on our business.
- Our current backlog of contract drilling revenue may not be fully realized.
- The Project Facilities Agreement imposes significant operating and financial restrictions on certain of our subsidiaries, which may prevent us from capitalizing on business opportunities and taking some actions.

Risks Relating to the Offering and an Investment in Our Common Shares

- Your rights and responsibilities as a shareholder will be governed by Luxembourg law and will differ in some respects from the rights and responsibilities of shareholders under other jurisdictions, including the United States, and shareholder rights under Luxembourg law may not be as clearly established as shareholder rights under the laws of other jurisdictions.
- We are controlled by a single shareholder, which could result in potential conflicts of interest with our public shareholders.

Tax Risks

- Changes in tax laws, treaties or regulations or adverse outcomes resulting from examination of our tax returns could adversely affect our financial results.
- We may not be able to make distributions without subjecting you to Luxembourg withholding tax.

The Fleet

Our fleet consists of some of the newest and most technologically advanced drillships in the world, enabling us to offer ultra-deepwater drilling services to customers worldwide. Our fleet will initially, on the basis of our current contracts, consist of six newly constructed sixth generation ultra-deepwater drillships based on a proven design from SHI using well-established advanced drilling systems from NOV. The *Pacific Bora* and the *Pacific Mistral* are capable of drilling in water depths of up to 10,000 feet of water and 12,000 feet respectively with drilling systems based on a single activity design with offline stand-building for increased efficiency. The *Pacific Scirocco*, the *Pacific Santa Ana*, the *Pacific Khamsin* and the *Pacific Sharav* are or will be designed to drill in water depths of up to 12,000 feet and have or will have enhanced mud-storage, riser handling and cuttings handling capabilities and a complete dual derrick with double load path. Additionally, the *Pacific Santa Ana*, the *Pacific Khamsin* and the *Pacific Sharav* will be upgraded to have dual gradient drilling capabilities. Dual gradient drilling is a technology that allows two different pressure gradients to be maintained in the well (one in the drilling riser and one in the well below the mudline) by a process of replacing mud from the drilling riser with a seawater-density fluid. Pursuant to our drilling contract with Chevron for the use of the *Pacific Santa Ana*, we have been granted a non-exclusive, world-wide, royalty-free license to use the technical information, data, and knowledge made available by Chevron for not only the *Pacific Santa Ana* but also our non-dual gradient drilling operations on all of our other drilling units. Provided that this drilling contract remains in effect, we will

Table of Contents

Index to Financial Statements

have a non-exclusive, world-wide, royalty-free license to use this information, data, and knowledge in any manner (presumably including dual gradient drilling operations) on any of our drilling units after February 1, 2014. Although dual gradient drilling technology was technically proven ten years ago, the *Pacific Santa Ana* will be the first rig to deploy this technology for commercial application and the dual gradient drilling concept that will be deployed by the *Pacific Santa Ana* are disclosed in patents assigned to Chevron. We believe that many operators may become interested in deploying dual gradient drilling technology for deepwater wells because it enables better well control, reduces the required number of casing strings, and allows for larger wellbore at total depth and larger production liner. These technical benefits may result in savings in cost and time per well and higher flow rates, enabling the operator to drill wells that would have been considered uneconomic or “undrillable” and book reserves that would have not been otherwise booked. However, there is no certainty that we will achieve these expected benefits from our dual gradient drilling capabilities. See “Risk Factors—Dual gradient drilling techniques may not result in the currently expected benefits and, as a result, adequate demand may not develop for these capabilities.”

Our drillships are self-propelled, dynamically positioned and suited for drilling in remote locations because of their mobility and large carrying capacity. Deepwater drillships typically compete in many of the same markets as do high-specification semi-submersible rigs. Drillships typically have greater load capacity than semi-submersible rigs and are therefore often preferred over semi-submersibles for drilling in remote locations. As drillships are highly mobile, they are also preferred for exploration programs that typically require the rig to be relocated frequently.

The following table sets forth certain information regarding our high-specification, ultra-deepwater drillships as of November 4, 2011:

Rig	Date Delivered/ Expected Delivery	Water Depth Capacity (in feet)	Drilling Depth Capacity (in feet)	Status
<i>Pacific Bora</i> ^{(a)(d)}	October 2010	10,000	37,500	Operating
<i>Pacific Scirocco</i> ^(b)	April 2011	12,000	40,000	Mobilization and Customer Upgrades
<i>Pacific Mistral</i> ^(a)	June 2011	12,000	37,500	Mobilization
<i>Pacific Santa Ana</i> ^{(b)(c)}	December 2011	12,000	40,000	Under construction
<i>Pacific Khamsin</i> ^{(b)(c)}	April 2013	12,000	40,000	On order
<i>Pacific Sharav</i> ^{(b)(c)}	September 2013	12,000	40,000	On order

(a) These drillships have, or, upon completion, will have an off-line stand building system.

(b) These drillships have, or, upon completion, will have dual load path capability.

(c) These drillships have, or, upon completion, will have dual gradient drilling upgrades.

(d) Maximum water depth could be extended to up to 12,000 feet with drillship modifications.

Drillship Construction Projects

On March 15, 2011, we entered into two contracts with SHI for the construction of our fifth and sixth new advanced-capability, ultra-deepwater drillships, the *Pacific Khamsin* and the *Pacific Sharav*. Similar to several other vessels in our existing fleet, the *Pacific Khamsin* and the *Pacific Sharav* are also based on SHI’s proprietary hull design with many of the required enhancements to meet our operational needs and comply with recent client requirements, have dual gradient drilling capabilities and improved completion capabilities and are designed for drilling in water depths of up to 12,000 feet. Following shipyard construction, commissioning and testing, the *Pacific Khamsin* and the *Pacific Sharav* are expected to be delivered to us at the shipyard in the second quarter and third quarter of 2013, respectively. The contracts provide for an aggregate purchase price of approximately \$1 billion for the acquisition of these two vessels, payable in installments during the construction process. We have the right to rescind the agreement for delays exceeding certain periods or, alternatively, the right to liquidated damages for delays or failures. We expect the total cost per vessel, including commissioning and testing and other costs, to be approximately \$600 million, excluding capitalized interest. We intend to finance our

Table of Contents

Index to Financial Statements

ongoing drillship construction projects with respect to our three drillships currently under construction with cash on hand, available funds under the Project Facilities Agreement, additional debt financing and cash flow from operations. Please see “Risk Factors—Risks Related to Our Business—Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling obligations under our debt obligations;” and “Risk Factors—Risks Related to Our Business—The agreements governing our debt and the debt of our subsidiaries impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some actions.”

Our construction programs are supervised by our construction management team of over 50 people, including those that managed the construction of the *Pacific Bora*, the *Pacific Scirocco* and the *Pacific Mistral* and the two drillships that were contributed to TPDI. The *Pacific Bora*, the *Pacific Scirocco*, the *Pacific Mistral* and the two TPDI vessels were delivered on time and within budget. In addition, we have contracted with a firm specializing in software-development control systems to reduce non-productive time from the design phase through construction to operations. We believe that this initiative will improve quality, risk mitigation, problem remediation and change management processes.

There are risks of delay and cost overruns inherent in any major shipyard project, including those resulting from adverse weather conditions, work stoppages, disputes and financial and other difficulties encountered by the shipyard. In order to mitigate some of these risks, we have selected a high-quality shipyard with a reputation for on-time completions. In addition, each of our construction contracts are based on a fixed fee and backed by a refund guarantee if the unit is ultimately not finished or accepted by us upon completion. Deliveries by the shipyard beyond a certain point in time are subject to penalty payments to us and also give us a right of cancellation.

Contract Backlog

Our contract backlog includes firm commitments only, which are represented by signed drilling contracts. As of November 4, 2011, our contract backlog was approximately \$2.2 billion and was attributable to revenues we expect to generate on the *Pacific Bora*, the *Pacific Santa Ana*, the *Pacific Scirocco* and the *Pacific Mistral* under firm contracts with Chevron, Total and Petrobras. We calculate our contract backlog by multiplying the contractual dayrate by the minimum number of days committed under the contracts (excluding options to extend), assuming full utilization, and also include mobilization fees, upgrade reimbursements and other revenue sources, such as the standby rate during upgrades, as stipulated in the contract.

The actual amounts of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods shown in the table below due to various factors, including shipyard and maintenance projects, downtime and other factors. In addition, our contracts customarily provide for termination at the election of the customer with an “early termination payment” to be paid to us if a contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances, such as destruction of a drilling rig, our bankruptcy, sustained unacceptable performance by us or delivery of a rig beyond certain grace and/or liquidated damages periods, no early termination payment would be paid. Accordingly, the actual amount of revenues earned may be substantially lower than the backlog reported.

Table of Contents

Index to Financial Statements

The firm commitments that comprise our contract backlog as of November 4, 2011, are as follows:

Rig	Contracted Location	Customer	Contract Backlog(c)	Contractual Dayrate	Average Contract Backlog Revenue Per Day(c)	Actual/Expected Contract Commencement	Expected Contract Duration
<i>Pacific Bora</i>	Nigeria	Chevron	\$ 566,868,850	\$ 474,700	\$ 553,000	August 26, 2011	3 years ^(a)
<i>Pacific Scirocco</i>	Nigeria	Total	\$ 210,141,000	\$ 470,000	\$ 574,000	December 2011	1 year ^(b)
<i>Pacific Mistral</i>	Brazil	Petrobras	\$ 537,090,000	\$ 458,000	\$ 490,000	December 2011	3 years
<i>Pacific Santa Ana</i>	U.S. Gulf of Mexico	Chevron	\$ 916,462,700	\$ 467,500	\$ 502,000	First Quarter 2012	5 years

- (a) Contract also provides for two successive un-priced one-year options.
- (b) Contract also provides for two successive one-year options and a further two-year option, with escalating dayrates for the option periods.
- (c) Rounded to the nearest \$1,000. Based on signed drilling contracts.

Although we currently do not have letters of award or drilling contracts for the *Pacific Khamsin* or the *Pacific Sharav*, we expect that the long-term demand for deepwater drilling capacity in established and emerging basins should provide us with opportunities to contract these two drillships prior to their delivery dates.

Drilling Contracts

We provide drilling services on a “dayrate” contract basis. We do not provide “turnkey” or other risk-based drilling services. Under dayrate contracts, the drilling contractor provides a drilling rig and rig crews and charges the customer a fixed amount per day regardless of the number of days needed to drill the well. The customer bears substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well. In addition, dayrate contracts usually provide for a lump sum amount for mobilizing the rig to the well location and a reduced dayrate when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond the contractor’s control. A dayrate drilling contract generally covers either the drilling of a single well or group of wells or has a stated term. These contracts may generally be terminated by the customer in the event the drilling unit is damaged, destroyed or lost or if drilling operations are suspended for an extended period of time as a result of a breakdown of equipment, “force majeure,” events beyond the control of either party or upon the occurrence of other specified conditions. In addition, drilling contracts with certain customers may be cancelable, without cause, with little or no prior notice and without penalty or early termination payments. In some instances, the dayrate contract term may be extended by the customer exercising options for the drilling of additional wells or for an additional length of time at fixed or mutually agreed terms, including dayrates.

Our drilling contracts are the result of negotiations with our customers and have been awarded upon competitive bidding. Our existing drilling contracts contain, *inter alia*, the following commercial terms: (i) contract duration extending over a specific period of time; (ii) term extension options in favor of our customer, generally upon advance notice to us, at mutually agreed, indexed or fixed rates; (iii) provisions permitting early termination of the contract if the drilling unit is lost or destroyed, if operations are suspended for an extended period of time due to breakdown of major rig equipment, unsatisfactory performance or “force majeure” events beyond our control and the control of the customer; (iv) provisions allowing early termination of the contract by the customer without cause with a specified early termination fee in the form of a reduced rate for a specified period of time; (v) provisions requiring us to reimburse the customer for reasonable costs to obtain a replacement drilling unit in the event of termination for cause, subject to a cap which decreases with the duration of contract; (vi) payment of compensation to us (generally in U.S. dollars although some contracts require a portion of the compensation to be paid in local currency) on a “dayrate” basis (lower rates or no compensation generally apply during periods of equipment breakdown and repair or in the event operations are suspended or interrupted by other specified conditions, some of which may be beyond our control); (vii) payment by us of the

Table of Contents

Index to Financial Statements

operating expenses of the drilling unit, including crew labor and incidental rig supply costs; (viii) provisions allowing us to recover certain labor and other operating cost increases from our customers through dayrate adjustment or otherwise; (ix) provisions requiring us to provide a performance guarantee; and (x) indemnity provisions between us and our customers in respect of third party claims and risk allocations between us and our customers relating to damages, claims or losses to us, our customers, or third parties. Our indemnification may not cover all damages, claims or losses to us or third parties, and the indemnifying party may not have sufficient resources to cover its indemnification obligations. See also “Risk Factors—Risks Related to Our Business—Our customers may be unable or unwilling to indemnify us.”

Joint Venture, Agency and Sponsorship Relationships

In some areas of the world, local customs and practice or governmental requirements necessitate the formation of joint ventures with local participation. Local laws or customs in some areas of the world also effectively mandate establishment of a relationship with a local agent or sponsor. When appropriate in these areas, we will enter into agency or sponsorship agreements. For more information regarding the regulations in the countries in which we currently are contracted to operate, please see “—Environmental and Other Regulatory Issues.”

We currently are party to a Nigerian joint venture, PIDWAL, which is fully controlled and 90% owned by us with 10% owned by Derotech Offshore Services Limited, a privately-held Nigerian registered limited liability company. Derotech will not accrue the economic benefits of its interest in PIDWAL unless and until it satisfies certain outstanding obligations to us and a certain pledge is cancelled by us. Derotech is also performing marketing services for PIDWAL and an affiliate of Derotech acts as one of PIDWAL’s logistics agents. After the maturity of the Project Facilities Agreement and subject to the terms of our shareholder’s agreement with Derotech, Derotech will have the right to purchase up to a 50% ownership interest in PIDWAL at a fair market value price and subject to additional mutually agreed upon terms. Additionally, the shareholder’s agreement provides that as long as Derotech is a shareholder in PIDWAL, neither we nor Derotech may compete with the business of PIDWAL without written consent. PIDWAL is a party to the *Pacific Bora* contract with a subsidiary of Chevron and the *Pacific Scirocco* contract with Total. In addition, we have retained a marketing agent in Brazil.

Company History

Our Predecessor was formed in Liberia in 2006 as an independent operating subsidiary of a predecessor company of Quantum Pacific International Limited, the parent company of the Quantum Pacific Group. The principals of the Quantum Pacific Group have significant holdings in various global industries such as energy, oil refining, transportation and commodities.

Our initial investment in the ultra-deepwater drilling industry in 2006 was through the purchase of a drillship under construction by SHI and the later exercise of an option for a second drillship.

In 2007, we formed TPDI with Transocean, and the two drillships then under construction were transferred into TPDI. We initially formed a construction management team to oversee activities in SHI that was then seconded to Transocean, who assumed responsibility for management of construction and operation of the two TPDI drillships through a contract with TPDI. The TPDI joint venture was financed through a combination of equity and debt. In October 2008, TPDI entered into a credit agreement for a \$1.3 billion secured credit facility.

In 2008, a decision was made to expand our activities in the ultra-deepwater segment to include operation and marketing of drilling services for our other drillships, the *Pacific Bora* and the *Pacific Mistral*, for which construction contracts were acquired in 2007 and were not included in TPDI. As part of this strategy, we acquired additional contracts with SHI to construct two more ultra-deepwater drillships, the *Pacific Scirocco* and the *Pacific Santa Ana*. Prior to entering into the Project Facilities Agreement, we financed all of capital

Table of Contents

Index to Financial Statements

expenditures relating to construction of these four wholly-owned vessels through loans from Winter Finance, a subsidiary of the Quantum Pacific Group. On December 31, 2010, the Quantum Pacific Group was assigned all outstanding principal and accrued interest on the loan from Winter Finance, which was then converted into common shares. In September 2010, we entered into the Project Facilities Agreement with a group of lenders to finance the remaining capital expenditures associated with the construction, operation and other expenses relating the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco* and the *Pacific Santa Ana*. As of November 4, 2011, we have outstanding principal borrowings of \$400 million, \$200 million, \$375 million and \$106 million under the Bora Term Loan, the Mistral Term Loan, the Scirocco Term Loan and the Santa Ana Term Loan, respectively.

In March 2011, we entered into two contracts with SHI for the construction of our fifth and sixth advanced-capability, ultra-deepwater drillships, the *Pacific Khamsin* and the *Pacific Sharav*. The resulting fleet of six wholly-owned drillships outside TPDI represents one of the youngest and most technologically advanced fleets in the world, enabling us to offer a broad range of services in deepwater markets worldwide. We assumed the core of the original construction management team responsible for the TPDI vessels and supplemented it with additional resources to oversee the construction of our wholly-owned drillships, thereby ensuring preservation of the acquired expertise and experience within our project team. We financed the initial down payments under the construction contracts relating to the *Pacific Khamsin* and the *Pacific Sharav* with proceeds from the 2011 Private Placement described below and intend to fund the remaining construction and related costs of these vessels with cash on hand and additional debt financing.

In the beginning of 2011, we determined that it would benefit us to reincorporate in a better recognized and more attractive jurisdiction for potential investors with a more developed and advanced body of law. On March 30, 2011, we completed the Restructuring whereby we were formed as a Luxembourg corporation under the form of a *société anonyme* to act as an indirect holding company for our Predecessor. In connection with the Restructuring, Quantum Pacific Group contributed our Predecessor to us. In the beginning of 2011, we also determined that it was in our best interest to focus on the operation and marketing of our wholly-owned fleet. On March 30, 2011, we completed the TPDI Transfer, pursuant to which all of our equity interest in TPDI was transferred to a wholly-owned subsidiary of the Quantum Pacific Group for no consideration.

In April 2011, we completed an offering of 60,000,000 common shares to international and U.S. investors in accordance with Regulation D and Regulation S under the Securities Act for net proceeds of approximately \$576 million. As a result of this offering, our common shares began to be traded on the Norwegian OTC List on April 5, 2011.

In June 2011, we paid SHI \$2.0 million for an option to construct a seventh drillship (the “Option Drillship”) at the same price and other terms and conditions as the contracts for the *Pacific Khamsin* and the *Pacific Sharav*, subject to a price increase of not more than \$12.5 million and certain adjustments to compensate for foreign exchange rate fluctuations. The option was originally valid until October 31, 2011 and was extended through January 31, 2012. If we elect to exercise this option, the \$2.0 million we paid to SHI for the option will be applied towards the contract price of the seventh vessel. We will continue to evaluate the long term conditions of the deep water drilling market to determine whether to exercise this option and construct additional vessels.

Competition

The contract drilling industry is highly competitive. Demand for contract drilling and related services is influenced by a number of factors, including the current and expected prices of oil and natural gas and the expenditures of oil and natural gas companies for exploration and development of oil and natural gas. In addition, demand for drilling services remains dependent on a variety of political and economic factors beyond our control, including worldwide demand for oil and natural gas, the ability of OPEC to set and maintain production levels and pricing, the level of production of non-OPEC countries, local infrastructure and human resources constraints, and the policies of the various governments regarding exploration and development of their oil and natural gas reserves.

Table of Contents

Index to Financial Statements

Drilling contracts are generally awarded on a competitive bid or negotiated basis. Pricing is often the primary factor in determining which qualified contractor is awarded a job. Rig availability, capabilities, age and each contractor's safety performance record and reputation for quality also can be key factors in the determination. Operators also may consider crew experience, technical and engineering support, rig location and efficiency, as well as long-term relationships with major international oil companies and national oil companies.

We are primarily focused on the ultra-deepwater market. The term "ultra-deepwater," as used in the drilling industry to denote a particular sector of the market, can vary and continues to evolve with technological improvements. We generally consider ultra-deepwater to begin at water depths of approximately 7,500 feet and to extend to the maximum water depths in which rigs are capable of drilling, which is currently approximately 12,000 feet. Although we are primarily focused on the ultra-deepwater market, our drillships can operate in water depths as shallow as 1,000 feet, and we may also compete to provide services at shallower depths than ultra-deepwater.

Our competition ranges from large international companies offering a wide range of drilling and other oilfield services to smaller, locally owned companies. Competition for offshore drilling rigs is usually on a global basis, as these offshore drilling rigs are highly mobile and may be moved from one region to another in response to demand.

We believe that the market for drilling contracts will continue to be highly competitive for the foreseeable future. We believe that our fleet of newly constructed premium high-specification drillships provides us with a competitive advantage over competitors with older fleets, as high-specification drilling units are generally better suited to meet the requirements of customers for drilling in deepwater, complex geological formations with challenging well profiles. However, certain competitors may have greater financial resources than we do, which may enable them to better withstand periods of low utilization, and compete more effectively on the basis of price.

Customers

Offshore exploration and production is a capital intensive, high-risk industry. Operating and pursuing opportunities in deepwater basins significantly increases the amount of capital required to effectively conduct such operations. As a result, a significant number of the most active participants in this segment of the offshore exploration and production industry are either national oil companies, major oil and gas companies or well-capitalized large independent oil and gas companies. Our current customers are Chevron, Total and Petrobras. We expect that our future customers will be well capitalized companies, including state-owned national oil and gas companies, major integrated oil and gas companies and large independent E&P companies.

Seasonality

In general seasonal factors do not have a significant direct effect on our business as most of our drilling units are contracted for periods of at least 12 months.

Insurance

The contract drilling industry is subject to hazards inherent in the drilling of oil and natural gas wells, including blowouts and well fires, which could cause personal injury, suspend drilling operations, or seriously damage or destroy the equipment involved. Offshore drilling operations are also subject to hazards particular to marine operations including capsizing, grounding, collision and loss or damage from severe weather. While we maintain insurance to protect our drillships in the areas in which we operate, certain political risks and other environmental risks are not fully insurable. We maintain insurance coverage that includes coverage for hull and machinery, marine liabilities, third party liability, workers' compensation and employer's liability, general liability, vessel pollution and other coverages.

Table of Contents

Index to Financial Statements

Our insurance coverage includes deductibles that we must pay or absorb. Our hull and machinery deductible is either \$1.5 million or \$5 million, depending on the number of occurrences sustained during the program year. The insured amounts for the drillships are determined by management and reevaluated annually. The minimum insured values are determined by the requirements of the Project Facilities Agreement and amount to the greater of 80% of fair market value and 120% of the outstanding loan amount per vessel. Currently, the combined insured values of the *Pacific Bora*, *Pacific Scirocco*, *Pacific Mistral* and *Pacific Santa Ana* is approximately \$3.0 billion. We also maintain loss of hire insurance which becomes effective 45 days after an accident or major equipment failure covered by hull and machinery insurance, resulting in a downtime event and extends for 180 days. We also maintain protection and indemnity (P&I) coverage for an aggregate amount of \$750 million with the Gard P&I Club for our drillships operating outside the Gulf of Mexico, and this program renews in February 2012. The deductible for P&I-related claims are \$10,000 and \$100,000 per event for claims brought before foreign and U.S. jurisdictions, respectively. For drillships operating in the Gulf of Mexico, we are in the process of procuring a primary maritime employers liability and general liability program. We schedule our marine liabilities (other than the P&I with the Gard P&I Club) to an excess liability program for a limit of \$300 million and once operations are extended to the Gulf of Mexico, we will attempt to procure higher excess liability limits. In addition, we have procured insurance coverage for onshore general liability, employer's liability, auto liability and non-owned aircraft liability, with customary deductibles and coverage. These policies renew annually and are scheduled to our Excess Liability program.

Our drilling contracts provide for varying levels of indemnification from our customers and in most cases may require us to indemnify our customers. Under our drilling contracts, liability with respect to personnel and property is customarily assigned on a "knock-for-knock" basis, which means that we and our customers assume liability for our respective personnel and property. However, in certain drilling contracts we assume liability for damage to our customer's property and other third-party property on the rig resulting from services provided under the contract, subject to negotiated caps per occurrence, and in other contracts we are not indemnified by our customers for damage to their property and, accordingly, could be liable for any such damage under applicable law. In addition, our customers typically indemnify us for damage to our equipment down-hole, and in some cases our subsea equipment, generally based on replacement cost minus some level of depreciation.

Our customers typically assume responsibility for and indemnify us from any loss or liability resulting from pollution or contamination, including clean-up and removal and third-party damages, arising from operations under the contract and originating below the surface of the land or water, including as a result of blow-outs or cratering of the well. In some drilling contracts, however, we may have liability for damages resulting from such pollution or contamination caused by our gross negligence, or, in some cases, ordinary negligence. The above description of our insurance program and the indemnification provisions typically found in our drilling contracts is only a summary as of the date hereof 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.

Our insurance is subject to exclusions and limitations, and our insurance coverage may not adequately protect us against liability from all potential consequences and damages. We believe that our insurance coverage is customary for the industry and adequate for our business. However, there are risks that such insurance will not adequately protect us against or may not be available to cover all of the liability from all of the consequences and hazards we may encounter in our operations.

Hurricane losses in recent years have impacted named windstorm insurance coverage, rates and availability for Gulf of Mexico area exposures. The Project Facilities Agreement requires us to carry named windstorm insurance in the event that two or more of our rigs operate in the Gulf of Mexico or other areas prone to the occurrence of named windstorms. Currently, we only have one rig, the *Pacific Santa Ana*, contracted to operate in the Gulf of Mexico and are therefore presently not required to carry named windstorm insurance. If we were to be required to obtain named windstorm insurance in the future, our costs for obtaining insurance coverage could

Table of Contents

Index to Financial Statements

significantly increase. Although we have not seen any evidence to suggest that we will not be able to procure sufficient named windstorm insurance as required by the Project Facilities Agreement, there can be no assurance that we will be able to obtain such insurance at all or on commercially reasonable terms.

The loss of the *Deepwater Horizon* in the U.S. Gulf of Mexico has also indirectly affected the global insurance markets which, as a practice, provide a majority of insurance coverage purchased by the operators of offshore drillships. Most physical damage claims as a result of this loss have reportedly been settled and we have not incurred any problems to date with arranging the procurement of adequate insurance to protect our assets. However, the full scope of the *Deepwater Horizon* liability claims on the global insurance markets is yet to be fully determined. We have not seen any evidence to suggest that we will not be able to procure sufficient liability insurance within our risk tolerance from the global insurance markets for our global rig operations.

Properties

We maintain our principal executive office in Luxembourg and our operational headquarters in Houston, Texas. We also provide technical, operational and administrative support from our offices in Singapore, Brazil and Nigeria.

Environmental and Other Regulatory Issues

United States

Our operations are subject to stringent and comprehensive international, federal, regional, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Applicable laws in the United States with which we must comply include the federal Oil Pollution Act of 1990 (“OPA”), the federal Outer Continental Shelf Lands Act (“OCSLA”), the Federal Water Pollution Control Act (commonly referred to as the Clean Water Act, “CWA”), the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) and the International Convention for the Prevention of Pollution from Ships. As with the industry generally, compliance with current and anticipated environmental laws and regulations increases our overall cost of business, including our capital costs to construct, maintain and upgrade equipment, vessels and facilities. These laws and regulations may, among other things, require the acquisition of various permits or other governmental approvals to conduct regulated activities, require the installation of pollution control equipment or otherwise restrict the way we can handle or dispose of wastes, require investigatory and remedial actions to mitigate pollution conditions caused by our operations, and enjoin some or all of our operations deemed in non-compliance with applicable legal requirements. In certain circumstances, these laws may impose strict liability, rendering us liable for environmental and natural resource damages without regard to negligence or fault.

Numerous governmental agencies, which in the United States include, among others, BOEMRE, the U.S. Coast Guard (“Coast Guard”) and the U.S. Environmental Protection Agency (“EPA”), issue regulations to implement and enforce environmental laws, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance or limit contract drilling opportunities could adversely affect our capital expenditures, results of operation or financial position, as well as similarly situated drilling companies in the industry. While we believe that we are in substantial compliance with the current environmental laws and regulations, there is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material.

Following the April 2010 fire and explosion aboard the *Deepwater Horizon* drilling platform owned by a competitor and subsequent release of oil from the Macondo well in the U.S. Gulf of Mexico, the BOEMRE issued a moratorium on deepwater drilling activities in the U.S. Gulf of Mexico that was finally lifted on

Table of Contents

Index to Financial Statements

October 12, 2010, and also implemented a series of environmental, technological and safety measures intended to improve offshore safety systems and environmental protection. Implementation of new BOEMRE guidelines or regulations may subject us to increased costs or delay or limit operations by us in the U.S. Gulf of Mexico, which could have a material adverse effect on our results of operations and financial condition. Moreover, there have been proposals by governmental and private constituencies to amend existing laws, regulations, guidance and policy that could affect our operations in the U.S. Gulf of Mexico and could cause us to incur substantial liabilities or expenditures, including increasing inspection requirements, increasing amounts of financial responsibility to conduct operations, and contemplation of an outright ban on drilling. Adoption of such proposals could materially adversely affect operations in the U.S. Gulf of Mexico by raising operating costs, increasing insurance premiums, delaying drilling operations and increasing regulatory costs.

The primary federal law in the United States for oil spill liability is the OPA, which imposes certain duties and liabilities on “responsible parties” related to the prevention of oil spills and damages resulting from such spills in or threatening waters of the United States, including the Outer Continental Shelf and adjoining shorelines. The OPA subjects owners and operators of vessels and offshore oil handling facilities to strict, joint and several liability for all containment and cleanup costs and certain other damages arising from a spill, including, but not limited to, the costs of responding to a release of oil, natural resource damages, and economic damages suffered by persons adversely affected by an oil spill. The OPA liability of a responsible party for an offshore facility is all oil spill response costs, plus economic damages of \$75 million, whereas a responsible party for a vessel other than a tank or oil cargo vessel is liable under OPA for all oil spill response costs, plus economic damages that are limited by the greater of \$1,000 per gross ton of the vessel or \$854,400. However, these limits do not apply if a federal safety, construction or operating regulation was violated. The OPA also requires owners and operators of vessels and offshore oil production facilities to establish and maintain evidence of financial responsibility to cover costs that could be incurred in responding to an oil spill. Under OPA, the responsible party for vessels must maintain an amount of financial responsibility sufficient to satisfy OPA’s limit of vessel liability, whereas companies operating offshore facilities in the Outer Continental Shelf must demonstrate \$35 million in financial responsibility, although that amount may be increased by the U.S. Secretary of the Interior up to \$150 million in certain situations. The past session of the U.S. Congress considered a variety of amendments to the OPA in response to the recent *Deepwater Horizon* incident in the U.S. Gulf of Mexico, including an increase in the minimum level of financial responsibility, elimination of liability limitations, and enhancements to safety and spill-response requirements. We cannot predict at this time whether the OPA will be amended in the current session of Congress or what the substance of any such amendment or regulations will be. Any new requirements would likely increase the cost of operations for our offshore activities, which could have an adverse effect on our results of operations. In addition, our administrative costs could also increase due to changes in standard industry practices in anticipation of, or in reaction to, any new offshore regulation.

The CWA and analogous state laws prohibit the discharge of oil, hazardous substances, or other pollutants into U.S. navigable waters or analogous state waters without a permit and impose strict liability in the form of penalties for unauthorized discharges. The regulations implementing the CWA require permits to be obtained by an operator before specified exploration activities occur. Our drilling operations may require authorization (and be subject to corresponding restrictions) to discharge wastewater, drilling fluids, and other substances into the U.S. Gulf of Mexico under the National Pollutant Discharge Elimination System (“NPDES”) permit program. NPDES authorization requires advance notification to governmental authorities, monitoring and recordkeeping practices, and may restrict practices other than discharges to water. For example, NPDES authorization available to many oil and gas exploration facilities in the U.S. Gulf of Mexico under NPDES General Permit GMG290000 also includes requirements applicable to cooling water intake structures. Offshore facilities must also implement plans addressing spill prevention control and countermeasures. In addition, the CWA regulates discharges incidental to the normal operation of vessels in U.S. waters, including discharges of ballast water. Operators of regulated vessels are required to obtain “Vessel General Permits” from the EPA, which include effluent limits, specific corrective actions, inspections and monitoring, recordkeeping and reporting requirements. We shall obtain the necessary Vessel General Permit for all of our vessels to which this regulation shall apply and do not anticipate that compliance with this requirement will have a material adverse effect on our operations.

Table of Contents

Index to Financial Statements

The OCSLA authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the outer continental shelf. Included among these are regulations that require the preparation of spill contingency plans and establish air quality standards for certain pollutants, including particulate matter, volatile organic compounds, sulfur dioxide, carbon monoxide and nitrogen oxides. Specific design and operational standards may apply to outer continental shelf vessels, rigs, platforms, vehicles and structures. Violations of lease conditions or regulations related to the environment issued pursuant to OCSLA can result in substantial civil and criminal penalties, as well as potential court injunctions curtailing operations and canceling leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

The CERCLA, also known as the “Superfund” law, and analogous state law imposes liability without regard to fault or the legality of the original conduct on certain classes of persons that are considered to have contributed to the release of a “hazardous substance” into the environment. These persons include the current or past owners or operators of a site where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at a particular site. Under CERCLA, such responsible parties may be subject to joint and several liabilities for the cost of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources. It is not uncommon for third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We generate and handle wastes and other substances in the ordinary course of our operations that may be classified as hazardous substances.

The United States is one of approximately 169 member countries to the International Maritime Organization (“IMO”), a specialized agency of the United Nations that is responsible for developing measures to improve the safety and security of international shipping and to prevent marine pollution from ships. Among the various international conventions negotiated by the IMO is the International Convention for the Prevention of Pollution from Ships (“MARPOL”). MARPOL imposes environmental standards on the shipping industry relating to oil spills, management of garbage, the handling and disposal of noxious liquids, harmful substances in packaged forms, sewage and air emissions. Annex VI to MARPOL sets limits on sulfur dioxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. Annex VI entered into force on May 19, 2005, and applies to all ships, fixed and floating drilling rigs and other floating platforms. Annex VI also imposes a global cap on the sulfur content of fuel oil and allows for specialized areas to be established internationally with more stringent controls on sulfur emissions. For vessels 400 gross tons and greater, platforms and drilling rigs, Annex VI imposes various survey and certification requirements. Annex VI came into force in the United States on January 8, 2009. Moreover, on July 1, 2010, amendments to Annex VI to the MARPOL Convention took effect requiring the imposition of progressively stricter limitations on sulfur emissions from ships. As a result, limitations imposed on sulfur emissions will require that fuels of vessels in covered Emission Control Areas (“ECAs”) contain no more than 1% sulfur. In August 2012, the North American ECA will become enforceable. The North American ECA includes areas subject to the exclusive sovereignty of the United States and extends up to 200 nautical miles from the coasts of the United States, which area includes parts of the U.S. Gulf of Mexico. Consequently, beginning on January 1, 2012, fuel used to power ships in the North American ECA may contain no more than 3.5% sulfur. This cap will then decrease progressively until it reaches 0.5% by January 1, 2020. The amendments also establish new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. We do not anticipate that compliance with MARPOL or Annex VI to MARPOL will have a material adverse effect on our results of operations or financial position.

We may also be affected by or subject to permitting and other requirements under a variety of other environmental laws not discussed above, such as the federal Clean Air Act, Endangered Species Act, and National Environmental Policy Act.

Recent scientific studies have suggested that emissions of certain gases, commonly referred to as “greenhouse gases” and including carbon dioxide and methane, may be contributing to warming of the Earth’s atmosphere and climatic changes. In response to such studies, a number of foreign countries have adopted

Table of Contents

Index to Financial Statements

greenhouse gas restrictions pursuant to the United Nations Framework Convention on Climate Change, also known as the “Kyoto Protocol,” an internationally applied protocol but one that the United States is not a participating member. The United States has signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. In the United States, the EPA has issued a final finding that greenhouse gases threaten public health and the environment and, based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. The EPA adopted two sets of rules regulating greenhouse gas emissions under the Clean Air Act, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulates emissions of greenhouse gases from certain large stationary sources, effective January 2, 2011. The EPA’s rules relating to emissions of greenhouse gases from large stationary sources of emissions are currently subject to a number of legal challenges, but the federal courts have thus far declined to issue any injunctions to prevent the EPA from implementing, or requiring state environmental agencies to implement, the rules. The EPA has also adopted rules requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States on an annual basis beginning in 2011 for emissions occurring after January 1, 2010, as well as from certain offshore and onshore production areas on an annual basis, beginning in 2012 for emissions occurring in 2011. In addition, the United States Congress has from time to time considered adopting legislation to reduce emissions of greenhouse gases and almost one-half of the states have already taken legal measures to reduce emissions of greenhouse gases primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. The adoption of legislation or regulatory programs to reduce emissions of greenhouse gases could result in increased operations costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, oil and natural gas, which could reduce demand for our services.

Nigeria

Environmental laws that affect our operations under Nigerian jurisdiction include, but are not necessarily limited to, the laws described below. While we believe that we are in substantial compliance with the current environmental laws and regulations, there is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material.

The Petroleum Act is the key Nigerian legislation which governs the oil and gas industry (the “Industry”) in Nigeria. The Act and section 44(3) of the Constitution of the Federal Republic of Nigeria provides that the ownership and control of all petroleum (which includes gas), in, under or upon any lands, including land entered by water, under the territorial waters, the continental shelf and the exclusive economic zone, is vested in the Federal Republic of Nigeria.

We, as an independent drilling contractor, are subject to Petroleum (Drilling and Production) Amendment Regulations 1988 (the “Regulations”) which requires us to be accredited with the Department of Petroleum Resources (the “DPR”). The Guidelines and Application Form for Oil & Gas Industry Service Permit issued by the DPR (the “DPR Guidelines”) require that we are accredited and issued with a permit by the DPR (the “DPR Permit”) in order to carry out the services in the oil and gas industry. We have received and must annually renew the DPR permit in accordance with the DPR Guidelines. In addition to the DPR permit, under the Local Content Act (as defined below), we are required to be registered with the Joint Qualification System (“JQS”). The Nigerian Petroleum Exchange (“NIPEX”) administers the JQS. NIPEX is required to pre-qualify companies and categorize them into its database as a prerequisite for any company intending to offer services in the Industry and forms the basis for an invitation to tender for contracts. Under the Regulations we are also required to obtain a valid license prior to operating a drilling rig (a “Drilling Rig Permit”). A Drilling Rig Permit is granted by the Minister of Petroleum Resources (“Minister”) or any other public officer in the Ministry authorized by the Minister in writing in that regard.

Table of Contents

Index to Financial Statements

Our operations are also subject to the provisions of the Environmental Guidelines and Standards for the Petroleum Industry of Nigeria (“EGASPIN” or the “Guidelines”). The Guidelines were issued by the Minister to establish a uniform monitoring and control program in relation to discharges arising from oil exploration and development in Nigeria. The EGASPIN regulate and control the quality and quantity of industrial emissions associated with oil drilling operations. The EGASPIN require that the operators obtain the Environmental Permit from the DPR before the drilling operations are commenced. As part of the permitting procedure, the licensees are required to furnish an Environmental Impact Assessment (“EIA”) report. In addition to the EIA report, the application is required to be supported by an Environmental Baseline Study (“EBS”) approved by the DPR, an Offshore Drilling Hazards Assessment (“ODHA”) report and a treatment and disposal program for all effluents from the drilling operations.

The EGASPIN further provides that the operators are required to conduct an EIA for specific activities such as offshore development drilling (for which a seabed survey would be required) construction of onshore and offshore flow lines, flow stations and production stations.

In addition, the EIA Act requires that every operation in respect of which any tier of the Nigerian government has issued a permit, license or approval for the purpose of enabling the project to be carried out in whole or in part, obtains an EIA. In this regard, oil and gas fields’ development is specifically listed in the Schedule to the EIA Act as one of the activities for which an EIA is required. Consequently, any type of project related to oil and gas field development, including offshore drilling, requires an EIA.

The Nigerian Oil and Gas Industry Content Development Act, 2010 (the “Local Content Act”) was enacted to provide for the development, implementation and monitoring of Nigerian content in the oil and gas industry and places particular emphasis on the promotion of Nigerian content among companies bidding for contracts in the oil and gas industry rather than the equity distribution of the relevant companies. In this regard, “Nigerian Content” is defined in the Local Content Act as: “the quantum of composite value added to or created in the Nigerian economy by a systematic development of capacity and capabilities through the deliberate utilization of Nigerian human, material resources and services in the Nigerian oil and gas industry.” The Local Content Act applies to “all matters pertaining to Nigerian Content in respect of all operations or transactions carried out in or connected with the Nigerian Petroleum Industry.” The Local Content Act requires all operators, alliance partners and contractors within the oil and gas industry to comply with the minimum Nigerian Content specified for each particular project item, service or product specification as set out in Schedule A of the Local Content Act (the “Schedule”). The Schedule provides the parameters and minimum level/percentages to be utilized in determining and measuring Nigerian Content in the composite human, material resources and services applied by operators and contractors in any project in the Industry. The most relevant categories under the Schedule for us fall under the headings of “Well and Drilling Services/Petroleum Technology” and “Exploration, Subsurface, Petroleum Engineering and Seismic.” The activities listed therein include: “Producing Drilling Services” and “Drilling Rigs Semi-submersibles/Jack ups/others” which both apply to us. For offshore drilling services within the above referenced categories the minimum required Nigerian Content for the provision of such services provided in the Schedule is stated in terms of “Manhours” (i.e. human resources); and is 85% and 55%, respectively. In the event there is insufficient Nigerian capacity to satisfy the minimum percentages prescribed in the Schedule, the Minister may authorize the continued importation of the relevant item or personnel for a maximum period of three-years from the commencement of the Local Content Act. This implies that the Minister may grant a waiver for up to a maximum of three-years from the commencement of the Local Content Act, i.e. by 2013. Subject to any amendments to the Local Content Act, and/or guidelines issued by the Nigerian Content Monitoring Board (“NCMB”) clarifying certain provisions of the Local Content Act, all entities must comply with the provisions of the Local Content Act.

We are required to submit a proposed Nigerian Content Execution Plan and will provide a Monthly Nigerian Content Report, a document that details the amount of Nigerian content utilized in the performance of the contract.

Table of Contents

Index to Financial Statements

In addition to the above Nigerian Content requirements, Nigerian subsidiaries of international companies are required to demonstrate that a minimum of 50% of the equipment deployed for execution of works is owned by the Nigerian subsidiary.

The Local Content Act also requires that our Nigerian subsidiary place 100% of its insurance policies with local Nigerian insurers and that local capacity must have been exhausted before any insurance risk is placed with foreign insurers and any offshore placement of insurance must be with prior approval of the National Insurance Commission. The local insurance must be procured via a local Nigerian broker, who has to offer the program to all eligible Nigerian insurers. The Nigerian insurers who agree to underwrite the program will each take a quota share line of the 100% placement. The Nigerian insurance broker having considered the local capacity in relation to the insurance required will, having regard to local content requirements, place a proportion of the insurance in the local market and place the balance with a foreign insurer which may be our own insurance provider. The Nigerian insurers may have retentions, but such retention may vary with each Nigerian insurer. The local Nigerian broker will charge a fee. The Nigerian insurers will charge the same premium as charged under our program plus local fees and taxes.

Brazilian Environmental Regulations

Brazilian environmental law includes international treaties and conventions to which Brazil is a party, as well as federal, state and local laws, regulations and permit requirements related to the protection of health and the environment. Brazilian oil and gas business is subject to extensive regulations by several governmental agencies, including the National Agency for Oil and Gas (“ANP”), the Brazilian Navy and the Brazilian Authority for Environmental Affairs and Renewable Resources (“IBAMA”). Onshore environmental, health and safety conditions which are applicable to our onshore base are controlled by state rather than by federal authorities. Failure to comply may subject us to administrative, criminal and civil liability, with strict liability in administrative and civil cases. While we believe that we are in substantial compliance with the current environmental laws and regulations, there is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material.

Environmental license from IBAMA is a legal requirement for any activity considered hazardous, including offshore drilling. The main piece of legislation concerning environmental licensing at federal level is Law No. 6,938/1981, which deals with the Environmental National Policy and provides for licenses for the installation and operation of oil and gas platforms within the Brazilian territory. Such licenses are usually required from the oil and gas companies, however we, as a drilling contractor, are jointly and severally liable with the oil and gas companies for any environmental damage arising out of drilling activities.

Furthermore, drilling operations are subject to federal regulations of National Council for the Environment (“CONAMA”). Regulation No. 23/94 deals specifically with oil and gas operations.

Pursuant to environmental impact studies which are required from oil and gas companies as part of the licensing process, an Individual Emergency Plan (“IEP”) describing the measures to be taken in case of oil spills must be submitted to the competent authorities, as provided for in Law No. 9,966/2000, which has in fact adopted the provisions found in the International Convention for the Prevention of Pollution from Ships (MARPOL) and the International Convention for Preparedness, Response and Cooperation for Oil Pollution Situations (OPRC). However, Law No. 9,966/00 is much broader, and applies to oil terminals, pipelines and coastal/marine facilities. One of the main issues addressed in Law 9,966/00 is the requirement for a Risk Management and Emergency Plan. All facilities shall adopt and implement an Oil Pollution Risk Assessment, including a comprehensive manual of internal procedures dedicated to the prevention of oil pollution incidents. Law 9,966/00 also requires that an Oil Spill Emergency Plan is adopted and implemented. Such Emergency Plan is subject to formal approval of the relevant environmental agency. IBAMA approves the plans for offshore facilities, while state environmental agencies have authority over onshore activities. In case of areas that

Table of Contents

Index to Financial Statements

concentrate several exploration and production activities, the emergency plans of related facilities will be consolidated by the relevant environmental agency in the so-called Area Emergency Plan.

The Emergency Plan forms a required part of the environmental licensing process. Additionally, Law 9,966/00 requires an independent environmental audit to be performed every two years. In the event of environmental incidents, the Brazilian Navy as well as the IBAMA and the ANP shall be notified immediately. Legal liability for non compliance applies to the oil and gas companies, the ship owner and the charterer as well as the drilling contractor and the crew members. All may be held joint and severally liable. The penalties consist of fines ranging from R\$ 7,000.00 to 50,000,000.00. The penalties arising out of Law No. 9,966/00 are in addition to other administrative and criminal penalties and civil liability.

The ANP plays an important role in the environmental regulation of oil and gas activities in Brazil. Although as a drilling contractor we are not directly under the authority of the ANP, our clients, the oil and gas companies are subject to ANP regulations. As a result, we must comply with ANP regulations as well. ANP Regulation No. 43/07 is which sets forth the regulatory framework for safety of operations concerning oil & gas exploration and production activities in the Brazilian territory. ANP Regulation No. 43/07 establishes the System of Management of Operational Safety (“SGSO”) of Oil & Gas Drilling and Production Facilities. Accordingly, our clients will require us to put in place a risk management system as well as an audit program which meets the ANP criteria. ANP is empowered to carry out any inspections at any time.

The oil and gas companies must present to the ATN the Documentation of Operational Safety (“DSO”) for all drilling facilities not later than ninety (90) days prior to the expected date of commencement of operations. The DSO approval from the ANP is required prior to commencement of operations. Any violations of the ANP regulations are subject to the penalties described in ANP Regulation No. 234/03, namely: (i) warning; (ii) fine; (iii) temporary suspension of exploration and production activities; (iv) temporary suspension of the right to take part in ANP bids; (v) interdiction; (vi) seizure; and (vii) termination of the concession contract, as the case may be. Violations of safety regulations subject oil and gas companies to fines prescribed by Law No. 9,847/99 ranging between R\$ 5,000.00 to 5,000,000.00. In the event of risk to equipment and facilities as well as to the environment and to human life, operations may be suspended for a period ranging from one (1) to one hundred and eighty (180) months. The termination of the concession contract may take place in the event the situation is not rectified within the deadline set out by the ANP. In such circumstances the oil and gas company prevented from taking part in ANP bids for up to five (5) years, as set forth in ANP Regulation No. 243/03.

Law No. 9,605/98 is the main Brazilian legislation providing for criminal and administrative liabilities for environmental damage. We, as well as our officers, directors and employees may be subject to criminal liability and penalties which include but are not limited to imprisonment, fines of up to R\$ 50,000,000.00, suspension of activities, prohibition to enter into any agreement with the Brazilian government (including Petrobras) or to receive any public subsidies or incentives for up to ten (10) years. The administrative penalties contemplated by Law No. 9,605/95 also include seizure of assets, suspension of activities, revocation of licenses, prohibition to enter into any agreement with the Government (including Petrobras) for up to three (3) years and cancellation or suspension of financing arrangements with state-owned banking institutions.

Our Brazilian operations are exposed to administrative and criminal sanctions, including warnings, fines and closure orders for non-compliance with the environmental regulations. Authorities such as IBAMA and ANP routinely inspect our facilities, and may impose fines, restrictions on operations, or other sanctions as provided in the applicable legislation.

Other Jurisdictions

Our operations outside the United States, Nigeria and Brazil are also subject to various foreign laws, regulations or other enforceable requirements including legal requirements relating to the importation of and operation of drilling rigs and equipment, currency conversions and repatriation, oil and natural gas exploration

[Table of Contents](#)

[Index to Financial Statements](#)

and development, environmental protection, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling rigs and other equipment. New environmental or safety laws and regulations could be enacted, which could adversely affect our ability to operate in certain foreign jurisdictions. While we believe that we are in substantial compliance with the current environmental laws and regulations, there is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material. Moreover, governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so. Operations in less developed countries can be subject to legal systems that are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

Disputes

It is to be expected that we and our subsidiaries are routinely involved in litigation, claims and disputes arising in the ordinary course of our business. We do not believe that ultimate liability, if any, resulting from any such pending litigation will have a material adverse effect on our financial condition or results of operations. As of the date hereof, we are not involved in any such proceedings or disputes.

MANAGEMENT

Senior Management

We rely on the senior management of our principal operating subsidiaries to manage our business. Our senior management team is responsible for the day-to-day management of our operations. Members of our senior management are appointed from time to time by vote of the Board of Directors and hold office until a successor is elected and qualified. The current members of our senior management are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Christian J. Beckett	43	Chief Executive Officer
Robert F. MacChesney	54	Chief Operating Officer
William J. Restrepo	52	Chief Financial Officer
Cees Van Diemen	58	Senior Vice President of Operations
Kinga E. Doris	42	Vice President, General Counsel and Secretary
Paul T. Reese	41	Vice President, Controller

Christian J. Beckett . Mr. Beckett has served as our Chief Executive Officer since April 2008 and as a member of our Board of Directors since March 11, 2011. Mr. Beckett has 20 years experience in the energy industry. Prior to joining us, he led the Strategic Business Development and Planning group at Transocean Ltd. from 2004 to 2008. Mr. Beckett served at McKinsey & Company, Inc. from 2001 to 2004, where he provided strategic and operating advice to global energy companies and governments, and from 1990 to 2001 at Schlumberger Limited in a series of international management roles with increasing responsibilities. Mr. Beckett holds a Bachelor of Science in Exploration Geophysics from University College London and a Masters of Business Administration from Rice University.

Robert F. MacChesney . Mr. MacChesney has served as our Chief Operations Officer since September 2008. Mr. MacChesney has 31 years experience in the drilling industry. Prior to joining us, he served at Transocean from 2000 to 2008 and at Schlumberger Limited, and offshore drilling subsidiary Sedco Forex Limited, from 1979 to 2000. During his tenure with Transocean Ltd. and Schlumberger Limited, he held a variety of positions in Operations Management and Marketing, including Country Manager in Malaysia, India, Brazil and the United Kingdom, Region Manager in the Middle East and India and Corporate Director, Deepwater Marketing. Mr. MacChesney holds a Bachelor of Science in Engineering from Southampton University in the United Kingdom.

William J. Restrepo . Mr. Restrepo has served as our Chief Financial Officer since February 2011. Mr. Restrepo was the Chief Financial Officer for Smith International, Inc. from October 2009 until the date of its merger with Schlumberger Limited on August 27, 2010. From 2005 to 2009, Mr. Restrepo was the Chief Financial Officer for Seitel, Inc., a leading provider of seismic data for the North American oil and gas industry. From 1985 to 2005, Mr. Restrepo held financial and operational positions at Schlumberger Limited, including Regional General Manager for Continental Europe and for the Arabian Gulf, Corporate Treasurer, and Vice President of Finance for the pressure pumping and directional drilling business units, with international posts in Europe, South America and the Middle East. In September 2008, Mr. Restrepo was appointed to the board of directors of Probe, Inc., a manufacturer of wireline logging equipment and currently serves as the Chairman of its Finance and Audit Committee. Mr. Restrepo holds a Bachelor of Arts in Economics from Cornell University, a Bachelor of Science in Civil Engineering from the University of Miami and a Masters of Business Administration from Cornell University.

Cees Van Diemen . Mr. Van Diemen has served as our Vice President of Operations since February 2009. Mr. Van Diemen has 35 years experience in the mobile offshore drilling industry and extensive experience in deepwater drilling from the early days of 600 feet water depth activity in 1977 to recent operations in 9,200 feet water depth. Prior to joining us, he served at Noble Drilling Corporation, and its predecessor Neddrill, as Vice President & Division Manager Brazil from 2005 to October 2008 and Vice President & Division Manager

Table of Contents

Index to Financial Statements

Mobiles Europe from 2000 to 2005. Mr. Van Diemen's career started offshore in the traditional drill positions from Floorman to Offshore Installation Manager, before taking on increasing responsibility in onshore management roles from rig manager in West Africa, the Mediterranean and the North Sea, to district manager in the North Sea and Vice President & Division Manager in Europe and more recently in Brazil. Mr. Van Diemen holds a Bachelor of Science in Automotive Engineering from the University of Apeldoorn in the Netherlands.

Kinga E. Doris . Ms. Doris has served as our Vice President, General Counsel and Secretary since September 2010. Ms. Doris has 15 years of experience advising global energy companies and is a frequent speaker on FCPA and anti-corruption issues. Prior to joining us, she served as Chief Counsel for Pride International Inc. from 2006 to 2010, where she was responsible for legal affairs of the global operations and strategic planning groups. From 1999 to 2006, Ms. Doris served as Associate General Counsel of Core Laboratories N.V. Prior to joining Core Laboratories, Ms. Doris was an attorney in the Houston offices of Akin Gump Strauss Hauer & Feld LLP and LeBoeuf, Lamb, Greene, and MacRae LLP. Ms. Doris holds a Bachelor of Arts and a Juris Doctorate from Texas Tech University.

Paul T. Reese . Mr. Reese has served as our Vice President, Controller since October 2008. Mr. Reese has been a finance professional in the oilfield services and E&P space for over fifteen years. Prior to joining Pacific Drilling, he was Controller for the global Exploration and Development divisions at BHP Billiton Petroleum. From 1995-2007, Mr. Reese served in various financial management roles at Transocean including Finance Director for the North and South America Business Unit, Assistant Vice-President for Audit and Advisory Services, and Finance Manager for the Asia & Australia and South America Regions, with international posts in Asia and Central and South America. Prior to joining Transocean, Mr. Reese was an auditor in the Houston offices of Arthur Andersen LLP. Mr. Reese holds a Bachelor of Arts in Economics and Managerial Studies and a Masters of Accounting from Rice University.

Operations Management

Over the past four years, our Chief Executive Officer and Chief Operating Officer have recruited people with considerable experience within the drilling industry, developing a strong operations management team, including:

- Vice President-QHSE has 22 years experience including with Royal Philips Electronic N.V., Seismograph Services Limited and Schlumberger Limited.
- Vice President-Technical Support and Engineering has 21 years experience including with Schlumberger Limited, Transocean Ltd., Technip S.A., PT Apexindo Pratama Duta Tbk and Songa Offshore SE.
- Director of Operational Support has 30 years experience including with Sedco Forex International Inc., Transocean Ltd. and Songa Offshore SE.
- Director of North American Operations has 37 years experience including with Reading and Bates Corporation and Transocean Ltd.
- Six Rig Managers have over 135 years of combined offshore experience including with Reading and Bates Corporation, R&B Falcon Corporation, Transocean Ltd., FDR Holdings Ltd. and Noble Corporation.

Administration Management

Over the past four years, we have actively sought and recruited experienced and knowledgeable personnel, establishing a seasoned administration management team to support our administrative functions, including:

- Vice President-Treasurer has 27 years of experience, including with Neddrill Holding B.V., Noble Corporation, Newpark Resources, Inc. and Global Industries, Ltd.

Table of Contents

Index to Financial Statements

- Vice President-HR has 17 years experience including with Primary Services L.P., Veritas CGG Inc., Invensys PLC and TGS-NOPEC Geophysical Company L.P.
- Vice President-IT has 25 years of experience including with Universal Computer Systems, Inc., Weatherford International, Ltd., Halliburton (Landmark Graphics), Cable and Wireless a-Services, Amegy Bank NA and Gulfmark Offshore, Inc.
- Vice President-Commercial and Strategy has 12 years of experience including with Petroleos de Venezuela S.A. and McKinsey & Company, Inc.

Board of Directors

In accordance with Luxembourg law, our Board of Directors is responsible for administering our affairs and for ensuring that our operations are organized in a satisfactory manner.

Our Articles provide that our Board of Directors shall have no fewer than three members and no more than nine members. The minimum and maximum number of directors that may sit on our Board of Directors may be changed by an amendment of the Articles approved by resolution passed at an extraordinary general meeting of our shareholders. Pursuant to the Articles, the directors will be elected by a general meeting of the shareholders. Resolutions adopted at a general meeting of shareholders determine the number of directors comprising our Board of Directors, the remuneration of the members of our Board of Directors and the term of each director's mandate. Directors may not be appointed for a term of more than six years but are eligible for re-election at the end of their term. Directors may be removed at any time, with or without cause, by a resolution adopted at a general meeting of shareholders. If the office of a director becomes vacant, the other members of our Board of Directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed at the next general meeting of shareholders.

The current members of our Board of Directors are as follows:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Ron Moskowitz	48	Chairman
Christian J. Beckett	43	Executive Director, Chief Executive Officer
Laurence N. Charney	64	Director
Jeremy Asher	53	Director
Paul Wolff	64	Director
Cyril Ducau	33	Director
Sarit Sagiv	43	Director

Ron Moskowitz . Mr. Moskowitz was appointed as a director of the Company in 2011. Mr. Moskowitz is the Chief Executive Officer of Quantum Pacific Advisory Limited, a member of the Quantum Pacific Group, and serves as a board member of Israel Corp., Israel's largest holding company with its core holdings focused on industries that meet basic human, industrial and economic needs (e.g., fertilizers and specialty chemicals, energy, shipping and transportation), and TowerJazz Semiconductor Ltd., a pure-play independent specialty foundry dedicated to the manufacture of semiconductors, each of which may be considered as affiliates of the Idan Ofer family. From July 2002 until November 2007, Mr. Moskowitz served as Senior Vice President and Chief Financial Officer of Amdocs Limited. From 1998 until July 2002, he served as Vice President of Finance at Amdocs, and between 1994 and 1998 he held various senior financial positions at Tower Semiconductor Ltd. Mr. Moskowitz is a CPA in Israel and holds a BA in Accounting and Economics from Haifa University and an MBA from Tel Aviv University.

Laurence N. Charney . Mr. Charney was appointed as a director of the Company in 2011. Mr. Charney retired from Ernst & Young in June 2007, where, over the course of his more than 35-year career, he served as Partner, Practice Leader and Senior Advisor. Since his retirement from Ernst & Young, Mr. Charney has served as a business strategist and financial advisor to boards, senior management and investors of early stage ventures,

Table of Contents

Index to Financial Statements

private businesses and small to mid-cap public corporations across the consumer products, energy, real estate, high-tech/software, media/entertainment, and non-profit sectors. His most recent affiliations have included board tenures with Marvel Entertainment, Inc., Pure BioFuels, Inc., Mrs. Fields Original Cookies and UJA Federation of New York. He was recently appointed to the board of Iconix Brand Group, Inc. Mr. Charney is a graduate of Hofstra University with a Bachelors Degree in Business Administration (Accounting), and he also completed an Executive Masters program at Columbia University. Mr. Charney maintains active membership with the American Institute of Certified Public Accountants and New York Society of Certified Public Accountants.

Jeremy Asher . Mr. Asher was appointed as a director of the Company in 2011. Mr. Asher is currently Chairman of Agile Energy Limited, a privately held energy investment company; a director of Tower Resources plc, an oil & gas exploration company; a director of Better Place BV, a company promoting and enabling the mass deployment of electric cars; and an advisor to Oil Refineries Limited, an independent refiner and petrochemicals producer. Until 2010, he also served as a director of Gulf Keystone Petroleum Ltd., another oil and gas exploration company; and until 2008 he served as a director of Process Systems Enterprise Limited, a developer of process simulation software. Between 2001 and the present, Mr. Asher has also served as a director and financial investor in various other enterprises. From 1998 until 2001, Mr. Asher served as the Chief Executive Officer of PA Consulting Group, where he oversaw PA's globalization and growth from 2,500 to nearly 4,000 employees, and negotiated and managed the integration of PA's acquisition of Hagler Bailly, Inc. Between 1990 and 1997 he acquired, developed and sold the 275,000 bbl/d Beta oil refinery at Wilhelmshaven in Germany. Prior to that, in the late 1980's, Mr. Asher ran the global oil products trading business of what is now Glencore AG and, prior to that, spent several years as a consultant at what is now Oliver Wyman. Mr. Asher is a graduate of the London School of Economics and holds an MBA from Harvard Business School. He is also a member of the London Business School's Global Advisory Council and serves as a member of the Engineering Advisory Board of Imperial Innovations plc, the commercial arm of Imperial College.

Paul Wolff . Mr. Wolff was appointed as a director of the Company in 2011. Since 2006, Mr. Wolff has served as an independent director and private investor in different financial and industrial companies. From 1971 to 2006, he worked in the banking sector in which he held various responsibilities in corporate and private banking. He served as a Managing Director of Mees Pierson, headed the Trust Business and was Head of Private Banking and Asset Management. Mr. Wolff has a degree in Commercial Engineering from University of Louvain, a Masters of Business Administration from INSEAD Fountainebleau, and Advanced Management Program from Harvard.

Cyril Ducau . Mr. Ducau was appointed as a director of the Company in 2011. Mr. Ducau is Head of Business Development of Quantum Pacific Advisory Limited, part of the Quantum Pacific Group, a position he has held since June 2008. Prior to joining Quantum Pacific Advisory Limited, Mr. Ducau was Vice President in the investment banking division of Morgan Stanley & Co. International Ltd. in London and during his tenure there from 2000 to 2008, he held various positions in the Capital Markets, Leveraged Finance and Mergers and Acquisitions teams and worked on the execution of more than 50 financial transactions for European corporations. Prior to that, Mr. Ducau gained experience in consultancy working for Arthur D. Little in Munich and investment management with Credit Agricole UI Private Equity in Paris. Mr. Ducau graduated from ESCP Europe Business School (Paris, Oxford, Berlin) and holds a MSc in business administration and a Diplom Kaufmann.

Sarit Sagiv . Ms. Sagiv was appointed as a director of the Company in 2011. Ms. Sagiv recently joined Quantum Pacific Advisory Limited, part of the Quantum Pacific Group. Prior to joining Quantum Pacific Group, from September 2007 until September 2010, Ms. Sagiv served as Vice President Finance of Amdocs Limited, and from December 2006 until September 2007, she served as Finance Director of a business division of Amdocs Limited. Ms. Sagiv also held senior financial positions in public global high-tech companies including Chief Financial Officer of Orad Hi-Tec Systems Ltd., and Chief Financial Officer of Cimatron Ltd. She also served as Corporate Controller of Makhteshim-Agan Industries Ltd. Ms. Sagiv holds a Bachelor in Accounting and Economics, a Masters in Business Administration from Tel Aviv University and a MA degree in law from Bar Ilan University. She is also a Certified Public Accountant in Israel.

Table of Contents

Index to Financial Statements

Committees of the Board of Directors

Our Board of Directors has an Audit Committee and a Compensation Committee, and may have such other committees as the Board of Directors shall determine from time to time. Each of the standing committees of our Board of Directors has the composition and responsibilities described below.

Audit Committee

The members of our Audit Committee are Messrs. Asher, Charney and Wolff, each of whom our Board of Directors has determined is financially literate. Mr. Charney is the Chairman of the Audit Committee. Our Board of Directors has determined that each of the members of our Audit Committee is “independent” under the standards of the NYSE and SEC regulations. In addition, our Board of Directors has determined that Mr. Charney is the Audit Committee financial expert.

The Audit Committee’s primary responsibilities are to assist the Board of Directors’ oversight of: our accounting practices; the integrity of our financial statements; our compliance with legal and regulatory requirements; the qualifications, selection, independence and performance of our registered public accounting firm (the “independent auditor”); and the internal audit function. We have adopted an Audit Committee charter defining the committee’s primary duties in a manner consistent with the rules of the SEC and the NYSE or market standards.

Compensation Committee

The members of our Compensation Committee are Messrs. Asher and Moskovitz. Mr. Asher is the Chairman of our Compensation Committee. The purpose of this committee is to oversee the discharge of the responsibilities of our Board of Directors relating to compensation of our executive officers. Our Compensation Committee also administers our incentive compensation and benefit plans. We have adopted a Compensation Committee charter defining the committee’s primary duties in a manner consistent with the rules of the SEC and the NYSE or market standards.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee has been at any time an employee of ours. None of our executive officers serve on the board of directors or compensation committee of a company that has an executive officer that serves on our Board of Directors or Compensation Committee. No member of our Board of Directors is an executive officer of a company in which one of our executive officers serves as a member of the board of directors or compensation committee of that company.

Code of Business Conduct and Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to our employees, directors and officers that meets the standards of the NYSE.

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines in accordance with the corporate governance rules of the NYSE.

Financial Code of Ethics

Our Board of Directors has adopted a Financial Code of Ethics for our Chief Executive Officer, Chief Financial Officer, Controller and other senior financial officers. Any changes to, or waiver from, the Financial Code of Ethics will be made only by the Board of Directors, or a committee thereof, and appropriate disclosure will be made promptly in accordance with the rules and regulations of the SEC and the NYSE.

Table of Contents

Index to Financial Statements

Compensation

Senior Management

Members of our senior management receive compensation for the services they provide. The aggregate cash compensation paid to all members of senior management as a group was approximately \$2.3 million for the fiscal year ended December 31, 2010. The aggregate cash compensation of our senior management for 2010 may not be comparable to future periods as it only includes compensation for Ms. Doris from her hire date on September 13, 2010 through December 31, 2010 and includes no compensation paid to Mr. Restrepo, who was hired in February 2011. In addition, during 2010, under the Pacific Drilling Limited 2009 Omnibus Stock Incentive Plan (the “2009 Plan,” as described in more detail under “—Equity Compensation Plans” below), our Predecessor granted an aggregate of 8,144 options to purchase its common shares to members of our senior management team (other than Mr. Restrepo, who was not employed by us in 2010) at an exercise price of \$800 per share, with an expiration date of December 21, 2020. In March 2011, these outstanding 2010 grants to senior management were substituted for an aggregate of 676,812 options to purchase our common shares under the newly adopted Pacific Drilling S.A. 2011 Omnibus Incentive Plan (the “2011 Plan”) at an exercise price of \$10.00 per share (see “—Equity Compensation Plans”) and an expiration date of March 31, 2021.

The cash compensation for each member of senior management is principally comprised of base salary and bonus. The compensation that we pay to our senior management is evaluated on an annual basis considering the following primary factors: individual performance during the prior year, market rates and movements, and the individual’s anticipated contribution to us and our growth. Members of our senior management team are also eligible to participate in our retirement savings plans, described below under “Benefit Plans and Programs”. In addition, members of our senior management are eligible to participate in welfare benefit programs made available to our U.S. workforce generally, including medical, dental, life insurance and disability benefits. We believe that the compensation awarded to our senior management is consistent with that of our peers and similarly situated companies in the industry in which we operate.

Directors

Since their appointment to the Board in 2011, we have paid an aggregate of approximately \$38,000 in directors’ fees to the independent members of the Board of Directors. In addition, Messrs. Asher, Charney, and Wolff each received an award of 4,000 restricted stock units under our equity compensation plan. We have also paid an aggregate of approximately \$31,000 in directors’ fees to the non-independent members of the Board of Directors affiliated with Quantum Pacific Group. We pay these directors’ fees directly to Quantum Pacific Group. Members of our Board of Directors who are also our employees or employees of our subsidiaries do not receive any additional compensation for their service on our Board of Directors. We believe that our director fee structure is customary and reasonable for companies of our kind and consistent with that of our peers and similarly situated companies in the industry in which we operate. These fees may be increased from time to time by a resolution of the general meeting of shareholders.

Equity Compensation Plans

Our Predecessor adopted the Pacific Drilling Limited 2009 Omnibus Stock Incentive Plan in 2009. The 2009 Plan provided for the granting of stock options, stock appreciation rights, restricted shares, restricted share units and other equity-based or equity-related awards to directors, officers, employees and consultants. The Compensation Committee of the Board of Directors of our Predecessor approved participants and, subject to the terms and conditions of the 2009 Plan, determined the terms and conditions of awards under the 2009 Plan.

On March 31, 2011, we concurrently (i) adopted the 2011 Plan, (ii) terminated the 2009 Plan and (iii) substituted all outstanding awards (the “Substitution”) under the 2009 Plan with new awards of options to purchase common shares under the 2011 Plan, which is described below. The Substitution took into account the fair market value of the common shares at the time of the Substitution. No new awards will be granted under the 2009 Plan.

Table of Contents

Index to Financial Statements

The 2011 Plan is similar to the 2009 Plan and provides for the granting of stock options, stock appreciation rights, restricted shares, restricted share units and other equity-based or equity-related awards to directors, officers, employees and consultants. Subject to adjustment as provided in the 2011 Plan, the aggregate number of shares that may be delivered pursuant to awards granted under the 2011 Plan is 7,200,000. The Compensation Committee of our Board of Directors approves participants and, subject to the terms and conditions of the 2011 Plan, determines the terms and conditions of awards under the 2011 Plan.

On March 31, 2011, we granted new stock options under the 2011 Plan to members of our senior management and other key employees. Under the 2011 Plan, a total of 2,801,311 options have been granted through the Substitution and new grants, of which 1,998,660 were granted to members of senior management. The exercise price of the new stock options and those granted in the Substitution was \$10.00 per share, the purchase price under the 2011 Private Placement. The grants expire on March 31, 2021.

Approximately 4.8% of our share capital prior to the 2011 Private Placement, on a fully diluted basis, was reserved for issuance pursuant to awards to be granted under the 2011 Plan, including the options to be granted in substitution for the options previously granted under the 2009 Plan. Approximately 1.9% of our share capital (representing substituted awards as well as new awards) was granted on or about the time of the completion of the 2011 Private Placement to officers and other key employees under the 2011 Plan in the form of options to purchase common shares at an exercise price equal to the fair market value of the common shares at the time such awards were granted.

We also have granted awards of 12,000 restricted stock units under the 2011 Plan to certain members of our Board of Directors in November 2011. These restricted stock units will be settled in shares of our stock and will vest over a period of four years.

Benefit Plans and Programs

Pacific Drilling sponsors a defined contribution retirement plan covering substantially all U.S. employees (the “U.S. Savings Plan”) and an international savings plan (the “International Savings Plan”). During 2010, 2009 and 2008, our total employer contributions to both plans amounted to \$0.5 million, \$0.1 million and \$0.0, respectively.

Under the U.S. Savings Plan, the Company matches 100% of employee contributions (limited to \$16,500 or, for employees age 50 or over, \$22,000) up to 6% of eligible compensation per participant.

Under the International Savings Plan, we contribute 6% of base income (limited to \$15,000 per participant).

We have established an annual Bonus Plan for key employees whose decisions, activities and performance have a significant impact on business results. Target bonus levels are determined on an individual basis and take into account individual performance, competitive pay practices and external market conditions. Achievement of bonus payment is based on the achievement of the company financial target and individual goals.

Employees

As of June 30, 2011, we and our subsidiaries had a total of 461 employees and 242 subcontractors. These employees consisted of:

- 84 employees and subcontractors in construction management;
- 522 employees and subcontractors in engineering and operations; and
- 97 employees and subcontractors in finance, strategy and business development, sales and marketing and other administrative functions.

Table of Contents

Index to Financial Statements

As of June 30, 2011, approximately 89 of our employees and subcontractors were located in the United States, 593 were located in Korea and 17 were located in Nigeria. The remainder of our employees and subcontractors were in various other locations around the world.

As of December 31, 2010, we and our subsidiaries had a total of 276 employees and 160 subcontractors. These employees consisted of:

- 88 employees and subcontractors in construction management;
- 279 employees and subcontractors in engineering and operations; and
- 69 employees and subcontractors in finance, strategy and business development, sales and marketing and other administrative functions.

As of December 31, 2010, approximately 75 of our employees and subcontractors were located in the United States and 357 were located in Korea. The remainder of our employees and subcontractors were in various other locations around the world.

As of December 31, 2009, we and our subsidiaries had a total of 29 employees and 57 subcontractors. These employees consisted of:

- 57 employees and subcontractors in construction management;
- 7 employees and subcontractors in engineering and operations; and
- 22 employees and subcontractors in finance, strategy and business development, sales and marketing and other administrative functions.

As of December 31, 2009, 63 of our employees and subcontractors were located in Korea, 17 in the United States, 1 was located in Brazil and 5 were located in Singapore. The remainder of our employees and subcontractors were in various other locations around the world.

As of December 31, 2008, we and our subsidiaries had a total of 5 employees and 2 subcontractors. These employees consisted of:

- 2 employees and subcontractors in engineering and operations; and
- 5 employees and subcontractors in finance, strategy and business development, sales and marketing and other administrative functions.

As of December 31, 2008, 5 of our employees and subcontractors were located in the United States and 2 were located in Singapore.

In 2008, the Controlling Shareholder decided to expand our activities to include operation and marketing of ultra-deepwater drilling services, including four wholly-owned vessels outside of TPDI. A principal activity during this time was establishing our executive leadership team. We also assumed the core of the original construction management team responsible for the TPDI vessels and supplemented it with additional resources to oversee the construction of the four wholly-owned vessels.

During 2009, we expanded management and personnel in operations, finance, human resources, information technology and other corporate departments needed to market the vessels and conduct operations.

During 2010, we continued to expand management and personnel in operations, finance, human resources, information technology and other corporate departments needed to market the vessels and conduct operations, as well as recruited and trained staff, including rig personnel, for the *Pacific Bora*.

Table of Contents

Index to Financial Statements

During 2011 we substantially completed the manning of the *Pacific Bora* and the *Pacific Scirocco* crews and continued manning of the *Pacific Mistral* and the *Pacific Santa Ana* .

We will need to hire additional vessel-based employees in connection with the commencement of operations of the *Pacific Mistral* and the *Pacific Santa Ana* .

We believe that our relations with employees are good. None of our employees are currently represented by a union or covered by a collective bargaining agreement.

Corporate Governance

Our Board of Directors is empowered to take any action necessary or desirable in view of carrying out our corporate objective, except for the powers specifically allocated to the general meeting of shareholders by law and/or by the Articles.

The Articles provide that our day-to-day management and the power to represent us in such matters may be delegated to one or more directors, officers or other agents. The day-to-day management has been delegated to our Chief Executive Officer, Christian J. Beckett, and Ron Moskovitz, the Chairman of our Board of Directors, each of whom are authorized to represent us individually in this regard. However, certain matters may not be delegated by our Board of Directors, including approval of our accounts, approval of our annual budget, approval of our policies and approval of recommendations made by any committee of our Board of Directors.

The Articles further provide that we are bound towards third parties in all matters by the joint signature of a majority of our Board of Directors. In addition, we are also bound towards third parties by the joint or single signature of any person to whom special signatory powers have been delegated pursuant to the Articles.

All decisions to be taken by our Board of Directors are subject to a quorum and vote of a majority of the directors. A Chairman of the Board is elected from the members of the Board. The Chairman has a casting vote in the event of a tie vote. Our Chairman of the Board is Ron Moskovitz, who was appointed for a one year period that ends on March 12, 2012.

The Board must make all decisions in our best interests and each director must notify the Board of any possible conflicts between his/her personal interests and ours. A director must refrain from participating in any deliberation or decision involving such a conflict. A special report on the relevant conflict of interest transaction will be submitted to the shareholders at the next general meeting before any vote on the matter.

FCPA Policy

We have a thorough policy regarding compliance with the FCPA that is disseminated to all employees, directors, contractors, and agents. The policy details the FCPA anti-bribery provisions, the FCPA record-keeping provisions, FCPA compliance, sanctions under the FCPA, permissible payments, payments for routine governmental action, promotional or marketing expenses, and the appointment of agents. In order to achieve compliance with this policy, we have established an anti-bribery compliance program. The program consists of an employee education program, compliance reporting mechanisms, annual employee certifications, disciplinary policies, third party due diligence procedures and contractual protections, regular internal audits, and discretionary reviews.

Share Ownership

The common shares and any outstanding options to purchase common shares beneficially owned by our directors and executive officers and/or entities affiliated with these individuals are disclosed in the section entitled "Principal Shareholders."

Table of Contents

Index to Financial Statements

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common shares as of November 4, 2011 and after giving effect to this offering, by:

- each of our executive officers;
- each of our directors;
- all of our executive officers, directors as a group; and
- each holder known to us to beneficially own more than 5% of our common shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days after November 4, 2011, including through the exercise of any option, warrant or other right or the conversion any security. These shares, however, are not included in the computation of the percentage ownership of any other person.

Upon completion of this offering, we will have one class of common shares outstanding. Each outstanding common share will entitle the holder thereof to one vote. As of October 26, 2011, approximately 8.9% of our common shares, or 18,681,147 common shares, were held in the United States by approximately 21 holders of record.

Identity of Person or Group	Common Shares Beneficially Held Prior to the Offering		Common Shares Beneficially Held Following the Offering		Common Shares Beneficially Held if the Over-Allotment Option is Exercised in Full	
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage
Officers and Directors :						
Christian J. Beckett	*	*	*	*	*	*
Robert F. MacChesney	*	*	*	*	*	*
William J. Restrepo	*	*	*	*	*	*
Cees Van Diemen	*	*	*	*	*	*
Kinga E. Doris	*	*	*	*	*	*
Paul T. Reese	*	*	*	*	*	*
Ron Moskowitz	—	—	—	—	—	—
Laurence N. Charney	—	—	—	—	—	—
Jeremy Asher	—	—	—	—	—	—
Paul Wolff	—	—	—	—	—	—
Cyril Ducau	—	—	—	—	—	—
Sarit Sagiv	—	—	—	—	—	—
All officers and directors as a group ⁽¹⁾	435,827	*%	435,827	*%	435,827	*%
5% Beneficial Owners :						
Quantum Pacific (Gibraltar) Limited ⁽²⁾	150,000,000	71.4%	150,000,000	69.4%	150,000,000	69.2%

* Owns less than 1%.

(1) Includes 335,827 common shares issuable upon exercise of options held by our senior management that are exercisable within 60 days of the date of this prospectus.

(2) Quantum Pacific (Gibraltar) Limited is a Gibraltar company and wholly owned subsidiary of Quantum Pacific International Limited, the indirect ultimate owner of which is a trust in which Idan Ofer and certain members of his family are the primary beneficiaries. The address of Quantum Pacific (Gibraltar) Limited is 57/63 Line Wall Road, Gibraltar.

Table of Contents

Index to Financial Statements

Three of our directors are affiliated with Quantum Pacific Group. Mr. Moskowitz is the Chief Executive Officer of Quantum Pacific Advisory Limited, an affiliate of the Quantum Pacific Group, and serves as a board member in Israel Corp. and TowerJazz, companies that may be considered as affiliates of the Idan Ofer family. Mr. Ducau and Ms. Sagiv are management members and hold senior positions in Quantum Pacific Advisory Limited.

Prior to our issuance of 60,000,000 common shares to private investors in the 2011 Private Placement, Quantum Pacific Group owned 100% of our common shares. Immediately after completion of the 2011 Private Placement, Quantum Pacific Group owned approximately 71.4% of our common shares.

RELATED PARTY TRANSACTIONS

Prior to the Restructuring, we received cumulative fundings of approximately \$1.8 billion in the form of a related party loan from Winter Finance, a subsidiary of the Quantum Pacific Group, none of which is currently outstanding. During and prior to 2008, the related-party loan had no set date for payment and did not accrue interest. On July 12, 2008, our Predecessor's parent company at the time was assigned \$150 million of the related-party loan from Winter Finance. On July 31, 2008, this related-party loan was contributed by the parent company as additional consideration for the existing shares held by the parent company as sole shareholder of our Predecessor at the time. Effective January 1, 2009, Winter Finance and our Predecessor executed an intercompany revolving loan agreement with a maximum commitment not to exceed \$1 billion in principal borrowings (the "Intercompany Loan Agreement"), and at such time all outstanding amounts borrowed from Winter Finance were converted into outstanding borrowings under the Intercompany Loan Agreement bearing interest at 6% per annum. Effective May 1, 2010, Winter Finance and our Predecessor amended the Intercompany Loan Agreement to increase the maximum amount of borrowings to \$1.5 billion. In November 2010, we repaid \$69.4 million of the outstanding balance on the related-party loans. On November 29, 2010, Winter Finance assigned \$655 million of the loan receivable under the Intercompany Loan Agreement to Quantum Pacific International Limited, its parent and the sole parent of our Predecessor at such time. The \$655.0 million receivable was then contributed by Quantum Pacific International Limited to our Predecessor, as an additional capital contribution for the common shares held by it as sole shareholder of our Predecessor. On December 31, 2010, Winter Finance assigned all then-outstanding principal and accrued interest under the Intercompany Loan Agreement, in the amount of approximately \$892.6 million, to Quantum Pacific International Limited. The approximately \$892.6 million receivable was then cancelled by Quantum Pacific International Limited in exchange for the issuance of 1,115,761 common shares in our Predecessor. From January 1, 2011 to March 23, 2011, the company received additional funds of \$142.2 million under the Intercompany Loan Agreement. On March 23, 2011, Winter Finance assigned the receivable for all outstanding principal and accrued interest under the Intercompany Loan Agreement, in the amount of approximately \$142.8 million, to Quantum Pacific International Limited. The \$142.8 million receivable was then contributed by Quantum Pacific International Limited, as an additional capital contribution for the common shares held by it as sole shareholder of our Predecessor. The Intercompany Loan Agreement was terminated following such conversion and there is currently no intercompany loans between us and Winter Finance. During 2010 and 2009, we capitalized interest expense of \$60.1 million and \$39.0 million, respectively, on the related-party loan as a cost of property and equipment. During the six months ended June 30, 2011 and 2010, we capitalized interest expense of \$0.6 million and \$27.4 million, respectively, on the related-party loan as a cost of property and equipment. We do not expect related-party loans to be a source of funding our operations and working capital needs going forward.

During 2009, 2008, and 2007, we entered into promissory note agreements with TPDI and Transocean to fund TPDI. The promissory notes accrued interest at LIBOR plus 2% per annum. As of December 31, 2010 and 2009, the note receivables balances outstanding was \$139.9 million. During 2010, 2009 and 2008, we recorded interest income on the promissory notes of \$2.0 million, \$2.1 million and \$7.8 million. As of December 31, 2010 and 2009, the accrued interest receivable on these promissory notes was \$5.5 million and \$3.5 million, respectively. As of June 30, 2011, promissory notes to the Joint Venture and the accrued interest receivable on these promissory notes were \$0 million due to the TPDI Transfer. During the six months ended June 30, 2011 and 2010, the Predecessor recorded related-party interest income from the Joint Venture of \$0.5 million and \$1.0 million on the promissory notes, respectively. For more information on the promissory note agreements, see our audited consolidated financial statements and notes thereto included elsewhere in this prospectus.

We executed a noncancelable operating lease in September 2009 for office space in Singapore for a period of 28 months with Tanker Pacific, which may be considered an affiliated company. During 2010, 2009 and 2008, rent expense under this lease was \$0.3 million, \$0.2 million and \$0.0, respectively. During the six months ended June 30, 2011 and 2010, rent expense under this lease was \$0.1 million and \$0.2 million, respectively. We also had an agreement with Tanker Pacific for the use of the services of certain Tanker Pacific employees on an ad hoc basis. During 2010, 2009 and 2008, expenses for the services of Tanker Pacific employees used by us under

Table of Contents

Index to Financial Statements

this arrangement were \$0.5 million, \$1.1 million and \$0.3 million, respectively. During the six months ended June 30, 2011 and 2010, expenses for the services of Tanker Pacific employees used by the Company under this arrangement were \$0.1 million and \$0.3 million, respectively.

On March 30, 2011, we transferred our equity interest in TPDI, including promissory notes, to a subsidiary of the Quantum Pacific Group. We did not receive any consideration for the transfer. In connection with the TPDI Transfer, we entered into a management agreement pursuant to which we provide day-to-day oversight and management services with respect to the Quantum Pacific Group's equity interest in TPDI for a fee of \$4,000 per drillship per day, or \$8,000 per day. Unless terminated earlier in accordance with its terms, the management agreement will remain in full force and effect in perpetuity. The management agreement may be terminated by the Quantum Pacific Group if (i) we commit any breach of our material obligations under the management agreement, (ii) TPDI is dissolved or (iii) the Quantum Pacific Group sells, transfers or otherwise disposes of all of its interest in TPDI. The management agreement may be terminated by us if (i) the Quantum Pacific Group fails to pay amounts due to us or (ii) the Quantum Pacific Group commits any breach of its material obligations under the management agreement. During the six months ended June 30, 2011 and 2010, management fee income of \$0.7 million and \$0, respectively, was recorded in other income (expense) within our consolidated statements of operations.

The joint venture agreements relating to TPDI provide Quantum Pacific Group with a put option that allows it to exchange its 50% interest in TPDI for shares of Transocean Ltd. or cash at a purchase price based on an appraisal of the fair value of the two vessels owned by TPDI, subject to various customary adjustments. In conjunction with the TPDI Transfer and a related amendment to the Project Facilities Agreement, a subsidiary of the Quantum Pacific Group guaranteed to the lenders that any proceeds from the exercise of the put option relating to the equity interest in TPDI will be used to prepay or secure the Amended Project Facilities Agreement. In consideration for this guarantee, we agreed to pay the Quantum Pacific Group a fee of 0.25% per annum on the outstanding borrowings on the Project Facilities Agreement. During the six months ended June 30, 2011 and 2010, guarantee fees of \$0.5 million and \$0, respectively, were recorded to property and equipment as capitalized interest costs.

We have marketing and logistic services agreements with Derotech, a Company which may be considered an affiliate. During 2010, 2009 and 2008, we incurred fees of \$0.2 million, \$0 and \$0, respectively, under the marketing and logistic services agreements. During the six months ended June 30, 2011 and 2010, we incurred fees of \$0.7 million and \$0 under the marketing and logistic services agreements, respectively.

In connection with the SBLC facility and TI Bond for the *Pacific Bora*, we have entered into a guarantee agreement with a subsidiary of the Quantum Pacific Group, pursuant to which the Quantum Pacific Group will guarantee our obligations under the SBLC facility. We expect to replace the guarantee agreement with Quantum Pacific Group with a guaranty by the Company upon the completion of this offering.

In connection with the *Pacific Santa Ana* and *Pacific Bora* contracts with Chevron, the Quantum Pacific Group has guaranteed, subject to certain excuses from guarantee, prompt and proper performance by us of all obligations under the drilling contract. The Quantum Pacific Group guarantee to Chevron includes any payments due to Chevron, indemnification with respect to certain intellectual property, satisfaction of any patent infringement judgment and a provision to substitute a drilling unit if one is available on substantially similar terms and the *Pacific Santa Ana* or *Pacific Bora* is rendered unavailable.

In connection with this offering, we intend to enter into a registration rights agreement with regard to the 150,000,000 common shares currently owned by our controlling shareholder and affiliate, Quantum Pacific Group, as well as any shares that Quantum Pacific Group purchases in the future. Please see "Shares Eligible for Future Sale—Registration Rights Agreement."

Table of Contents

Index to Financial Statements

DESCRIPTION OF SHARE CAPITAL

The following is a summary of our share capital and the rights of the holders of our common shares that are material to an investment in the common shares offered by this prospectus. These rights are set forth in our Articles or are provided by applicable Luxembourg law, and these rights may differ from those typically provided to shareholders of U.S. companies under the corporation laws of the various states of the United States. This summary does not contain all information that may be important to you. For more complete information, you should read our Amended and Restated Articles of Association, which will be adopted prior to the completion of this offering and are attached as an exhibit to the registration statement filed by us on Form F-1 (of which this prospectus forms a part). For information on how to obtain a copy of our Articles, please read “Where You Can Find More Information.”

Our share capital is comprised of common shares. As of the date of this prospectus, an aggregate of 210,000,000 common shares, accounting par value \$0.01 and without nominal value, were issued and outstanding. Each of our common shares entitles its holder to one vote at any general meeting of shareholders.

To our knowledge, as of the date of this prospectus, there are no shareholders’ arrangements or agreements the implementation or performance of which could, at a later date, result in a change in the control of us in favor of a third person other than the current controlling shareholder, an entity controlled by the Quantum Pacific Group.

Our common shares are governed by Luxembourg law and our Articles. More information concerning shareholders’ rights can be found in the Luxembourg law on commercial companies dated August 10, 1915, as amended from time to time, and our Articles.

General

We are a Luxembourg *société anonyme* (a joint stock corporation). Our legal name is “Pacific Drilling S.A.” We were incorporated on March 11, 2011.

Pacific Drilling S.A. is registered with the Luxembourg Registry of Trade and Companies under the number B159658. Our registered office is located at 16 Avenue Pasteur, L-2310 Luxembourg, Grand Duchy of Luxembourg.

Our corporate object, as stated in Article 3 (Corporate object) of our Articles, is the following: The Company’s object is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. The Company may in particular acquire, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin.

Under our Articles, we may borrow in any form. We may issue notes, bonds and any kind of debt and equity securities. We may lend funds, including, without limitation, the proceeds of any borrowings, to our subsidiaries, affiliated companies and any other companies. We may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of our assets to guarantee our own obligations and those of any other company, and, generally, for our own benefit and that of any other company or person. We may not, however, carry out any regulated financial sector activities without having obtained the requisite authorization.

We may use techniques, legal means and instruments to manage our investment efficiently and to protect ourselves against credit risks, currency exchange exposure, interest rate risks and other risks.

We may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favors or relates to our corporate object.

Table of Contents

Index to Financial Statements

Share Capital

As of November 4, 2011, our issued share capital amounts to \$2,100,000, represented by 210,000,000 common shares, par value \$0.01 and without nominal value. We are authorized to issue \$50,000,000 of share capital (such amount including the currently issued share capital of \$2,100,000) and are authorized to issue up to 5,000,000,000 common shares, having an accounting par value of \$0.01 and without nominal value (such number of shares including the 210,000,000 shares already issued), out of such authorized share capital. Immediately after completion of this offering, the authorized unissued share capital will be \$47,840,000 and there will be 216,000,000 common shares outstanding, assuming no exercise of the underwriters' over-allotment option.

Under Article 5 of our Articles, our share capital was set on incorporation at \$50,000, represented by 50,000 shares in registered form without nominal value. On March 30, 2011, the sole shareholder, Quantum Pacific (Gibraltar) Limited, held a general meeting to approve amending the Company's Articles to authorize the Board of Directors, for a period of five years, to issue up to \$50,000,000 of share capital (inclusive of current share capital of the Company). On March 30, 2011, our Board of Directors resolved to split the outstanding 50,000 common shares into 5,000,000 common shares, without nominal value. These common shares are held by Quantum Pacific (Gibraltar) Limited. In addition, on March 30, 2011, our Board of Directors resolved for Quantum Pacific (Gibraltar) Limited to become the indirect sole shareholder of all issued common shares of our Predecessor in exchange for the issuance of 145,000,000 of our common shares. As of March 31, 2011, our common shares consisted of 150,000,000 issued and outstanding common shares, having an accounting par value \$0.01, all of which are held by an entity controlled by Quantum Pacific (Gibraltar) Limited. In connection with the 2011 Private Placement, we issued 60,000,000 common shares to international and U.S. investors for gross proceeds of \$600 million. Following completion of the 2011 Private Placement, our share capital consisted of 210,000,000 common shares issued and outstanding.

Form and Transfer of Shares

Our shares are issued in registered form only and are freely transferable, subject to any restrictions that may be provided for in our Articles or in any agreement entered into between shareholders. Luxembourg law does not impose any limitations on the rights of Luxembourg or non-Luxembourg residents to hold or vote our shares.

Issuance of Shares

Pursuant to Luxembourg law, the issuance of our common shares requires the approval by the general meeting of shareholders at the quorum and vote requirements provided for the amendment of our Articles. The general meeting of shareholders may, however, approve an authorized unissued share capital and authorize the board of directors to issue shares up to the maximum amount of such authorized unissued share capital for a maximum period of five years from the date of publication in the Luxembourg official gazette of the minutes of the relevant general meeting. The general meeting may amend, renew or extend such authorized share capital and authorization to the board of directors to issue shares.

Pursuant to Article 5.3 of our Articles, our Board of Directors is authorized, for a period of five years from the publication of our incorporation deed on March 11, 2011, to increase the current share capital once or more up to \$50,000,000 by the issue of new shares having the same rights as the existing shares, or without any such issue. Accordingly, assuming completion of this offering, our Board of Directors may issue up to _____ common shares until March 11, 2016 (assuming no exercise of the underwriters over-allotment option) against contributions in cash, contributions in kind or by way of incorporation of available reserves at such times and on such terms and conditions, including the issue price, as our Board of Directors or its delegates may in its or their discretion resolve while waiving, suppressing or limiting any pre-emptive subscription rights of shareholders provided for by law to the extent it deems such waiver, suppression or limitation advisable for any issue or issues of shares within the authorized share capital.

Table of Contents

Index to Financial Statements

Under Luxembourg law, our Board of Directors, or a duly appointed representative of our Board of Directors, is required to go before a Luxembourg notary within one month following an increase of our share capital by our Board of Directors to record the share capital increase by notarial deed.

Under Luxembourg law, shareholders in a *société anonyme* have a preferential right to subscribe for shares issued on the occasion of a share capital increase, where such shares are to be subscribed for in cash. Article 5.3 of our Articles limits this right in relation to our shareholders by granting our Board of Directors authorization to increase the current share capital by the issue of new shares having the same rights as the common shares, and to limit or withdraw the shareholders' preferential subscription rights on such increase. This authorization is valid for a period of five years from the publication of our incorporation deed on March 11, 2011; however, such authorization may be renewed by a resolution passed at an extraordinary general meeting of the shareholders. The general meeting of shareholders also has the power to limit or withdraw the shareholders' preferential subscription rights under certain circumstances as set forth under Luxembourg law.

Our Articles provide that no fractional shares may be issued.

Our common shares have no conversion rights, and there are no redemption or sinking fund provisions applicable to our common shares.

We cannot subscribe for our own shares.

Capital Reduction

Our Articles provide that the issued share capital may be reduced, subject to the approval by the general meeting of shareholders and the quorum and vote requirements provided for the amendment of our Articles.

General Meeting of Shareholders

In accordance with Luxembourg law and our Articles, any regularly constituted general meeting of shareholders represents the entire body of shareholders of the Company. The general meeting has full power to adopt and ratify all acts and operations which are consistent with our corporate object.

The annual general meeting of shareholders is held at 10:00 a.m. (Luxembourg time) on the second Monday of May of each year in Luxembourg. If that day is a legal or banking holiday, the meeting will be held on the immediately following business day. Other general meetings of shareholders may be convened at any time.

Each of our common shares entitles the holder thereof to attend our general meeting of shareholders, either in person or by proxy, to address the general meeting of shareholders, and to exercise voting rights, subject to the provisions of our Articles. Each share entitles the holder to one vote at a general meeting of shareholders. There is no minimum shareholding required to be able to attend or vote at a general meeting of shareholders.

Luxembourg law provides that our Board of Directors is obligated to convene a general meeting of shareholders if shareholders representing, in the aggregate, 10% of the issued share capital so require in writing with an indication of the agenda. In such case, the general meeting of shareholders must be held within one month of the request. If the requested general meeting of shareholders is not held within one month, shareholders representing, in the aggregate, 10% of the issued share capital may petition the competent president of the district court in Luxembourg to have a court appointee convene the meeting. Luxembourg law provides that shareholders representing, in the aggregate, 10% of the issued share capital may request that additional items be added to the agenda of a general meeting of shareholders. That request must be made by registered mail sent to our registered office at least five days before the holding of the general meeting of shareholders.

Voting Rights

Each common share entitles the holder thereof to one vote at a general meeting of shareholders.

Table of Contents

Index to Financial Statements

Luxembourg law distinguishes between “ordinary” general meetings of shareholders and “extraordinary” general meetings of shareholders.

Extraordinary general meetings of shareholders are convened to resolve in particular upon an amendment to our Articles and certain other limited matters described below and are subject to the quorum and vote requirements described below. All other general meetings of shareholders are ordinary general meetings of shareholders.

Ordinary General Meetings of Shareholders. At an ordinary general meeting of shareholders there is no quorum requirement, and resolutions are adopted by a simple majority of the votes validly cast, irrespective of the number of shares present or represented. Abstentions are not considered “votes.”

Extraordinary General Meetings of Shareholders. An extraordinary general meeting of shareholders convened for the purpose of (a) an increase or decrease of the authorized or issued share capital, (b) a limitation or exclusion of preemptive rights, (c) approving a legal merger or de-merger of the Company, (d) dissolution of the Company or (e) except as described immediately below, an amendment of our Articles must have a quorum of at least 50% of our issued share capital, except in limited circumstances provided for by Luxembourg law. If such quorum is not reached, the extraordinary general meeting of shareholders may be reconvened, pursuant to appropriate notification procedures, at a later date with no quorum requirement applying.

Irrespective of whether the proposed actions described in the preceding paragraph will be subject to a vote at the first or a subsequent extraordinary general meeting of shareholders, such actions are subject to the approval of at least two-thirds of the votes validly cast at such extraordinary general meeting of shareholders (except in limited circumstances provided for by Luxembourg law). Abstentions are not considered “votes.”

Appointment and Removal of Directors. Members of our Board of Directors may be elected by simple majority of the votes validly cast at any general meeting of shareholders. Under our Articles, all directors are elected for a period of up to six years with such possible extension as provided therein. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders. If the office of a director becomes vacant, our Articles provide that the other directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed at the next general meeting of shareholders.

Neither Luxembourg law nor our Articles contain any restrictions as to the voting of our common shares by non-Luxembourg residents.

Amendment to Our Articles of Association

Luxembourg law requires an extraordinary general meeting of shareholders to resolve upon an amendment to our Articles. The agenda of the extraordinary general meeting of shareholders must indicate the proposed amendments to the Articles.

An extraordinary general meeting of shareholders convened for the purpose of amending our Articles must have a quorum of at least 50% of our issued share capital. If such quorum is not reached, the extraordinary general meeting of shareholders may be reconvened at a later date with no quorum according to the appropriate notification procedures. Irrespective of whether the proposed amendment will be subject to a vote at the first or a subsequent extraordinary general meeting of shareholders, the amendment is subject to the approval of at least two-thirds of the votes cast at such extraordinary general meeting of shareholders.

Any resolutions to amend our Articles must be taken before a Luxembourg notary and such amendments must be published in accordance with Luxembourg law.

Table of Contents

Index to Financial Statements

Merger and Division

A merger by absorption whereby a Luxembourg company, after its dissolution without liquidation, transfers to another company all of its assets and liabilities in exchange for the issuance to the shareholders of the company being acquired of shares in the acquiring company, or a merger effected by transfer of assets to a newly incorporated company, must, in principle, be approved by an extraordinary general meeting of shareholders of the Luxembourg company to be held before a notary. Similarly the de-merger of a Luxembourg company is generally subject to the approval by an extraordinary general meeting of shareholders.

Liquidation

In the event of our liquidation, dissolution or winding-up, the assets remaining after allowing for the payment of all liabilities will be paid out to the shareholders pro rata to their respective shareholdings. The decision to voluntarily liquidate, dissolve or wind-up require the approval by an extraordinary general meeting of shareholders to be held before a notary.

No Appraisal Rights

Neither Luxembourg law nor our Articles provide for any appraisal rights of dissenting shareholders.

Distributions

Subject to Luxembourg law, each share is entitled to participate equally in distributions if and when declared by the general meeting of shareholders out of funds legally available for such purposes. Pursuant to our Articles, the general meeting of shareholders may approve distributions and our Board of Directors may declare interim distributions, to the extent permitted by Luxembourg law.

Declared and unpaid distributions held by us for the account of the shareholders shall not bear interest. Under Luxembourg law, claims for unpaid distributions will lapse in our favor five years after the date such distribution has been declared.

Annual Accounts

Each year our Board of Directors must prepare annual accounts, that is, an inventory of our assets and liabilities, together with a balance sheet and a profit and loss account. Our Board of Directors must also prepare management reports each year on the annual accounts. The annual accounts, the management report and the auditor's reports must be available for inspection by shareholders at our registered office at least 15 calendar days prior to the date of the annual general meeting of shareholders.

The annual accounts, after approval by the annual general meeting of shareholders, will need to be filed with the Luxembourg registry of trade and companies within seven months of the close of the financial year.

Information Rights

Luxembourg law gives shareholders limited rights to inspect certain corporate records 15 calendar days prior to the date of the annual general meeting of shareholders, including the annual accounts with the list of directors and auditors, the notes to the annual accounts, a list of shareholders whose shares are not fully paid-up, the management reports and the auditor's report.

The annual accounts, the auditor's reports and the management reports are sent to registered shareholders at the same time as the convening notice for the annual general meeting of shareholders. In addition, any registered shareholder is entitled to receive a copy of these documents free of charge 15 calendar days prior to the date of the annual general meeting of shareholders upon request.

Table of Contents

Index to Financial Statements

Under Luxembourg law, it is generally accepted that a shareholder has the right to receive responses to questions concerning items on the agenda for a general meeting of shareholders if such responses are necessary or useful for a shareholder to make an informed decision concerning such agenda item, unless a response to such questions could be detrimental to our interests.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is American Stock Transfer & Trust Company, LLC.

Equity Instruments and Other Arrangements Affecting Equity

Our Predecessor adopted the 2009 Plan, which provided for the granting of stock options, stock appreciation rights, restricted shares, restricted share units and other equity-based or equity-related awards to directors, officers, employees and consultants. On March 31, 2011, we substituted all outstanding awards under the 2009 Plan with new awards of options to purchase common shares under the 2011 Plan. The Substitution took into account the fair market value of the common shares at the time of the Substitution. On March 31, 2011, we also granted new stock options under the 2011 Plan to members of our senior management and other key employees. The exercise price of the new stock options and those granted in the Substitution was \$10.00 per share, the purchase price under the 2011 Private Placement. The total number of stock options currently outstanding (which includes new stock options as well as those granted in the Substitution) is 2,801,311. All options expire on the earliest of (i) ten years after the date of grant, (ii) 90 days after the employee ceases to provide services to us or one of our affiliates, or (iii) 6 months following the employee's death. Concurrent with the Substitution, we terminated the 2009 Plan and no new awards will be made under that plan. Additionally, we have granted awards of 12,000 restricted stock units under the 2011 Plan to members of our Board of Directors. These restricted stock units will be settled in shares of our stock and will vest over a period of four years. Please see "Management—Compensation—Equity Compensation Plans" for additional information regarding the 2009 and 2011 Plans.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have 216,000,000 common shares outstanding, or 216,900,000 common shares if the underwriters' over-allotment option is exercised in full. The 6,000,000 common shares sold in this offering, or 6,900,000 common shares if the underwriters' over-allotment option is exercised in full will be freely transferable in the United States without restriction under the Securities Act, except for any shares purchased by one of our "affiliates," which will be subject to the resale limitations of Rule 144 under the Securities Act.

In April 2011, we completed an offering of 60,000,000 common shares to international and U.S. investors in accordance with Regulation S and Regulation D under the Securities Act, which are currently traded on the Norwegian OTC List. The 41,850,000 common shares initially sold pursuant to Regulation S in the 2011 Private Placement or in subsequent resales, other than to one of our "affiliates," will also be freely transferable in the United States without restriction under the Securities Act. The common shares sold pursuant to Rule 144A in the 2011 Private Placement and the 150,000,000 shares owned by our controlling shareholder and affiliate, Quantum Pacific Group, were acquired in private transactions not involving a public offering, and these shares are therefore treated as "restricted securities" for purposes of Rule 144 under the Securities Act. Restricted securities may not be resold except in compliance with the registration requirements of the Securities Act or under an exemption from those registration requirements, such as the exemptions provided by Rule 144, Regulation S and other exemptions under the Securities Act. In connection with this offering, we intend to enter into a registration rights agreement with Quantum Pacific (Gibraltar) Limited, which could require us to effect the registration of its common shares in certain circumstances no earlier than the expiration of the lock-up period contained in the underwriting agreement entered into in connection with this offering. See "—Registration Rights Agreement" below.

Sales or perceived sales of substantial amounts of our common shares in the public market (including any common shares registered pursuant to the Registration Rights Agreement, any shares transferred by shareholders on the Norwegian OTC to the NYSE, any common shares registered on Form S-8, any shares issued in connection with an acquisition or any other sales of common shares in the public market), or the perception that such sales could occur, may adversely affect prevailing market prices of our common shares. Prior to this offering, there has been no public market for our common shares in the United States, although our common shares are listed on the Norwegian OTC List. We have been approved to list our common shares on the NYSE, subject to official notice of issuance; however, we cannot assure you that a regular trading market for our common shares will develop in the United States.

Registration Rights Agreement

Prior to the consummation of this offering, we expect to enter into a registration rights agreement with regard to the 150,000,000 common shares currently owned by our controlling shareholder and affiliate, Quantum Pacific Group, as well as any shares that Quantum Pacific Group purchases in the future (all such shares, "Registrable Securities"). Under the Registration Rights Agreement, Quantum Pacific Group and its affiliates will have the right to cause us to register under the Securities Act and applicable state securities laws the offer and sale of the Registrable Securities. Subject to the terms and conditions of our registration right agreement, these registration rights allow Quantum Pacific Group and its affiliates or certain qualified assignees holding any Registrable Securities to require registration of such Registrable Securities and to include any such Registrable Securities in a registration by us of common shares, including common shares offered by us or by any shareholder. In connection with any registration of common shares held by Quantum Pacific Group and its affiliates or certain qualified assignees, we will indemnify each shareholder participating in the registration and its officers, directors and controlling persons from and against any liabilities under the Securities Act or any applicable state securities laws arising from the registration statement or prospectus. We will bear all costs and expenses incidental to any registration, excluding any underwriting discounts.

Table of Contents

Index to Financial Statements

Lock-up Agreements

In connection with this offering, we will agree that, without the prior written consent of the representatives on behalf of the underwriters, we will not, during the period ending 90 days after the date of this prospectus, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common shares or any securities convertible into or exercisable or exchangeable for common shares or (2) file any registration statement with the SEC relating to the offering of any common shares or any securities convertible into or exercisable or exchangeable for common shares or (3) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of common shares, whether any transaction described above is to be settled by delivery of common shares or such other securities, in cash or otherwise. The restrictions described in this paragraph will not apply to, among other things, (a) the sale of common shares to the underwriters, (b) the issuance by us of common shares upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing or (c) transactions by any person other than us relating to common shares or other securities acquired in open market transactions after the completion of this offering of common shares. Please read “Underwriting.”

Each of the members of our board of directors, our executive officers and Quantum Pacific (Gibraltar) Limited will enter into a similar lock-up agreement, except that they are permitted to transfer the common shares to their affiliates and transfer the common shares as a bona fide gift or distribute the common shares to their limited partners or stockholders; provided, that each transferee or donee, as applicable, is or agrees to be bound by the terms of the lock-up agreement and no filing under the Exchange Act shall be required or voluntarily made. After the expiration of the 90-day period, the common shares held by the members of our board of directors, executive officers and our affiliates, including Quantum Pacific International Limited, may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings. Please read “Underwriting.”

We are not aware of any plans by any significant shareholders to dispose of significant numbers of our common shares. However, one or more existing shareholders may dispose of significant numbers of our common shares, unless they are subject to a lock-up agreement. We cannot predict what effect, if any, future sales of our common shares, or the availability of common shares for future sale, will have on the market price of our common shares from time to time.

Rule 144

All of our common shares outstanding prior to this offering, other than the common shares sold pursuant to Regulation S in the 2011 Private Placement or in subsequent resales are “restricted securities” as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from registration under the Securities Act such as those provided by Rule 144, Regulation S and Rule 701 promulgated under the Securities Act. In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who at the time of a sale is not, and has not been during the three months preceding the sale, an affiliate of us and has beneficially owned our restricted securities for at least six months will be entitled to sell the restricted securities without registration under the Securities Act, subject only to the availability of current public information about us, and will be entitled to sell restricted securities beneficially owned for at least one year without restriction. Persons who are our affiliates and have beneficially owned our restricted securities for at least six months may sell within any three-month period a number of restricted securities that does not exceed the greater of the following:

- 1% of the then outstanding common shares, which will equal 2,160,000 common shares immediately after this offering, assuming the underwriters do not exercise their over-allotment option to purchase additional common shares; or

Table of Contents

Index to Financial Statements

- the average weekly trading volume of our common shares during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales by our affiliates under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about us. As defined in Rule 144, an “affiliate” of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer.

Regulation S

In general, Regulation S under the Securities Act, as currently in effect, provides that common shares owned by persons other than our affiliates and distributors may be sold without registration in the United States; provided, that the sale is effected in an offshore transaction and no directed selling efforts are made in the United States by such seller, an affiliate or any person acting on their behalf (as these terms are defined in Regulation S), subject to certain other conditions. In general, this means that our common shares may be sold in some other manner outside the United States without requiring registration under the Securities Act in the United States.

Options/Equity Awards

We intend to file a registration statement on Form S-8 under the Securities Act to register the common shares that we expect to issue under our 2011 Plan, including common shares acquired upon exercise of our outstanding share options but excluding common shares issued upon vesting of the restricted stock units we have granted to our directors. As of November 4, 2011, there were approximately 2.8 million common shares issuable upon the exercise of outstanding options to purchase our common shares, with a portion of such options not currently exercisable due to vesting restrictions. Common shares issued upon the exercise of share options after the effective date of this registration statement will be eligible for resale in the public market without restrictions, subject to the Rule 144 limitations applicable to affiliates and the lock-up agreements described above. As of November 4, 2011, there were 12,000 common shares issuable upon the vesting of outstanding restricted stock units. The common shares issued upon vesting of these restricted stock units, which were granted prior to the effective date of this offering were awarded under Rule 701 and, as such 90 days following the effective date of this offering, may be resold subject to the Rule 144 limitations but without complying with the holding period requirements of Rule 144(d).

TAX CONSIDERATIONS

Material Luxembourg Tax Considerations for Holders of Common Shares

The following is a discussion of all material Luxembourg tax considerations of the purchase, ownership and disposition of your Common Shares that may be applicable to you if you acquire our Common Shares. All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this discussion, unless otherwise noted, are the opinions of Loyens & Loeff, Advocats à la Cour and are based on the accuracy of representations made by us. In addition, this discussion does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules.

It is not intended to be, nor should it be construed to be, legal or tax advice. The summary is not exhaustive and we strongly encourage shareholders to consult their own tax advisors as to the Luxembourg tax consequences of the ownership and disposition of our Common Shares. The summary applies only to shareholders who will own our Common Shares as capital assets and does not apply to other categories of shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes and shareholders who have, or who are deemed to have, acquired their Common Shares in the capital of our Common Shares by virtue of an office or employment.

This discussion is based on the laws of the Grand-Duchy of Luxembourg, including the Income Tax Act of December 4, 1967, as amended, the Municipal Business Tax Act of December 1, 1936, as amended and the Net Wealth Tax Act of October 16, 1934, as amended, to which we jointly refer to as the Grand-Duchy of Luxembourg, including the regulations promulgated thereunder, and published judicial decisions and administrative pronouncements, each as in effect on the date of this prospectus or with a known future effective date and is subject to any change in law or regulations or changes in interpretation or application thereof (and which may possibly have a retroactive effect). However, there can be no assurance that the Luxembourg tax authorities will not challenge any of the Luxembourg tax considerations described below; in particular, changes in law and/or administrative practice, as well as changes in relevant facts and circumstances, may alter the tax considerations described below. Prospective investors are encouraged to consult their own professional advisors as to the effects of state, local or foreign laws and regulations, including Luxembourg tax law and regulations, to which they may be subject.

As used herein, a “Luxembourg individual holder” means an individual resident in Luxembourg who is subject to personal income tax (impôt sur le revenu) a solidarity surcharge (contribution au fonds pour l’emploi) and a crisis contribution for the years 2011 and 2012 (contribution de crise) on his or her worldwide income from Luxembourg or foreign sources.

In addition, a “Luxembourg corporate holder” means a corporation or other entity taxable as a corporation (that is organized under the laws of Luxembourg under Article 159 of the Luxembourg Income Tax Act) resident in Luxembourg subject to corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal) and a solidarity surcharge (contribution au fonds pour l’emploi) on its worldwide income from Luxembourg or foreign sources. A Luxembourg corporate holder is also subject to net wealth tax (impôt sur la fortune) on its worldwide wealth.

For purposes of this summary, Luxembourg individuals and Luxembourg corporate holders are collectively referred to as “Luxembourg Holders.” A “non-Luxembourg Holder” means any investor in our Common Shares other than a Luxembourg Holder.

Tax regime applicable to realized capital gains

Luxembourg Holders

Luxembourg individual holders

A Luxembourg individual holder will be subject to Luxembourg income taxes for capital gains in the following cases:

- If the Common Shares (1) represent the assets of a business or (2) were acquired for speculative purposes (i.e., disposed of within six months after acquisition), then any capital gain will be levied at ordinary income tax rates (including unemployment fund contributions), crisis contribution levied at a rate of 0.8%, subject to dependence insurance contribution levied at a rate of 1.4% and, where Common Shares represent the assets of a business, subject to municipal business tax levied at a rate of 6.75% for Luxembourg-City; and
- Provided that the Common Shares do not represent the assets of a business (i.e. are held in the private wealth of the Luxembourg individual), and the Luxembourg individual has disposed of them more than six months after their acquisition, then the capital gains are taxable at half the overall tax rate (including unemployment fund contributions) if the Common Shares belong to a substantial participation (i.e., shareholding representing more than 10% of the share capital, owned by the Luxembourg resident individual or together with his spouse/partner and dependent children, directly or indirectly at any time during the five years preceding the disposal). In this case, the capital gains would also be subject to crisis contribution levied at a rate of 0.8%, and dependence insurance contribution levied at a rate of 1.4%.

Luxembourg corporate holders

Capital gains realized upon the disposal of Common Shares by a fully taxable resident Luxembourg corporate holder will, in principle, be subject to corporate income tax and municipal business tax. The combined applicable rate (including an unemployment fund contribution) is 28.80% for the fiscal year ending 2011 for a Luxembourg corporate holder established in Luxembourg City. An exemption from such taxes may be available to the Luxembourg corporate holder pursuant to Article 166 of the Income Tax Act and the Grand-Ducal Decree of December 21, 2001 (as amended on March 31, 2004) provided that at the time of the disposal of the Common Shares (a) the Luxembourg corporate holder of Common Shares form a stake representing at least 10% of our total share capital or have a cost price of at least €6,000,000 and (b) such qualifying shareholding has been held for an uninterrupted period of at least 12 months or the Luxembourg corporate holder undertakes to continue to own such qualifying shareholding until such time as the Luxembourg corporate holder has held our Common Shares for an uninterrupted period of at least 12 months. In certain circumstances, the latter exemption may not apply; for example, the capital gains exemption (for gains arising on an alienation of the Common Shares) does not apply to the amount of previously tax deducted expenses and write-offs related to these Common Shares.

Non-Luxembourg Holders

Non-Luxembourg Holders will be subject to Luxembourg taxation for capital gains in the following cases (among others):

- Subject to any applicable tax treaty, an individual who is a non-Luxembourg Holder of Common Shares (and who does not have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Common Shares are attributable) will only be subject to Luxembourg taxation on capital gains arising upon disposal of such Common Shares if such holder has (together with his or her spouse and dependent children) directly or indirectly held a substantial shareholding of more than 10% of our total share capital at any time within a five-year period prior to the disposal of our Common Shares, and either (i) such holder has been a resident of Luxembourg for tax purposes for at least 15 years and has become a non-resident within the last five years preceding the realization of the gain, or (ii) the disposal of Common Shares occurs within six months from their acquisition (or prior to their actual acquisition).

Table of Contents

Index to Financial Statements

- A corporate non-Luxembourg Holder, which has a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which our Common Shares are attributable, will be required to recognize capital gains (or losses as the case may be) on the sale of such Common Shares, which will be subject to corporate income tax and municipal business tax. However, as set forth above for a corporate Luxembourg Holder, gains realized on the sale of the Common Shares may benefit from the exemption provided for by Article 166 of the Luxembourg Income Tax and the Grand-Ducal Decree of December 21, 2001 (as amended on March 31, 2004).
- Subject to any applicable tax treaty, a corporate non-Luxembourg Holder, which has no permanent establishment in Luxembourg to which the Common Shares are attributable, and which has held a substantial shareholding of more than 10% of our total share capital directly or indirectly at any time within a five-year period prior to the disposal of our Common Shares will be subject to corporate income tax on a gain realized on a disposal of such Common Shares if either (i) such holder has been a resident of Luxembourg for tax purposes for at least 15 years and has become a non-resident within the last five years preceding the realization of the gain, or (ii) the disposal of such Common Shares occurs within six months from their acquisition.

Tax regime applicable to distributions

Luxembourg Withholding Tax

A Luxembourg withholding tax of 15% (17.65% if the dividend tax is not charged to the shareholder) is due on dividends and similar distributions to our holders (subject to the exceptions discussed under “—Exemption from Luxembourg Withholding Tax” below). Absent an exception, we will be required to withhold at such rate from distributions to the shareholder and pay such withheld amounts to the Luxembourg tax authorities.

Exemption from Luxembourg Withholding Tax

Dividends and similar distributions paid to our Luxembourg and non-Luxembourg holders may be exempt from Luxembourg dividend withholding tax if: (1) the shareholder is a qualifying corporate entity holding a stake representing at least 10% of our total share capital or acquired the Common Shares for at least €1,200,000 (or its equivalent amount in a foreign currency); and (2) the shareholder has either held this qualifying stake in our capital for an uninterrupted period of at least 12 months at the time of the payment of the dividend or undertakes to continue to own such qualifying shareholding until such time as it has held the Common Shares for an uninterrupted period of at least 12 months. Examples of qualifying corporate shareholders are taxable Luxembourg companies, certain taxable companies resident in other EU member states, capital companies resident in Switzerland subject to income tax without benefiting from an exemption and companies fully subject to a tax corresponding to Luxembourg corporate income tax that are resident in countries that have concluded a treaty for the avoidance of double taxation with Luxembourg.

Under current Luxembourg tax law, payments to shareholders in relation to a reduction of share capital or share premium are not subject to Luxembourg dividend withholding tax if certain conditions are met, including, for example, the condition that we do not have distributable reserves or profits. If we have, at the time of the payment to shareholders with respect to their Common Shares, distributable reserves or profits, a distribution of share capital or share premium will be recharacterized for Luxembourg tax purposes as a distribution of such reserves or earnings subject to withholding tax. Based on the above, if certain conditions are met, it can be expected that a substantial amount of potential future payments to be made by us may not be subject to Luxembourg withholding tax.

Reduction of Luxembourg Withholding Tax

Residents of countries that have concluded a treaty for the avoidance of double taxation with Luxembourg may claim application of a reduced rate on or exemption from Luxembourg dividend withholding tax, depending on the terms of the relevant tax treaty.

Table of Contents

Index to Financial Statements

Tax regime applicable to the distribution of dividends, liquidation proceeds, other profit distributions or equity redemption

Luxembourg Individual Holders

Dividends and other profit distributions are generally taxed at progressive tax rates and subject to dependence insurance contribution levied at 1.4% and crisis contribution of 0.8%. 50% exemption as mentioned below may apply if the conditions are met. Withholding tax levied can in principle be credited against the applicable tax.

Luxembourg Corporate Holders

Dividends, liquidation proceeds, other profit distributions or equity redemption derived by a fully taxable resident Luxembourg corporate holder will, in principle, be subject to corporate income tax and municipal business tax. The combined applicable rate (including a solidarity surcharge) is 28.80% for the fiscal year ending 2011 for a Luxembourg corporate holder established in Luxembourg-City. An exemption from such taxes may be available to the Luxembourg corporate holder pursuant to article 166 of the Luxembourg Income Tax Act as amended provided that, at the time of distribution, (a) the Luxembourg corporate holder's shares form a stake representing at least 10% of the total share capital in Pacific Drilling S.A. or have a cost price of at least €1,200,000 and (b) such qualifying shareholding has been held for an uninterrupted period of at least 12 months or the Luxembourg corporate holder undertakes to continue to own such qualifying shareholding until such time as the Luxembourg corporate holder has held our Common Shares for an uninterrupted period of at least 12 months.

50% Dividend Exemption—Credit of Luxembourg Withholding Tax on Dividends

Luxembourg Holders . Subject to the satisfaction of certain conditions and assuming, in the case of corporate Luxembourg holders, that the participation exemption does not apply, only half of the gross amount of a dividend distributed to a corporate Luxembourg holder or an individual Luxembourg Holder will be subject to Luxembourg corporate income tax or Luxembourg income tax, respectively.

All or part of the withholding tax levied can in principle be credited against the applicable tax.

Net wealth tax

Luxembourg Holders

Luxembourg individual holders are not subject to net wealth tax.

Luxembourg net wealth tax will not be levied on a Luxembourg Holder with respect to the Common Shares held unless (i) Luxembourg Holder is a legal entity not entitled to a specific net wealth tax exemption based on Luxembourg domestic law; or (ii) the Common Shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment, a fixed place of business or a permanent representative in Luxembourg.

Net wealth tax is levied annually at the rate of 0.5% on the net wealth of enterprises resident in Luxembourg, as determined for net wealth tax purposes. The Common Shares may be exempt from net wealth tax subject to the conditions set forth by Paragraph 60 of the Law of October 16, 1934 on the valuation of assets (Bewertungsgesetz), as amended.

Non-Luxembourg Holders

Luxembourg net wealth tax will not be levied on a non-Luxembourg Holder with respect to the Common Shares held based on Paragraph 60 of the Law of October 16, 1934 on the valuation of assets (Bewertungsgesetz), as amended unless the Common Shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment, a fixed place of business or a permanent representative in Luxembourg.

Table of Contents

Index to Financial Statements

Registration tax/Stamp duty

No registration tax or stamp duty will be payable by a holder of Common Shares in Luxembourg solely upon the disposal of Common Shares by sale or exchange.

Estate and gift taxes

No estate or inheritance tax is levied on the transfer of Common Shares upon the death of a holder of Common Shares in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes, and no gift tax is levied upon a gift of Common Shares if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a holder of Common Shares is a resident of Luxembourg for tax purposes at the time of his death, the Common Shares are included in its taxable basis for inheritance tax or estate tax purposes.

THE LUXEMBOURG TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH PACIFIC DRILLING S.A. SHAREHOLDER IS ENCOURAGED TO CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH SHAREHOLDER.

Material U.S. Federal Income Tax Considerations for Holders of Common Shares

The following is a discussion of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of our Common Shares. All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this discussion, unless otherwise noted, are the opinions of Vinson & Elkins L.L.P. and are based on the accuracy of representations made by us. In addition, this discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed Treasury Regulations thereunder, judicial authority and administrative interpretations, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. There can be no assurance that the Internal Revenue Service (“IRS”) will take a similar view of such consequences, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Common Shares. This discussion is limited to beneficial owners that hold our Common Shares as “capital assets” (generally, property held for investment).

This discussion does not address all U.S. federal income tax considerations that may be relevant to a particular holder based on its particular circumstances, and you are encouraged to consult your own independent tax advisor regarding your specific tax situation. For example, the discussion does not address the tax considerations that may be relevant to U.S. Holders in special tax situations, such as:

- dealers in securities or currencies;
- insurance companies;
- regulated investment companies and real estate investment trusts;
- tax-exempt organizations;
- brokers or dealers in securities or currencies and traders in securities that elect to mark to market;
- certain financial institutions;
- partnerships or other pass-through entities and holders of interests therein;
- holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;

Table of Contents

Index to Financial Statements

- individual retirement accounts and other tax deferred accounts;
- holders that acquired our Common Shares in compensatory transactions;
- holders that hold our Common Shares as part of a hedge, straddle or conversion or other integrated transaction; or
- holders that own, directly, indirectly, or constructively, 10% or more of the total combined voting power of the Company.

This discussion does not address the alternative minimum tax consequences of holding Common Shares. Moreover, this discussion does not address the state, local or non-U.S. tax consequences of holding our Common Shares, or any aspect of U.S. federal tax law other than U.S. federal income taxation.

You are a “U.S. Holder” if you are a beneficial owner of our Common Shares and you are, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (a) if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons (as defined in the Code) have the authority to control all of its substantial decisions or (b) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

You are a “Non-U.S. Holder” for purposes of this discussion if you are a beneficial owner of our Common Shares that is an individual, corporation, estate or trust that is not a U.S. Holder.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our Common Shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership considering the purchase of our Common Shares is encouraged to consult its own independent tax advisor.

You are encouraged to consult your own independent tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of purchasing, owning and disposing of our Common Shares in your particular circumstances.

U.S. Holders

Passive Foreign Investment Company Rules

A U.S. Holder generally will be subject to a special, adverse tax regime that would differ in certain respects from the tax treatment described below if we are, at any time during the U.S. Holder’s holding period with respect to our Common Shares, a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes.

In general, we will be a PFIC for any taxable year if either (i) at least 75% of our gross income for the taxable year is “passive income” or (ii) at least 50% of the average value of all our assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, certain rents and royalties, annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its

Table of Contents

Index to Financial Statements

proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income. Based on our operations described herein, all or a substantial portion of our income from offshore contract drilling services should be treated as services income and not as passive income, and thus all or a substantial portion of the assets that we own and operate in connection with the production of that income should not constitute passive assets, for purposes of determining whether we are a PFIC. However, this involves a facts and circumstances analysis and it is possible that the IRS would not agree with this conclusion.

We believe that we will not be a PFIC in the current taxable year and that we will not become a PFIC in any future taxable year. The determination of whether a corporation is a PFIC is made annually and thus may be subject to change. Therefore, we can give you no assurance as to our PFIC status. U.S. Holders are encouraged to consult their own independent tax advisors about the PFIC rules, including the availability of certain elections. The remainder of this discussion assumes that we will not be a PFIC for the current taxable year or for any future taxable year.

Taxation of Dividends

Any distributions made with respect to our Common Shares (including amounts withheld on account of foreign taxes) will, to the extent made from current or accumulated earnings and profits as determined under U.S. federal income tax principles, constitute dividends for U.S. federal income tax purposes. To the extent that any distribution exceeds the amount of our current and accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in the Common Shares, and thereafter as capital gain. Such dividends generally would be treated as foreign-source income for U.S. foreign tax credit purposes.

Dividends (including amounts withheld on account of foreign taxes) paid with respect to our Common Shares generally will be includible in the gross income of a U.S. Holder as ordinary income on the day on which the dividends are received by the U.S. Holder. A non-corporate U.S. Holder would be entitled to the maximum 15% capital gain rate (which is scheduled to increase for taxable years beginning after December 31, 2012) with respect to any dividends paid on our Common Shares only if we are a "qualified foreign corporation." We will be treated as a qualified foreign corporation if the Common Shares are readily tradable on an established securities market or if we are eligible for the benefits of a comprehensive income tax treaty with the United States. As our Common Shares will be traded on an established securities market we will be a qualified foreign corporation and therefore non-corporate U.S. Holders will be eligible for the preferential tax rate if the holders meet certain holding period and other requirements. This preferential tax rate will not apply to amounts that the U.S. Holder takes into account as "investment income," which may be offset by investment expense. Dividends on our Common Shares will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign taxes, a Luxembourg withholding tax imposed on dividends described above under "**Material Luxembourg Tax Considerations for Holders of Common Shares—Tax regime applicable to distributions—Luxembourg Withholding Tax**" generally would be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or at a U.S. Holder's election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes for the taxable year). The rules with respect to foreign tax credits are complex and U.S. Holders are encouraged to consult their independent tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of Capital Gains

Gain or loss realized by a U.S. Holder on the sale, exchange or other taxable disposition of Common Shares will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized (including the gross amount of the proceeds before the deduction of any foreign tax)

Table of Contents

Index to Financial Statements

on the sale, exchange or other taxable disposition and such U.S. Holder's adjusted tax basis in the Common Shares. The capital gains of a U.S. Holder that is an individual, estate or trust currently would be subject to a reduced rate of U.S. federal income tax if the holder's holding period for the Common Shares exceeded one year as of the time of the disposition. The deductibility of capital losses is subject to certain limitations. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of a Common Share generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, in the case of a disposition of a share that is subject to Luxembourg or other foreign income tax imposed on the gain, the U.S. Holder may not be able to benefit from the foreign tax credit for that foreign income tax (i.e., because gain on the disposition would be U.S. source). Alternatively, the U.S. Holder may take a deduction for the foreign income tax if such holder does not take a credit for any foreign income tax during the taxable year.

Recently Enacted Reporting Requirements

Recently enacted legislation requires certain U.S. Holders to report to the IRS information with respect to their investment in certain "foreign financial assets," including our Common Shares, not held through a custodial account with a U.S. financial institution. Investors who fail to report this required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in our Common Shares.

Recently Enacted Legislation

For taxable years beginning after December 31, 2012, newly-enacted legislation is scheduled to impose a 3.8% tax on the "net investment income" of certain United States citizens and resident aliens and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" generally includes dividends and certain net gain from the disposition of property, less certain deductions.

Prospective holders are encouraged to consult their independent tax advisors with respect to the tax consequences of the new legislation described above.

Non-U.S. Holders

Dividends

A Non-U.S. Holder generally will not be subject to U.S. federal income tax on dividends received on our Common Shares, unless the dividends are effectively connected with the Holder's conduct of a trade or business in the United States and, if required by an applicable income tax treaty, the dividends are attributable to a permanent establishment maintained by the Holder in the United States or unless the holder is subject to backup withholding, as discussed below. Except to the extent otherwise provided under an applicable income tax treaty, a Non-U.S. Holder generally will be taxed in the same manner as a U.S. Holder on dividends that are effectively connected with the Holder's conduct of a trade or business in the United States. Effectively connected dividends received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments.

Taxation of Capital Gains

In general, a Non-U.S. Holder of Common Shares will not be subject to U.S. federal income or withholding tax with respect to any gain recognized on a sale, exchange or other taxable disposition of such Common Shares unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and if required by an applicable income tax treaty, is also attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States), in which case, the Non-U.S. Holder will generally be subject to regular graduated rates in the same manner as a U.S. Holder, and if

Table of Contents

Index to Financial Statements

- the Non-U.S. Holder is a corporation, may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments;
- the Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of the sale, exchange or other taxable disposition and meets certain other requirements, in which case the gain generally will be subject to a flat 30% tax that may be offset by U.S. source capital losses (even though the Non-U.S. Holder is not considered a resident of the United States); or
- the Non-U.S. Holder is subject to backup withholding, as discussed below.

Backup Withholding and Information Reporting

In general, dividends on Common Shares, and the proceeds of a sale, exchange or other disposition of Common Shares for cash, paid within the United States or through certain U.S. related financial intermediaries to a U.S. Holder or a Non-U.S. Holder are subject to information reporting to the IRS and may be subject to backup withholding unless the holder is an exempt recipient, is an exempt foreign person or, in the case of backup withholding, provides an accurate taxpayer identification number and certifies under penalty of perjury that the holder is a United States person and is not subject to backup withholding.

Backup withholding is not an additional tax. Generally, a holder may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by timely filing a refund claim with the IRS. The amount of any backup withholding withheld from a payment to a holder will be allowed as a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Holders are encouraged to consult their independent tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of exemptions and the procedures for obtaining exemptions.

You are encouraged to consult with your own independent tax advisor regarding the application of the United States federal income tax laws to your particular circumstances, as well as any additional tax consequences resulting from an investment in our common shares, including the applicability and effect of the tax laws of any state, local or non-U.S. jurisdiction, including estate, gift, and inheritance tax laws.

[Table of Contents](#)

[Index to Financial Statements](#)

UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC is acting as representative, have severally agreed to purchase, and we have agreed to sell, the number of common shares indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. LLC	
Deutsche Bank Securities Inc.	
DnB NOR Markets, Inc.	
Howard Weil Incorporated	
Pareto Securities AS	
Simmons & Company International	
Total	<u>6,000,000</u>

The underwriters and the representative are collectively referred to as the “underwriters” and the “representative,” respectively. The underwriters are offering the common shares subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the common shares offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the common shares offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ option to purchase additional shares described below.

The underwriters initially propose to offer part of the common shares directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ _____ a share under the public offering price. After the initial offering of the common shares, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 900,000 additional common shares at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the common shares offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of additional common shares as the number listed next to the underwriter’s name in the table above bears to the total number of common shares offered by this prospectus.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds to us before expenses. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase up to an additional 900,000 common shares.

	<u>Per Share</u>	<u>Total No Exercise</u>	<u>Total Full Exercise</u>
Public offering price			
Underwriting discounts and commissions			
Proceeds, before expenses, to us			

We will pay to Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. an aggregate structuring fee equal to 1.00% of the gross proceeds from this offering, or \$ _____ (\$ _____ if the underwriters exercise the

Table of Contents

Index to Financial Statements

over-allotment option in full) for the structuring services provided by Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. to us in connection with the offering.

We estimate that our aggregate expenses for this offering, excluding underwriters' discounts, commissions and structuring fees will be approximately \$2,250,000.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of common shares offered by them.

We have been approved to list our common shares on the NYSE under the symbol "PACD," subject to official notice of issuance. Our common shares are currently traded on the Norwegian OTC List, an over the counter market that is administered and operated by a subsidiary of the Norwegian Securities Dealers Association, under the symbol "PDSA."

We and certain of our affiliates, including our directors and executive officers, have agreed that, without the prior written consent of the representative on behalf of the underwriters, we and they will not, during the period ending 90 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common shares or any securities convertible into or exercisable or exchangeable for common shares;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common shares, whether any transaction described above is to be settled by delivery of common shares or such other securities, in cash or otherwise; or
- file any registration statement with the Securities and Exchange Commission relating to the offering of any common shares or any securities convertible into or exercisable or exchangeable for common shares.

The restrictions described in this paragraph do not apply to, among other things:

- the sale of common shares to the underwriters;
- the issuance by us of common shares upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing; or
- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of common shares, provided that such plan does not provide for the transfer of common shares during the 90-day restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required or voluntarily made.

The 90-day restricted period described in the preceding paragraph will be automatically extended if:

- during the last 17 days of the 90-day restricted period we issue a release concerning earnings or announce material news or a material event relating to us occurs; or
- prior to the expiration of the 90-day restricted period, we announce that we will issue a release announcing earnings during the 16-day period following the last day of the 90-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the release or the announcement of the material news or material event.

Table of Contents

Index to Financial Statements

In order to facilitate the offering of the common shares, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common shares. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common shares for their own account. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of the shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares in the open market to stabilize the price of the common shares. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common shares in the offering, if the syndicate repurchases previously distributed common shares in transactions to cover syndicate short positions, in stabilization transactions or otherwise. These activities may raise or maintain the market price of the shares above independent market levels or prevent or retard a decline in the market price of the shares. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which activities may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have from time to time provided, and in the future may provide, certain investment banking and financial advisory services to us and our affiliates, for which they have received, and in the future would receive, customary fees. In connection with the 2011 Private Placement, DnB NOR Markets, Inc. acted as joint lead manager and joint bookrunner, Pareto Securities AS acted as global coordinator and Morgan Stanley & Co. LLC served as our financial advisor. An affiliate of DnB NOR Markets, Inc. is also a lender under the Project Facilities Agreement. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our equity securities or loans, and may do so in the future. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of common shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Pricing of the Offering

Prior to this offering, there has been no public market in the United States for our common shares. The initial public offering price will be determined by negotiations between us and the representatives. Among the

Table of Contents

Index to Financial Statements

factors to be considered in determining the initial public offering price will be the future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours. The estimated initial public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this prospectus may not be made to the public in that relevant member state other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares of our common shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of our common shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common shares to be offered so as to enable an investor to decide to purchase any shares of our common shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

We have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of us or the underwriters.

United Kingdom

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares of our common shares in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common shares in, from or otherwise involving the United Kingdom.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a public limited liability company incorporated under the laws of Luxembourg, and as a result, it may be difficult for investors to effect service of process within the United States upon us or to enforce both in the United States and outside the United States judgments against us obtained in U.S. courts in any action, including actions predicated upon the civil liability provisions of the federal securities laws of the United States. In addition, a majority of our directors are residents of jurisdictions other than the United States, and all or a substantial portion of the assets of those persons are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States on certain of our directors or to enforce against them judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

There is uncertainty as to whether the courts of Luxembourg would (i) enforce judgments of U.S. courts obtained against us predicated upon the civil liability provisions of the federal securities laws of the United States or (ii) entertain original actions brought in Luxembourg courts against us predicated upon the federal securities laws of the United States.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable in the United States;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under applicable U.S. federal or state jurisdictions rules, and that jurisdiction is recognized by Luxembourg private international and local law;
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts;
- the principles of natural justice have been complied with;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg or has been given in proceedings of a criminal nature;
- the U.S. court has acted in accordance with its own procedural laws; and
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense.

In practice, Luxembourg courts now tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

[Table of Contents](#)

[Index to Financial Statements](#)

EXPENSES RELATED TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts, commissions and structuring fees, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the NYSE listing fee, all amounts are estimates.

SEC Registration Fee	\$ 7,950
NYSE Listing Fee	250,000
FINRA Filing Fee	7,400
Printing Expenses	48,500
Legal Fees and Expenses	1,250,000
Accounting Fees and Expenses	575,000
Transfer Agent Fees and Expenses	3,500
Miscellaneous	107,650
Total	<u>\$2,250,000</u>

[Table of Contents](#)

[Index to Financial Statements](#)

LEGAL MATTERS

The validity of the common shares offered by this prospectus, the matter of enforcement of judgments in Luxembourg and Luxembourg tax considerations will be passed upon for us by Loyens & Loeff, Advocats à la Cour. United States legal matters related to this offering and certain matters relating to U.S. federal income taxation will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. Baker Botts L.L.P., Houston, Texas will pass upon certain legal matters in connection with the offering on behalf of the underwriters.

EXPERTS

The consolidated financial statements of Pacific Drilling S.A. and Subsidiaries as of December 31, 2010 and 2009, and for each of the years in the three-year period ended December 31, 2010 and the parent company only balance sheet of Pacific Drilling S.A. as of March 11, 2011, have been included herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, and Ernst & Young LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firms as experts in accounting and auditing.

The consolidated financial statements of Transocean Pacific Drilling Inc. at December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, appearing in this Prospectus and Registration Statement of Pacific Drilling S.A., have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act of 1933 and the rules and regulations promulgated thereunder with respect to the common shares offered hereby. For the purposes of this section, the term “registration statement” means the original registration statement and any and all amendments thereto including the schedules and exhibits to the original registration statement or any amendment. This prospectus does not contain all of the information set forth in the registration statement we have filed with the SEC. For further information regarding us and the common shares offered by this prospectus, you should review the full registration statement, including the exhibits attached thereto. The registration statement, including its exhibits and schedules, may be inspected and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

Immediately upon completion of this offering, we will become subject to periodic reporting and other informational requirements of the Exchange Act applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders and from Section 16 short-swing profit reporting for our officers and directors and for holders of more than 10% of our common shares.

Table of Contents

Index to Financial Statements

INDEX TO FINANCIAL STATEMENTS

Pacific Drilling S.A.

<i>Unaudited Condensed Consolidated Financial Statements—June 30, 2011 and 2010:</i>		<i>Consolidated Statements of Cash Flows</i>	F-30
<i>Unaudited Condensed Consolidated Balance Sheets</i>	F-2	<i>Notes to Consolidated Financial Statements</i>	F-31
<i>Unaudited Condensed Consolidated Statements of Operations</i>	F-3	<i>Unaudited Pro Forma Condensed Consolidated Financial Statements:</i>	
<i>Unaudited Condensed Consolidated Statements of Comprehensive Income (loss)</i>	F-4	<i>Introduction</i>	F-52
<i>Unaudited Condensed Consolidated Statements of Shareholders' Equity</i>	F-5	<i>Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2010</i>	F-53
<i>Unaudited Condensed Consolidated Statements of Cash Flows</i>	F-6	<i>Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2011</i>	F-54
<i>Notes to Unaudited Condensed Consolidated Financial Statements</i>	F-7	<i>Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements</i>	F-55
<i>Parent Company Only Financial Statements—March 11, 2011:</i>		<i>Transocean Pacific Drilling Inc.</i>	
<i>Report of Independent Registered Public Accounting Firm</i>	F-22	<i>Consolidated Financial Statements—December 31, 2010, 2009 and 2008 :</i>	
<i>Balance Sheet</i>	F-23	<i>Report of Independent Registered Public Accounting Firm</i>	F-56
<i>Notes to Financial Statement</i>	F-24	<i>Consolidated Statements of Operations</i>	F-57
<i>Consolidated Financial Statements—December 31, 2010, 2009 and 2008:</i>		<i>Consolidated Statements of Comprehensive Income (Loss)</i>	F-58
<i>Report of Independent Registered Public Accounting Firm</i>	F-25	<i>Consolidated Balance Sheets</i>	F-59
<i>Consolidated Balance Sheets</i>	F-26	<i>Consolidated Statements of Shareholders' Equity (Deficit)</i>	F-60
<i>Consolidated Statements of Operations</i>	F-27	<i>Consolidated Statements of Cash Flows</i>	F-61
<i>Consolidated Statements of Comprehensive Income</i>	F-28	<i>Notes to Consolidated Financial Statements</i>	F-62
<i>Consolidated Statements of Shareholder's Equity</i>	F-29		

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except par value and share amounts)

	June 30, 2011 <u>(unaudited)</u>	December 31, 2010 <u></u>
Assets:		
Cash and cash equivalents	\$ 181,533	\$ 40,307
Restricted cash	25,486	6,987
Accounts receivable—other	21,052	17,527
Accrued interest on promissory notes from Joint Venture	—	5,487
Materials and supplies	26,601	7,955
Deferred financing costs	13,200	12,056
Deferred taxes	764	764
Prepaid expenses and other current assets	15,315	3,114
Total current assets	<u>283,951</u>	<u>94,197</u>
Property and equipment, net	2,886,021	1,893,425
Investment in Joint Venture	—	46,832
Notes receivable from Joint Venture	—	139,882
Restricted cash	88,469	54,695
Deferred financing costs	41,491	42,891
Other assets	25,456	27
Total assets	<u>\$3,325,388</u>	<u>\$2,271,949</u>
Liabilities and shareholders' equity:		
Accounts payable	\$ 17,301	\$ 6,772
Accrued expenses	10,843	9,424
Current portion of long-term debt	50,000	50,000
Accrued interest payable	6,770	12,510
Derivative liabilities, current	21,068	—
Current portion of deferred revenue	14,851	1,009
Total current liabilities	<u>120,833</u>	<u>79,715</u>
Long-term debt, net of current maturities	881,000	400,000
Deferred taxes	—	420
Deferred revenue	57,333	11,946
Other long-term liabilities	9,967	4,661
Total long-term liabilities	<u>948,300</u>	<u>417,027</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares, \$0.01 and \$0.001 par value, 5,000,000,000 and 2,000,000 shares authorized, 210,000,000 and 1,920,761 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	2,100	2
Additional paid-in capital	2,292,099	1,697,608
Accumulated other comprehensive loss	(25,396)	(13,458)
(Accumulated deficit) retained earnings	(12,548)	91,055
Total shareholders' equity	<u>2,256,255</u>	<u>1,775,207</u>
Total liabilities and shareholders' equity	<u>\$3,325,388</u>	<u>\$2,271,949</u>

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except share and per share information) (unaudited)

	<u>Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
General and administrative expenses	\$ (23,812)	\$ (7,822)
Depreciation expense	(316)	(173)
Operating loss	(24,128)	(7,995)
Equity in earnings of Joint Venture	18,955	23,325
Interest income from Joint Venture	495	961
Interest expense	(305)	(214)
Other income (expense)	1,162	(128)
(Loss) income before income taxes	(3,821)	15,949
Income tax benefit	408	20
Net (loss) income	\$ (3,413)	\$ 15,969
(Loss) earnings per common share, basic and diluted (Note 7)	\$ (0.02)	\$ 0.11
Weighted average number of common shares, basic and diluted (Note 7)	178,839,779	150,000,000

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands) (unaudited)

	<u>Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Net (loss) income	\$ (3,413)	\$ 15,969
Other comprehensive income (loss):		
Unrecognized gain (loss) of Joint Venture derivative instruments	720	(23,350)
Recognized gain of Joint Venture derivative instruments	2,996	6,102
	<u>3,716</u>	<u>(17,248)</u>
Unrecognized loss on derivative instruments	(25,396)	—
Total other comprehensive loss	<u>(21,680)</u>	<u>(17,248)</u>
Total comprehensive loss	<u>\$ (25,093)</u>	<u>\$ (1,279)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(in thousands, except share amounts) (unaudited)

	Common shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total equity
	Shares	Amount				
Balance at December 31, 2010	1,920,761	\$ 2	\$ 1,697,608	\$ (13,458)	\$ 91,055	\$1,775,207
Restructuring share issuance, net	148,079,239	1,498	(1,498)	—	—	—
Issuance of common shares, net	60,000,000	600	574,885	—	—	575,485
Contribution from shareholder	—	—	142,759	—	—	142,759
Other comprehensive loss from Joint Venture	—	—	—	3,716	—	3,716
Net income prior to Joint Venture interest assignment	—	—	—	—	9,135	9,135
Joint Venture interests assigned to shareholder	—	—	(124,920)	9,742	(100,190)	(215,368)
Share-based compensation liability modification	—	—	2,290	—	—	2,290
Share-based compensation	—	—	975	—	—	975
Other comprehensive loss	—	—	—	(25,396)	—	(25,396)
Net loss subsequent to Joint Venture interest assignment	—	—	—	—	(12,548)	(12,548)
Balance at June 30, 2011	<u>210,000,000</u>	<u>\$2,100</u>	<u>\$ 2,292,099</u>	<u>\$ (25,396)</u>	<u>\$ (12,548)</u>	<u>\$2,256,255</u>

See accompanying notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands) (unaudited)

	<u>Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash flow from operating activities:		
Net (loss) income	\$ (3,413)	\$ 15,969
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Interest income from Joint Venture	(495)	(961)
Depreciation expense	316	173
Equity in earnings of Joint Venture	(18,955)	(23,325)
Deferred income taxes	(668)	(148)
Share-based compensation expense	2,606	410
Changes in operating assets and liabilities:		
Accounts receivable – other	(3,525)	—
Materials and supplies	(18,646)	(44)
Prepaid expenses and other assets	(34,086)	(411)
Accounts payable and accrued expenses	8,734	49
Deferred revenue	59,229	—
Net cash used in operating activities	<u>(8,903)</u>	<u>(8,288)</u>
Cash flow from investing activities:		
Capital expenditures	(989,485)	(225,951)
Restricted cash deposits	(52,273)	(52)
Net cash used in investing activities	<u>(1,041,758)</u>	<u>(226,003)</u>
Cash flow from financing activities:		
Proceeds from issuance of common shares, net	575,485	—
Proceeds from long-term debt	506,000	—
Payments on long-term debt	(25,000)	—
Deferred financing costs	(6,803)	—
Proceeds from related-party loan	142,205	235,312
Net cash provided by financing activities	<u>1,191,887</u>	<u>235,312</u>
Increase in cash and cash equivalents	141,226	1,021
Cash and cash equivalents, beginning of period	40,307	7,425
Cash and cash equivalents, end of period	<u>\$ 181,533</u>	<u>\$ 8,446</u>

See accompanying notes to unaudited condensed consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1—Nature of business

Pacific Drilling S.A. and its subsidiaries (“Pacific Drilling,” the “Company,” “we,” “us” or “our”) is an international offshore drilling company committed to becoming a preferred provider of ultra-deepwater drilling services to the oil and natural gas industry through the use of high-specification drillships. Our primary business is to contract our ultra-deepwater drilling rigs, related equipment and work crews, primarily on a dayrate basis, to drill wells for our customers.

Pacific Drilling S.A. was formed as a Luxembourg corporation under the form of a *société anonyme* to act as an indirect holding company for its predecessor, Pacific Drilling Limited (our “Predecessor”), a company organized under the laws of Liberia, and its subsidiaries in connection with a corporate reorganization completed on March 30, 2011, referred to as the “Restructuring.” In connection with the Restructuring, our Predecessor was contributed to a wholly owned subsidiary of the Company by a subsidiary of Quantum Pacific International Limited, a British Virgin Islands company and parent company of an investment holdings group (the “Quantum Pacific Group”). The Company did not engage in any business or other activities prior to the Restructuring except in connection with its formation and the Restructuring. The Restructuring was limited to entities that were all under the control of the Quantum Pacific Group and its affiliates, and, as such, the Restructuring was accounted for as a transaction between entities under common control.

In 2007, our Predecessor entered into various agreements with Transocean Ltd. (“Transocean”) and its subsidiaries, which culminated in the formation of a joint venture company, Transocean Pacific Drilling Inc. (“TPDI”), which was owned 50% by our Predecessor and 50% by a subsidiary of Transocean. On March 30, 2011, in connection with the Restructuring, our Predecessor assigned its equity interest in TPDI to another subsidiary of the Quantum Pacific Group, which is referred to as the “TPDI Transfer,” to enable the Company to focus on the operation and marketing of the Company’s wholly-owned fleet. As a result, neither the Company nor any of its subsidiaries currently owns any interest in TPDI.

Note 2—Significant accounting policies

Basis of presentation —Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and Article 10 of Regulation S-X of the Securities and Exchange Commission. Pursuant to such rules and regulations, these financial statements do not include all disclosures required by GAAP for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified. Operating results for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or for any future period. The accompanying condensed consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes of the Company for the year ended December 31, 2010 and the parent company only balance sheet and notes of Pacific Drilling S.A. as of March 11, 2011.

The Restructuring is a business combination of entities under common control. As such, the consolidated financial statements of Pacific Drilling S.A. at June 30, 2011 are presented using the historical values of the Predecessor’s financial statements on a combined basis. The financial statements for the six months ended June 30, 2011 and 2010 present the results of the Company and its subsidiaries as if Pacific Drilling S.A. was formed and the Restructuring was completed on January 1, 2010.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

Principles of consolidation —The consolidated financial statements include the accounts of Pacific Drilling S.A. and consolidated subsidiaries that we control by ownership of a majority voting interest. We apply the equity method of accounting for investments in entities when we have the ability to exercise significant influence over an entity that does not meet the variable interest entity criteria or meets the variable interest entity criteria, but for which we are not deemed to be the primary beneficiary. We eliminate all intercompany transactions and balances in consolidation.

We currently are party to a Nigerian joint venture, Pacific International Drilling West Africa Limited (“PIDWAL”), which is fully controlled and 90% owned by us with 10% owned by Derotech Offshore Services Limited (“Derotech”), a privately-held Nigerian registered limited liability company. Derotech will not accrue the economic benefits of its interest in PIDWAL unless and until it satisfies certain outstanding obligations to us and a certain pledge is cancelled by us. Accordingly, we consolidate all PIDWAL interests and no portion of PIDWAL’s operating results is allocated to the noncontrolling interests.

Derivatives —We apply cash flow hedge accounting to interest rate swaps that are designated as hedges of the variability of future cash flows. The derivative financial instruments are recorded in our consolidated balance sheet at fair value as either assets or liabilities. Changes in the fair value of derivatives designated as cash flow hedges, to the extent the hedge is effective, are recognized in accumulated other comprehensive income until the hedged item is recognized in earnings.

Hedge effectiveness is measured on an ongoing basis to ensure the validity of the hedges based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings. Hedge accounting is discontinued prospectively if it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item.

For interest rate hedges related to interest not incurred to construct fixed assets, other comprehensive income is released to earnings as interest expense is accrued on the underlying debt. For interest rate hedges related to interest capitalized in the construction of fixed assets, other comprehensive income is released to earnings as the asset is depreciated over its useful life.

Subsequent events —We have evaluated subsequent events through the date the financial statements were issued. See Note 14.

Recently issued accounting standards

Fair value measurements and disclosures —In May 2011, the FASB issued an accounting standards update that changes the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments included in this update are intended to clarify the application of existing fair value measurement requirements.

This update is effective for annual periods beginning after December 15, 2011. We do not expect that our adoption will have a material effect on the disclosures contained in our notes to consolidated financial statements.

Other comprehensive income —In June 2011, the FASB issued an accounting standards update that eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present items of net income and other comprehensive income in one

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

continuous statement or in two separate consecutive statements. Each component of net income and each component of other comprehensive income together with totals are required to be displayed under either alternative.

This update is effective for public entities as of the beginning of a fiscal year that begins after December 15, 2011. As we present a separate statement of comprehensive income, this standard will not have an impact on our consolidated financial statement presentation.

Note 3—Property and equipment

Property and equipment consists of the following as of:

	June 30, 2011	December 31, 2010
	(In thousands)	
Drillships and related equipment	\$2,882,432	\$1,890,448
Other property and equipment	4,434	3,506
Property and equipment, cost	2,886,866	1,893,954
Accumulated depreciation	(845)	(529)
Property and equipment net	<u>\$2,866,021</u>	<u>\$1,893,425</u>

As of June 30, 2011, total remaining commitments under the construction contract for the *Pacific Santa Ana* is \$282 million, which is expected to be paid in 2011. On March 15, 2011, the Company entered into contracts with Samsung Heavy Industries (“SHI”) for the construction of its fifth and sixth advanced-capability, ultra-deepwater drillships, the *Pacific Khamsin* and the *Pacific Sharav*, which are expected to be delivered in the second quarter and third quarter of 2013, respectively. The SHI contracts for the *Pacific Khamsin* and the *Pacific Sharav* provide for an aggregate purchase price of approximately \$1.0 billion for the acquisition of these two vessels, payable in installments during the construction process, of which we have made payments of \$50 million through June 30, 2011. We anticipate making payments of approximately \$75 million during the remainder of 2011, approximately \$224 million in 2012 and approximately \$646 million in 2013.

On June 20, 2011, we paid SHI \$2.0 million for an option to construct a seventh ultra-deepwater drillship at the same price and other terms and conditions as the contracts for the *Pacific Khamsin* and the *Pacific Sharav*, subject to a price increase of not more than \$12.5 million and certain adjustments to compensate for foreign exchange rate fluctuations. The option is valid until October 31, 2011. If we elect to exercise this option, the \$2.0 million we paid to SHI for the option will be applied towards the contract price of the seventh vessel.

During the six months ended June 30, 2011 and 2010, the Company deferred certain drillship payments under amendments of the original construction contracts. Per the amendments, interest accrues at a rate of six percent per annum. During the six months ended June 30, 2011 and 2010, we capitalized interest costs of \$36.4 million and \$37.2 million, respectively on assets under construction related to interest incurred on the deferred construction payments, the related-party loan and long-term debt.

Note 4—Investment in and loans to Joint Venture

The Company owned a 50% interest in TPDI that is recorded in our consolidated financial statements through the date of assignment to a subsidiary of the Quantum Pacific Group on March 30, 2011. The Joint Venture was formed with Transocean Offshore International Ventures Limited (“TOIVL”) to construct, own, and

Table of Contents

Index to Financial Statements

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

operate or charter two deepwater drillships, named the *Dhirubai Deepwater KG1* (“KG1”) and *Dhirubai Deepwater KG2* (“KG2”). Until the formation of the Joint Venture, both drillships under construction were owned by the Company. *KG1* started operating in July 2009 and *KG2* started operating in March 2010.

We determined that the Joint Venture meets the criteria of a VIE as TPDI’s equity investment at risk was not sufficient for the entity to finance its activities without additional subordinated financial support. We also determined that Transocean was the primary beneficiary for accounting purposes since Transocean a) had the power to direct the marketing and operating activities, which were the activities that most significantly impact TPDI’s economic performance and b) had the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. As a result, we accounted for TPDI as an equity method investment in our consolidated financial statements.

The Joint Venture Shareholders entered into promissory note agreements with TPDI to fund the Joint Venture. The promissory notes accrued interest at LIBOR plus 2% per annum with semi-annual interest payments.

The Joint Venture entered into interest rate swaps, which are designated as cash flow hedges of the future interest payments on variable rate borrowings under its bank credit facilities to reduce the variability of cash interest payments. The Company recorded its 50% share on these interest rate swaps in its consolidated financial statements.

In April 2010, Transocean Inc. (“Transocean”) and the Company entered into a letter of credit fee agreement whereby Transocean agreed to provide a letter of credit as needed for purposes of TPDI’s compliance with terms under its bank credit facility. In return, the Company agreed to pay Transocean its 50% share of a 4.2% per annum fee on the required letter of credit amount. During the six months ended June 30, 2011 and 2010, the Company incurred \$0.3 million and \$0.2 million, respectively, of fees related to this agreement that is recorded as interest expense in our consolidated statement of operations.

On March 30, 2011, the Company assigned its interests in TPDI’s equity, promissory notes to Joint Venture and accrued interest on promissory notes from Joint Venture to a subsidiary of The Quantum Pacific Group. The TPDI interests have been assigned on March 31, 2011, which date was used for convenience after our conclusion that there were no material intervening transactions between March 30, 2011 and March 31, 2011. The assignment was recorded and presented as a dividend in-kind within our consolidated financial statements.

Summarized TPDI consolidated balance sheets are as follows:

	March 31, 2011	December 31, 2010
	(In thousands)	
Balance sheet:		
Current assets	\$ 193,479	\$ 203,957
Property and equipment, net	1,421,215	1,430,961
Other assets	8,957	11,064
Total assets	<u>\$1,623,651</u>	<u>\$1,645,982</u>
Current liabilities	\$ 275,022	\$ 282,969
Long-term liabilities	1,216,010	1,274,523
Shareholders’ equity	132,619	88,490
Total liabilities and shareholders’ equity	<u>\$1,623,651</u>	<u>\$1,645,982</u>

Table of Contents

Index to Financial Statements

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

Summarized TPDI consolidated results of operations are as follows:

	For the three months ended March 31, 2011	For the six months ended June 30, 2010
	(In thousands)	
Income statement:		
Operating revenues	\$ 90,414	\$ 134,421
Operating expenses	35,492	59,599
Operating income	54,922	74,822
Interest expense, net	13,958	23,980
Other expense	99	81
Income before income taxes	40,865	50,761
Income tax expense	4,166	5,931
Net income	<u>\$ 36,699</u>	<u>\$ 44,830</u>

Note 5—Debt

A summary of debt is as follows:

	June 30, 2011	December 31, 2010
	(In thousands)	
Bora Term Loan, due within one year	\$ 50,000	\$ 50,000
Bora Term Loan, long-term debt	\$375,000	\$ 400,000
Mistral Term Loan, long-term debt	200,000	—
Scirocco Term Loan, long-term debt	200,000	—
Santa Ana Term Loan, long-term debt	106,000	—
Total long-term debt	881,000	400,000
Total debt	<u>\$931,000</u>	<u>\$ 450,000</u>

In September 2010, Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd., and Pacific Santa Ana Ltd. (collectively, the “Borrowers”), and Pacific Drilling Limited (as the “Guarantor”) (collectively, the “Borrowing Group”) entered into a project facilities agreement with a group of lenders to finance the construction, operation and other costs associated with the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco* and the *Pacific Santa Ana* (the “Original Project Facilities Agreement”). On March 31, 2011, in connection with the Restructuring, the Borrowing Group amended and restated the Original Project Facilities Agreement by entering into the Amended and Restated Project Facilities Agreement (the “Project Facilities Agreement” or “PFA”) and a Charter Waiver Request Letter (“Waiver Letter”).

The Project Facilities Agreement includes a Bora term loan, a Mistral term loan, a Scirocco term loan and a Santa Ana term loan (each, a “Term Loan” and, collectively, the “Term Loans”) with maximum aggregate amounts available of \$450 million, \$500 million, \$500 million and \$500 million, respectively, that collectively may not exceed \$1.8 billion. Each Term Loan consists of three tranches: one provided by a syndicate of nine commercial banks (the “Commercial Tranche”), one provided by Eksportfinans (and guaranteed by the Norwegian Guarantee Institute for Export Credits) (the “GIEK Tranche”) and one provided by The Export-Import Bank of Korea (the “KEXIM Tranche”), with maximum aggregate amounts available of \$1.0 billion, \$350 million and \$450 million, respectively.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

Borrowings under each Term Loan are conditioned upon the lenders' approval of a drilling contract in respect of the applicable drillship. As of June 30, 2011, the lenders have approved borrowings of \$450 million for each of the Bora and Santa Ana Term Loans based on a signed drilling contract for each of the two vessels. Based on the terms of the Waiver Letter, in the situation where no drilling contract existed, the lenders have also approved borrowings of \$200 million for each of the Scirocco and Mistral bridge loans. The PFA allows that, upon either the Pacific Scirocco Ltd. or Pacific Mistral Ltd. entering into a drilling contract with a minimum duration of 12 months, all additional available amounts under the applicable Term Loan may be borrowed.

Borrowings under the Term Loans bear interest at the London Interbank Offered Rate ("LIBOR") plus an applicable margin. Prior to the effective date of the first drilling contract in respect of a Drillship, the applicable margin under the relevant Term Loan made available to a Borrower is 4% per annum. Subsequent to the effective date of the first drilling contract in respect of such Borrower's Drillship and until 12 months after delivery of all four Drillships, the applicable margin is 3.5% per annum. Subsequent to 12 months after the delivery of all four Drillships, the applicable margin is based on the Borrowing Group's historical debt service coverage ratio. If the ratio is not greater than 125%, the Applicable Margin is 3.5% per annum. If the ratio is greater than 125%, the applicable margin is 3% per annum.

Borrowings under the two bridge loans for the *Pacific Scirocco* and the *Pacific Mistral* bear interest at LIBOR plus 4.75% per annum and mature on the earlier of (i) the date on which Pacific Mistral Ltd. or Pacific Scirocco Ltd. (as applicable) enter into a drilling contract, (ii) the commencement date of the Pacific Santa Ana drilling contract or (iii) October 31, 2011. In July 2011, the Company entered into a drilling contract for the *Pacific Scirocco*. In August 2011, the Company entered into a drilling contract for the *Pacific Mistral*. As such, we have classified borrowings under the two bridge loans as long-term debt because of our intent and ability to refinance the debt on a long-term basis under our existing Scirocco Term Loan and Mistral Term Loan facilities.

The Project Facilities Agreement requires the Borrowers to pay a quarterly commitment fee until the end of the availability period on the undrawn amounts available under the Project Facilities Agreement. The commitment fee is computed at the rate of 50% of the applicable margin per annum.

The Commercial Tranche under the Term Loan Facility matures on October 31, 2015 and the GIEK Tranche and the KEXIM Tranche each mature on October 31, 2019. The GIEK Tranche and the KEXIM Tranche each contain put options exercisable if GIEK and KEXIM do not receive timely refinancing for the Commercial Tranche or if the Commercial Tranche is not refinanced on terms acceptable to GIEK and KEXIM. If the GIEK and KEXIM Tranche put options are exercised, it would require full prepayment of the relevant GIEK and KEXIM Tranche proportion of all loans outstanding without any premium, penalty or fees of any kind on the maturity date of the Commercial Tranche.

Amortization payments are required every six months and commence six months after the delivery date of each drillship, but only if a drilling contract has been signed by such date. Otherwise, amortization payments commence on the date falling six months after the signing of a drilling contract or as otherwise approved by the lenders. Interest is generally payable every three months. The Commercial Tranche requires a residual debt payment of \$200 million at maturity for each Term Loan. Borrowings under the Commercial Tranche may be prepaid in whole or in part with a 1% penalty on the amount prepaid if such prepayment takes place within one year after the delivery of the fourth Drillship and no penalty thereafter. Borrowings under the GIEK Tranche and the KEXIM Tranche may be prepaid in whole or in part with a 0.5% penalty. Borrowings under the Project Facilities Agreement are subject to acceleration upon the occurrence of events of default.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

In November 2010, Pacific Bora Ltd. borrowed the maximum amount available under the Bora Term Loan of \$450 million. As of June 30, 2011, we have outstanding principal of \$425 million, \$200 million, \$200 million and \$106 million under the Bora Term Loan, the Mistral Term Loan, the Scirocco Term Loan and the Santa Ana Term Loan, respectively. During the six months ended June 30, 2011, the Company incurred and capitalized interest expense of \$26.1 million on the Term Loans and commitment fees on the undrawn amounts available under the PFA.

The Bora Term Loan requires us to make ten amortization payments of \$25.0 million every six months commencing in April 2011, with the residual debt payment of \$200 million due in October 2015.

The indebtedness under the Project Facilities Agreement is guaranteed by the Guarantor. In conjunction with entering the Project Facilities Agreement and in relation to the Guarantor's transfer of its TPDI investment, a subsidiary of the Quantum Pacific Group has guaranteed to the lenders that any proceeds from the exercise of the put option relating to the equity interest in TPDI will be used to prepay or secure the Project Facilities Agreement. The obligations of the Borrowers under the Term Loan Facility are joint and several. The Project Facilities Agreement is secured by several collateral components, which are usual and customary for facilities of this type, size and purpose. The security provided to the lenders is cross-collateralized across all Term Loans and comprises assignments of refund guarantees, shipbuilding contracts and insurances, a first preferred mortgage over each Drillship and other types of collateral.

The Project Facilities Agreement requires compliance with certain affirmative and negative covenants that are customary for such financings. These include, but are not limited to, restrictions on (i) the ability of each of the Borrowers to pay dividends to its shareholder or to sell assets and (ii) the ability of the Borrowing Group to incur additional indebtedness or liens, make investments or transact with affiliates (except for certain specified exceptions). The Borrowers are restricted in their ability to transfer their net assets to the Guarantor whether in the form of dividends, loans or advances. As of June 30, 2011 and December 31, 2010, the Borrowing Group held \$1.5 billion of restricted net assets.

The Guarantor (through the Borrowing Group) is also required to (i) enter into and maintain drilling contracts for each drillship (except as permitted by the Waiver Letter), (ii) maintain cash account balances reserved for debt service payments, (iii) maintain Guarantor liquidity and (iv) maintain contributed equity above certain levels and to meet a required level of collateral maintenance whereby the aggregate appraised collateral value must not be less than a certain percentage of the total outstanding balances and commitments under the Project Facilities Agreement.

The Project Facilities Agreement also requires compliance by the Guarantor with financial covenants including (i) a projected debt service coverage ratio of the Borrowing Group, (ii) a historical debt service coverage ratio of the Borrowing Group, (iii) a maximum leverage ratio of the Guarantor and (iv) minimum liquidity requirements of the Guarantor. The Project Facilities Agreement requires that the Guarantor maintain (i) a projected (looking forward over the following twelve months) debt service coverage ratio of at least 1.1x through June 30, 2012 and 1.2x thereafter; (ii) a historical (looking back over the preceding twelve months) debt service coverage ratio of at least 1.1x through December 31, 2013 and 1.2x thereafter; (iii) a maximum leverage ratio of 65% and (iv) a minimum liquidity of \$50 million after the delivery of all four Drillships. We were in compliance with all covenants as of June 30, 2011.

Within 60 days after the first drawdown under such Term Loan, each Borrower is also required under the Project Facilities Agreement to hedge 75% of outstanding and available balances against floating interest rate exposure.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

The Project Facilities Agreement contains events of default that are usual and customary for a financing of this type, size and purpose.

As of June 30, 2011, maturities of long-term debt are as follows:

<u>Twelve months ending June 30,</u>	<u>(In thousands)</u>
Year ended 2012	\$ 50,000
Year ended 2013	50,000
Year ended 2014	50,000
Year ended 2015	50,000
Year ended 2016	731,000

Note 6—Shareholders' equity

On March 11, 2011, Pacific Drilling S.A. was incorporated under the form of a société anonyme governed by the laws of the Grand Duchy of Luxembourg with a share capital of \$50,000 represented by 50,000 common shares, no par value.

On March 23, 2011, Quantum Pacific Group was assigned all outstanding principal and accrued interest of the related-party loan in the amount of \$142.8 million, which was then converted to equity in the Company by means of it being contributed as additional consideration for the existing shares held by it as sole shareholder of the Company.

On March 30, 2011, the Company assigned its interests in TPDI's equity, promissory notes to Joint Venture and accrued interest on promissory notes from Joint Venture to a subsidiary of the Quantum Pacific Group. The assignment was recorded and presented as a dividend in-kind within our consolidated financial statements.

Additionally, on March 30, 2011, the Board of Pacific Drilling S.A. resolved to split the 50,000 incorporation common shares into 5,000,000 common shares, no par value. The Board also resolved for Quantum Pacific (Gibraltar) Limited to become the indirect sole shareholder of all issued Pacific Drilling Limited common shares in exchange for the issuance of 145,000,000 common shares of Pacific Drilling S.A. Further, on March 30, 2011, the shareholder held a general meeting to approve amending the Company's Articles to authorize the Board of Directors, for a period of five years, to issue up to \$50,000,000 of share capital (inclusive of current share capital of the Company).

On April 5, 2011, Pacific Drilling S.A. completed a private placement of 60,000,000 common shares for net proceeds of approximately \$575.5 million, \$0.01 par value.

As of June 30, 2011, the Company's share capital consisted of 5,000,000,000 shares authorized and 210,000,000 issued and outstanding of which approximately 71% is held by Quantum Pacific (Gibraltar) Limited.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

Note 7—Earnings per share

In computing earnings per common share, the reported share and per share amounts has been retrospectively restated to reflect the Restructuring that occurred on March 30, 2011 for the six month period ended June 30, 2010. The total basic shares outstanding for the six months ended June 30, 2010 is 150,000,000 common shares. The following reflects the income and the share data used in the basic and diluted earnings per share computations:

	For the six months ended June 30, (in thousands, except share data)	
	2011	2010
Net (loss) income	\$ (3,413)	\$ 15,969
Weighted average number of common shares outstanding	178,839,779	150,000,000
Basic and diluted earnings per common share	\$ (0.02)	\$ 0.11

For the six months ended June 30, 2011, the computation of diluted earnings per common share excludes shares of potentially dilutive common shares related to stock options because their effects are anti-dilutive. For the six months ended June 30, 2010, the computation of diluted earnings per common share excludes shares of potentially dilutive common shares related to stock options because the Company anticipated settling those stock options in cash.

Note 8—Share-based compensation

On March 31, 2011, as part of the Restructuring, the Company cancelled its existing stock incentive option plan, the Pacific Drilling Limited 2009 Omnibus Stock Incentive Plan (the “2009 Stock Plan”). Further, the Board approved the creation of the Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan (the “2011 Stock Plan”), which provides for issuance of common stock options, as well as share appreciation rights, restricted shares, restricted share units and other equity based or equity related awards to directors, officers, employees and consultants. The Board also resolved that 7.2 million common shares of Pacific Drilling S.A. be reserved and authorized for issuance pursuant to the terms of the 2011 Stock Plan.

In conjunction with the Restructuring and cancellation of stock option grants under the 2009 Stock Plan, the Company issued 1,471,601 common stock options in Pacific Drilling S.A. as a replacement of the 2010 and 2009 stock options. The replacement awards were recorded as a modification of an existing award. As exercises of replacement awards will be settled in common shares, the \$2.3 million liability for stock options issued under the 2009 Stock Plan on the date of modification was extinguished and the balance reclassified to additional paid-in capital. Additionally, on March 31, 2011, the Company granted 1,329,710 common stock options to certain executives and employees pursuant to the 2011 Stock Plan.

The 2009 replacement option grants vest 50%, 25% and 25% on March 31, 2011, 2012, and 2013, respectively. The 2010 replacement option grants and the 2011 option grants vest 25% annually over four years on March 31, 2011 and March 31, 2012, respectively. The 2009 replacement option grants, 2010 replacement option grants and the 2011 option grants were issued at an exercise price of \$10.00 and have a 10 year contractual term.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model utilizing the assumptions noted in the table below. Expected volatility is based on implied volatilities from the expected volatility of a representative group of our publicly listed industry peer group as the historical volatility of the Company does not provide a reasonable basis for estimating volatility. The expected terms of the

Table of Contents

Index to Financial Statements

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

options is calculated using the simplified method as the historical option exercise experience of the Company does not provide a reasonable basis for estimating expected term. The risk free interest rates are determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the options.

The fair value of the 2011, 2010 and 2009 stock option grants as of March 31, 2011, the date of modification and grant, was calculated using the following assumptions:

	2011 stock options	2010 stock options	2009 stock options
Expected volatility	52%	53%	53%
Expected term (in years)	6.25	6.00	5.75
Expected dividends	—	—	—
Risk-free interest rate	2.65%	2.57%	2.49%

A summary of option activity under the 2011 Stock Plan as of and for the six months ended June 30, 2011 is as follows:

	Options	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Term
Outstanding—January 1, 2011	—	\$ —	
Granted	2,801,311	10	
Exercised	—		
Cancelled	—	—	
Forfeited or expired	—		
Outstanding—June 30, 2011	2,801,311	\$ 10	9.8
Exercisable—June 30, 2011	474,490	\$ 10	9.8

There were no options exercised during the six months ended June 30, 2011 and 2010. As of June 30, 2011, total compensation costs related to nonvested awards not yet recognized is \$11.4 million and is expected to be recognized over 3.75 years.

During the six months ended June 30, 2011 and 2010, compensation expense recognized related to share-based arrangement grants totaled \$2.6 million and \$0.4 million, respectively, and is recorded in general and administrative expenses in our consolidated statements of operations.

Note 9—Derivatives

Pacific Drilling is currently exposed to market risk from changes in interest rates. From time to time, we may enter into a variety of derivative financial instruments in connection with the management of our exposure to fluctuations in interest rates and to meet our debt covenant requirements. We do not enter into derivative transactions for speculative purposes; however, for accounting purposes, certain transactions may not meet the criteria for hedge accounting.

On January 14, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Pacific Bora Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.83% and receives LIBOR. The notional amount hedges 100% of outstanding borrowings under the Pacific Bora Term Loan. The interest rate swap expires October 31, 2015.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

On February 11, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Pacific Santa Ana Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 2.39% and receives LIBOR. The notional amount hedges 100% of outstanding commitments and borrowings under the Pacific Santa Ana Term Loan. The interest rate swap expires October 31, 2015.

On May 6, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Pacific Scirocco Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.87% and receives LIBOR. The notional amount hedges \$375 million of outstanding commitments and borrowings under the Pacific Scirocco Term Loan. The interest rate swap expires October 31, 2015.

On May 31, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Pacific Mistral Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.6% and receives LIBOR. The notional amount hedges \$375 million of outstanding commitments and borrowings under the Pacific Mistral Term Loan. The interest rate swap expires October 31, 2015.

The table below provides data about the fair values of derivatives that are designated as hedge instruments as of June 30, 2011 and December 31, 2010:

<u>Derivatives designated as hedging instruments</u>	<u>Derivative Assets (in thousands)</u>		<u>June 30, 2011</u>	<u>December 31, 2010</u>
	<u>Balance sheet location</u>			
Long-term—Interest rate swaps	Other assets		\$ 3,297	\$ —
	<u>Derivative Liabilities (in thousands)</u>			
<u>Derivatives designated as hedging instruments</u>	<u>Balance sheet location</u>		<u>June 30, 2011</u>	<u>December 31, 2010</u>
Short-term—Interest rate swaps	Derivative liabilities, current		\$ 21,068	\$ —
Long-term—Interest rate swaps	Other long-term liabilities		\$ 5,965	\$ —
Total			\$ 27,033	\$ —

As of June 30, 2011, the Company expects to reclassify a net loss of \$11.6 million into earnings within the next twelve months.

The following table summarizes the cash flow hedge gains and losses and their locations on the consolidated balance sheet as of June 30, 2011 and consolidated statements of operations for the six months ended June 30, 2011 and 2010 (in thousands):

<u>Derivatives in cash flow hedging relationships</u>	<u>Amount of gain (loss) recognized in equity</u>		<u>Amount reclassified from accumulated OCI into income</u>		<u>Amount recognized in income (ineffective portion and amount excluded from effectiveness testing)</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	Interest rate swaps	\$ (25,396)	\$ —	\$ —	\$ —	\$ —

For the six months ended June 30, 2011, there have been no amounts reclassified from accumulated other comprehensive income into income as the hedged item, interest, has not been recognized in earnings as such amounts are capitalized within assets under construction. Additionally, for the six months ended June 30, 2011,

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

there have been no ineffective amounts recognized in income resulting from our hedge effective measurements. The Company did not have derivative hedge instruments in 2010.

There were no undesignated hedging derivative instruments as of June 30, 2011 and December 31, 2010 and for the six months ended June 30, 2011 and 2010.

Note 10—Fair value measurements

We have estimated fair value by using appropriate valuation methodologies and information available to management as of June 30, 2011 and December 31, 2010. Considerable judgment is required in developing these estimates, and accordingly, estimated values may differ from actual results.

The estimated fair value of accounts receivable, accounts payable and accrued expenses approximates their carrying value due to their short-term nature. Additionally, the estimated fair value of current and noncurrent restricted cash approximates its carrying value as it consists of cash and cash equivalent balances. The estimated fair value of our Project Facilities Agreement debt approximates carrying value because the variable rates approximate current market rates.

The following table presents the carrying value and estimated fair value of our financial instruments recognized at fair value on a recurring basis:

	Carrying Value	June 30, 2011		
		Fair value measurements using		
		Level 1	Level 2	Level 3
		(in thousands)		
Assets:				
Interest rate swaps	\$ 3,297	—	3,297	—
Liabilities:				
Interest rate swaps	\$ 27,033	—	27,033	—

We use an income approach to value assets and liabilities for outstanding interest rate swaps. These contracts are valued using a discounted cash flow model that calculates the present value of future cash flows under the terms of the contracts using market information as of the reporting date, such as prevailing interest rates. The determination of the fair values above incorporates various factors, including the impact of the counterparty's non-performance risk with respect to the Company's financial assets and the Company's non-performance risk with respect to the Company's financial liabilities. The Company has not elected to offset the fair value amounts recognized for multiple derivative instruments executed with the same counterparty, but report them gross on its consolidated balance sheets.

Refer to Note 9 for further discussion of the Company's use of derivative instruments and their fair values.

Note 11—Related-party transactions

As presented in our consolidated financial statements and described in Note 6, the Company had a related-party loan payable. During the six months ended June 30, 2011 and 2010, the Company borrowed \$142.2 million and \$235.3 million and capitalized interest expense of \$0.6 million and \$27.4 million on the related-party loan, respectively. On March 23, 2011, all outstanding related-party loan principal and accrued interest, in the amount of \$142.8 million, was converted into equity of Pacific Drilling Limited.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

As presented in our consolidated financial statements and described in Note 4, the Company entered into promissory note agreements with TPDI and Transocean to fund TPDI. The promissory notes accrue interest at LIBOR plus 2% per annum. As of June 30, 2011 and December 31, 2010, promissory notes to the Joint Venture were \$0 and \$139.9 million, respectively. During the six months ended June 30, 2011 and 2010, the Company recorded related-party interest income from the Joint Venture of \$0.5 million and \$1.0 million on the promissory notes, respectively. As of June 30, 2011 and December 31, 2010, the accrued interest receivable on these promissory notes was \$0 and \$5.5 million, respectively.

The Company executed a noncancelable operating lease in September 2009 for office space in Singapore for a period of 28 months with Tanker Pacific Management (Singapore) PTE Ltd. (“Tanker Pacific”), which may be considered an affiliated company. During the six months ended June 30, 2011 and 2010, rent expense under this lease was \$0.1 million and \$0.2 million, respectively. The Company also has an agreement with Tanker Pacific for the use of the services of certain Tanker Pacific employees on an ad hoc basis. During the six months ended June 30, 2011 and 2010, expenses for the services of Tanker Pacific employees used by the Company under this arrangement were \$0.1 million and \$0.3 million, respectively.

On March 30, 2011, we transferred our equity interest in TPDI, including promissory notes, to a subsidiary of the Quantum Pacific Group. We did not receive any consideration for the transfer. In connection with the TPDI Transfer, we entered into a management agreement pursuant to which we will provide day-to-day oversight and management services with respect to the Quantum Pacific Group’s equity interest in TPDI for a fee of \$4,000 per drillship per day, or \$8,000 per day. Unless terminated earlier in accordance with its terms, the management agreement will remain in full force and effect in perpetuity. During the six months ended June 30, 2011 and 2010, management fee income of \$0.7 million and \$0, respectively, was recorded in other income (expense) within our consolidated statements of operations.

The joint venture agreements relating to TPDI provide Quantum Pacific Group with a put option that allows it to exchange its 50% interest in TPDI for shares of Transocean Ltd. or cash at a purchase price based on an appraisal of the fair value of the two vessels owned by TPDI, subject to various customary adjustments. In conjunction with the TPDI Transfer and a related amendment to the Project Facilities Agreement, a subsidiary of the Quantum Pacific Group guaranteed to the lenders that any proceeds from the exercise of the put option relating to the equity interest in TPDI will be used to prepay or secure the Amended Project Facilities Agreement. In consideration for this guarantee, we agreed to pay the Quantum Pacific Group a fee of 0.25% per annum on the outstanding borrowings on the Project Facilities Agreement. During the six months ended June 30, 2011 and 2010, guarantee fees of \$0.5 million and \$0, respectively, were recorded to property and equipment as capitalized interest costs.

We have marketing and logistic services agreements with Derotech, a Company which may be considered an affiliate. During the six months ended June 30, 2011 and 2010, we incurred fees of \$0.7 million and \$0 under the marketing and logistic services agreements, respectively.

In connection with the Pacific Santa Ana and the Pacific Bora contracts with Chevron, the Quantum Pacific Group has guaranteed, subject to certain excuses from guarantee, prompt and proper performance by us of all obligations under the drilling contract. The Quantum Pacific Group guarantee to Chevron includes any payments due to Chevron, indemnification with respect to certain intellectual property, satisfaction of any patent infringement judgment and a provision to substitute a drilling unit if one is available on substantially similar terms and the *Pacific Santa Ana* or the *Pacific Bora* is rendered unavailable.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

Note 12—Supplemental cash flow information

During the six months ended June 30, 2011 and 2010, we paid income taxes of \$0.3 million and \$0, respectively.

Capital expenditures in our consolidated statements of cash flows include the effect of changes in accrued capital expenditures, which are capital expenditures that were accrued but unpaid at period end. We have included these amounts in accounts payable, accrued expenses and accrued interest in our consolidated balance sheets as of June 30, 2011 and 2010. During the six months ended June 30, 2011 and 2010, capital expenditures excludes the effects of changes in accrued capital expenditures of \$(3.6) million and \$36.0 million in our consolidated statements of cash flows, respectively.

During the six months ended June 30, 2011 and 2010, non-cash amortization of deferred financing costs totaling \$7.1 million and \$0, respectively, were capitalized to property and equipment. Accordingly, these amounts are excluded from capital expenditures in our consolidated statements of cash flows for the six months ended June 30, 2011 and 2010.

Note 13—Liquidity

The Company's funding has been provided to date through a combination of borrowings from affiliated entities and third party lenders, equity contributions from and issuances to our parent and our private placement of 60,000,000 common shares for net proceeds of approximately \$575.5 million. The Company's liquidity requirements relate to ongoing significant funding investments in the newbuild ultra-deepwater drillships, servicing debt, funding working capital requirements and maintaining adequate cash reserves to mitigate the effects of fluctuations in operating cash flows.

During 2010 and 2011, the Company took delivery of three of its ultra-deepwater drillships and expects to take delivery of the other ultra-deepwater drillship in 2011. For each of those four ultra-deepwater drillships, the Company has secured drilling contracts. Additionally, the *Pacific Bora* commenced drilling operations in August 2011 and we expect the three other ultra-deepwater drillships to commence drilling operations throughout the remainder of 2011 and prior to the end of the first quarter of 2012.

Primary sources of funds for the Company's short-term liquidity needs will be cash flow from operations, available cash balances and borrowings under the Project Facilities Agreement. The Company's liquidity needs fluctuate depending on a number of factors, including, among others, demand for services, dayrates received and operating costs.

The Company believes that borrowings under the Project Facilities Agreement together with cash on hand and cash flows from operations will provide sufficient liquidity over the next twelve months to fund the Company's working capital needs, debt repayments, and anticipated capital expenditures, including progress payments for the Company's ultra-deepwater drillship construction projects.

The Company's ability to meet long-term liquidity requirements will depend in large part on our future performance, which is subject to many factors beyond our control, as well as our ability to secure additional financing for the *Pacific Khamsin* and the *Pacific Sharav*.

Note 14—Subsequent events

On July 13, 2011, we entered into a temporary Standby Letter of Credit ("SBLC") facility to support the Temporary Importation ("TI") bond for the *Pacific Bora* required in Nigeria. Under the SBLC facility, a Letter of

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)

Credit (“LC”) was issued for the benefit of Citibank Nigeria denominated in the Nigerian currency, Naira, in the amount of approximately \$96 million. This LC provides credit support for the TI bond that was issued by Citibank Nigeria in favor of the Government of Nigeria Customs Service in connection with the entry of the *Pacific Bora* into Nigerian territorial waters. The SBLC facility will expire after a one-year period and will be renewable for additional one-year terms based on the initial contract term of each vessel. Our obligations under the temporary SBLC facility are secured by a \$50 million cash deposit and a guaranty from the Quantum Pacific Group.

In August 2011, the Company secured a drilling contract with a subsidiary of Petróleo Brasileiro S.A. for the *Pacific Mistral* .

In September 2011, the Company converted the \$200 million Scirocco bridge loan into borrowings under the Scirocco Term Loan. Additionally, the Company borrowed \$175 million from the remaining amount available under the Scirocco Term Loan.

[Table of Contents](#)

[Index to Financial Statements](#)

Report of Independent Registered Public Accounting Firm

The Board of Directors
Pacific Drilling S.A.:

We have audited the accompanying balance sheet of Pacific Drilling S.A. (the Company) as of March 11, 2011. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Pacific Drilling S.A. as of March 11, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Houston, Texas
August 15, 2011

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A.
Balance Sheet
(in thousands, except share amounts)

	March 11, <u>2011</u>
Assets:	
Cash and cash equivalents	\$ 100
Total current assets	<u>\$ 100</u>
Liabilities and shareholder's equity:	
Amount due to affiliate	\$ 50
Total current liabilities	<u>\$ 50</u>
Shareholder's equity:	
Common shares, no par value, 50,000 shares authorized, issued and outstanding as of March 11, 2011	\$ 50
Total shareholder's equity	<u>\$ 50</u>
Total liabilities and shareholder's equity	<u>\$ 100</u>

See accompanying notes to financial statement.

PACIFIC DRILLING S.A.
Notes to Financial Statement

Note 1—Nature of business

On March 11, 2011, Pacific Drilling S.A. (“Pacific Drilling,” the “Company,” “we,” “us” or “our”) was formed as a Luxembourg company under the form of a *société anonyme* to, among other things, facilitate a private placement of the Company. Pacific Drilling S.A. acts as a holding company for Pacific Drilling Gibraltar Limited, which acts a holding company for Pacific Drilling Limited. Following March 11, 2011, the company became the indirect sole shareholder of Pacific Drilling Limited in exchange for the issuance of Pacific Drilling S.A. common shares (Note 4).

Note 2—Summary of significant accounting policies

Basis of presentation —Our accompanying financial statements have been prepared on a parent company only standalone basis as of March 11, 2011, the formation date of the Company. Our fiscal year end date will be December 31.

Cash and cash equivalents —Cash equivalents are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Amount due to affiliate —Amount due to affiliate consists of intercompany funding received from an affiliate, which will be eliminated in our consolidated financial statements. The amount consists of unsecured payables for funding advances and is non-interest bearing.

Subsequent events —We have evaluated subsequent events through the date the financial statement was issued. See Note 4.

Note 3—Shareholder’s equity

On March 11, 2011, Pacific Drilling S.A. was incorporated under the form of a *société anonyme* governed by the laws of the Grand Duchy of Luxembourg with a share capital of \$50,000 represented by 50,000 common shares, no par value. The sole shareholder of the 50,000 common shares is Quantum Pacific (Gibraltar) Limited, which is a subsidiary of Quantum Pacific International Limited.

Note 4—Subsequent events

On March 30, 2011, the Board of Pacific Drilling S.A. resolved to split the 50,000 incorporation common shares into 5,000,000 common shares, no par value. Further, the Board resolved for Quantum Pacific (Gibraltar) Limited to become the indirect sole shareholder of all issued Pacific Drilling Limited common shares in exchange for the issuance of 145,000,000 common shares of Pacific Drilling S.A.

On March 30, 2011, the shareholder held a general meeting to approve amending the Company’s Articles to authorize the Board of Directors, for a period of five years, to issue up to \$50,000,000 of share capital (inclusive of current share capital of the Company).

As of March 31, 2011, the common shares of Pacific Drilling S.A. consisted of 5,000,000,000 shares authorized and 150,000,000 shares issued and outstanding with \$0.01 par value.

On April 5, 2011, Pacific Drilling S.A. completed a private placement of 60,000,000 common shares for gross proceeds of \$600 million, \$0.01 par value. Following completion of the private placement, the Company’s share capital consisted of 5,000,000,000 shares authorized and 210,000,000 issued and outstanding of which approximately 71% is held by Quantum Pacific (Gibraltar) Limited.

[Table of Contents](#)

[Index to Financial Statements](#)

Report of Independent Registered Public Accounting Firm

The Board of Directors
Pacific Drilling S.A.:

We have audited the accompanying consolidated balance sheets of Pacific Drilling S.A. and Subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive income, shareholder's equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Transocean Pacific Drilling Inc. (TPDI—a 50% owned unconsolidated investee company). The Company's investment in TPDI at December 31, 2010 and 2009 was \$46,832,000 and \$7,975,000, respectively, and its equity in earnings (losses) of TPDI was \$56,307,000, \$4,291,000, and \$(679,000) for the years ended December 31, 2010, 2009, and 2008, respectively. The financial statements of TPDI were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TPDI, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pacific Drilling S.A. and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Houston, Texas

August 12, 2011, except for notes 1 and 2 to the consolidated financial statements as to which the date is October 28, 2011.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands, except par value and share amounts)

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 40,307	\$ 7,425
Restricted cash	6,987	50
Accounts receivable—other	17,527	—
Accrued interest on promissory notes from Joint Venture	5,487	3,514
Materials and supplies	7,955	—
Deferred financing costs	12,056	—
Deferred taxes	764	82
Prepaid expenses and other current assets	3,114	142
Total current assets	<u>94,197</u>	<u>11,213</u>
Property and equipment, net	1,893,425	927,556
Investment in Joint Venture	46,832	7,975
Notes receivable from Joint Venture	139,882	139,882
Restricted cash	54,695	665
Deferred financing costs	42,891	—
Deferred taxes	27	—
Total assets	<u>\$2,271,949</u>	<u>\$1,087,291</u>
Liabilities and shareholder's equity:		
Accounts payable	\$ 6,772	\$ 959
Accrued expenses	9,424	1,408
Current portion of long-term debt	50,000	—
Accrued interest payable	12,510	4,838
Current portion of deferred revenue	1,009	—
Total current liabilities	<u>79,715</u>	<u>7,205</u>
Long-term debt, net of current maturities	400,000	—
Related-party loan	—	832,642
Accrued interest payable on related-party loan	—	39,019
Deferred taxes	420	82
Deferred revenue	11,946	—
Other long-term liabilities	4,661	594
Total long-term liabilities	<u>417,027</u>	<u>872,337</u>
Commitments and contingencies (Note 12)		
Shareholder's equity		
Common shares, \$0.001 par value, 2,000,000 and 820,000 shares authorized, 1,920,761 and 805,000 shares issued and outstanding as of December 31, 2010 and 2009, respectively	2	1
Additional paid-in capital	1,697,608	150,000
Accumulated other comprehensive (loss) income	(13,458)	3,992
Retained earnings	91,055	53,756
Total shareholder's equity	<u>1,775,207</u>	<u>207,749</u>
Total liabilities and shareholder's equity	<u>\$2,271,949</u>	<u>\$1,087,291</u>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands)

	Years Ended December 31,		
	2010	2009	2008
General and administrative expenses	\$ (19,715)	\$ (8,824)	\$ (1,589)
Depreciation expense	(395)	(134)	—
Operating loss	(20,110)	(8,958)	(1,589)
Equity in earnings (losses) of Joint Venture	56,307	4,291	(679)
Interest income from Joint Venture	1,973	2,141	7,763
Interest expense	(858)	—	—
Other (expense) income	(62)	274	—
Income (loss) before income taxes	37,250	(2,252)	5,495
Income tax benefit (expense)	49	(31)	(4)
Net income (loss)	<u>\$ 37,299</u>	<u>\$ (2,283)</u>	<u>\$ 5,491</u>
Earnings (loss) per common share, basic and diluted (Note 17)	\$ 0.25	\$ (0.02)	\$ 0.04
Weighted average number of common shares, basic and diluted (Note 17)	150,000,000	150,000,000	150,000,000

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(in thousands)

	<u>Years Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net income (loss)	\$ 37,299	\$ (2,283)	\$5,491
Other comprehensive income (loss):			
Unrecognized (loss) gain on derivative instruments	(5,911)	10,369	—
Recognized loss on derivative instruments	(11,539)	(6,377)	—
	<u>(17,450)</u>	<u>3,992</u>	<u>—</u>
Total comprehensive income	<u>\$ 19,849</u>	<u>\$ 1,709</u>	<u>\$5,491</u>

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Consolidated Statements of Shareholder's Equity
(in thousands, except share amounts)

	<u>Common shares</u>		Additional paid-in capital	Accumulated other comprehensive	Retained earnings	Total equity
	Shares	Amount		income (loss)		
Balance at December 31, 2007	500	\$ —	\$ —	\$ —	\$50,549	\$ 50,549
Contribution from shareholder	—	—	150,000	—	—	150,000
Net income	—	—	—	—	5,491	5,491
Balance at December 31, 2008	<u>500</u>	<u>—</u>	<u>150,000</u>	<u>—</u>	<u>56,040</u>	<u>206,040</u>
Common shares dividend	804,500	1	—	—	(1)	—
Other comprehensive income	—	—	—	3,992	—	3,992
Net loss	—	—	—	—	(2,283)	(2,283)
Balance at December 31, 2009	<u>805,000</u>	<u>1</u>	<u>150,000</u>	<u>3,992</u>	<u>53,756</u>	<u>207,749</u>
Contribution from shareholder	—	—	655,000	—	—	655,000
Issuance of shares upon conversion of related-party loan	1,115,761	1	892,608	—	—	892,609
Other comprehensive loss	—	—	—	(17,450)	—	(17,450)
Net income	—	—	—	—	37,299	37,299
Balance at December 31, 2010	<u>1,920,761</u>	<u>\$ 2</u>	<u>\$1,697,608</u>	<u>\$ (13,458)</u>	<u>\$91,055</u>	<u>\$1,775,207</u>

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2010	2009	2008
Cash flow from operating activities:			
Net income (loss)	\$ 37,299	\$ (2,283)	\$ 5,491
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Interest income from Joint Venture	(1,973)	(2,141)	(7,763)
Depreciation expense	395	134	—
Equity in (earnings) losses of Joint Venture	(56,307)	(4,291)	679
Deferred income taxes	(371)	—	—
Share-based compensation expense	65	594	—
Changes in operating assets and liabilities:			
Accounts receivable—other	(17,527)	—	—
Materials and supplies	(7,955)	—	—
Prepaid expenses and other current assets	(2,972)	(102)	(40)
Accounts payable and accrued expenses	6,252	824	643
Deferred revenue	12,955	—	—
Net cash used in operating activities	<u>(30,139)</u>	<u>(7,265)</u>	<u>(990)</u>
Cash flow from investing activities:			
Capital expenditures	(883,853)	(146,082)	(677,971)
Contributions to Joint Venture	—	(37,249)	(92,620)
Proceeds from Joint Venture	—	—	220,288
Restricted cash deposits	(60,967)	(715)	—
Interest received	—	—	16,198
Net cash used in investing activities	<u>(944,820)</u>	<u>(184,046)</u>	<u>(534,105)</u>
Cash flow from financing activities:			
Proceeds from long-term debt	450,000	—	—
Deferred financing costs	(57,995)	—	—
Proceeds from related-party loan	685,280	198,645	535,186
Payments on related-party loan	(69,444)	—	—
Net cash provided by financing activities	<u>1,007,841</u>	<u>198,645</u>	<u>535,186</u>
Increase in cash and cash equivalents	32,882	7,334	91
Cash and cash equivalents, beginning of period	7,425	91	—
Cash and cash equivalents, end of period	<u>\$ 40,307</u>	<u>\$ 7,425</u>	<u>\$ 91</u>

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1—Nature of operations

Pacific Drilling S.A. and its subsidiaries (“Pacific Drilling,” the “Company,” “we,” “us” or “our”) is an international offshore drilling company committed to becoming a preferred provider of ultra-deepwater drilling services to the oil and natural gas industry through the use of high-specification drillships. The Company’s primary business is to contract its drilling rigs, related equipment and work crews, primarily on a dayrate basis, to drill wells for its customers. As of December 31, 2010, we directly owned four ultra-deepwater drillships under construction.

Pacific Drilling S.A. was formed as a Luxembourg corporation under the form of a *société anonyme* to act as an indirect holding company for its predecessor, Pacific Drilling Limited (our “Predecessor”), a company organized under the laws of Liberia, and its subsidiaries in connection with a corporate reorganization completed on March 30, 2011, referred to as the “Restructuring.” In connection with the Restructuring, our Predecessor was contributed to a wholly owned subsidiary of the Company by a subsidiary of Quantum Pacific International Limited, a British Virgin Islands company and parent company of an investment holdings group (the “Quantum Pacific Group”). The Company did not engage in any business or other activities prior to the Restructuring except in connection with its formation and the Restructuring. The Restructuring was limited to entities that were all under the control of the Quantum Pacific Group and its affiliates, and, as such, the Restructuring was accounted for as a transaction between entities under common control. The sole shareholder of the Predecessor was Gladebrooke Holdings Limited (“Gladebrooke”) until May 26, 2009, when Pacific Drilling underwent a change in shareholder, whereby Quantum Pacific International Limited (“Quantum”) became the sole shareholder of the Predecessor (Note 9).

The Predecessor also owns a 50% interest in Transocean Pacific Drilling Inc. (“TPDI” or the “Joint Venture”), an entity incorporated in the British Virgin Islands on October 18, 2007 (Note 4). The purpose of the Joint Venture is to construct, own, and operate or charter two ultra-deepwater drillships. Following December 31, 2010, the Predecessor assigned its equity interest in TPDI to a subsidiary of Quantum (Note 20).

Note 2—Summary of significant accounting policies

Principles of consolidation —The consolidated financial statements include the accounts of Pacific Drilling S.A. and consolidated subsidiaries that we control by ownership of a majority voting interest. We apply the equity method of accounting for investments in entities when we have the ability to exercise significant influence over an entity that does not meet the variable entity criteria or meets the variable interest entity criteria, but for which we are not deemed to be the primary beneficiary. We eliminate all intercompany transactions and balances in consolidation.

The Restructuring is a business combination of entities under common control. As such, the consolidated financial statements of Pacific Drilling S.A. as of December 31, 2010 and 2009 and for the three-year period ended December 31, 2010 are presented using the historical values of the Predecessor’s financial statements on a combined basis. The financial statements for each of the years in the three-year period ended December 31, 2010 present the results of the Company and its subsidiaries as if Pacific Drilling S.A. was formed and the Restructuring was completed on January 1, 2008.

Accounting estimates —The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. On an ongoing basis, we evaluate our estimates and

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

assumptions, including those related to allowance for doubtful accounts, financial instruments, depreciation of property and equipment, impairment of long-lived assets, income taxes, share-based compensation and contingencies. We base our estimates and assumptions on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

Revenue recognition —Contract drilling revenues will be recognized as earned, based on contractual dayrates. In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. Revenues earned and incremental costs incurred directly related to contract preparation and mobilization are deferred and recognized over the primary term of the drilling contract. Upon completion of drilling contracts, any demobilization fees received and related expenses are reported in income. Amortization of deferred revenue is recorded on a straight-line basis over the primary drilling contract term, which is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract.

We will record reimbursements received for the purchase of supplies, equipment, personnel services and other services provided at the request of our customers in accordance with a contract or agreement, for the gross amount billed to the customer, as revenues related to reimbursable expenses. Reimbursements received for capital expenditures are deferred and recognized over the primary contract term of the drilling project. The actual cost incurred for capital expenditure is depreciated over the estimated useful life of the asset.

Cash and cash equivalents —Cash equivalents are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Accounts receivable —We record trade accounts receivable at the amount we invoice our customers.

Promissory notes to Joint Venture —Contributions in the form of promissory notes to the Joint Venture are recorded at cost. The accrued interest on promissory notes from our Joint Venture is recorded at the amount due. Interest income from the Joint Venture is earned on the promissory notes based on the stated loan rates as discussed in Note 4.

Allowance for doubtful accounts —We provide an allowance for doubtful accounts, as necessary, based on a review of outstanding receivables, historical collection information and existing economic conditions. We do not generally require collateral or other security for receivables. We have no allowance for doubtful accounts as of December 31, 2010 and 2009.

Materials and supplies —Materials and supplies held for consumption are carried at the lower of average cost or market. We recorded no allowance for obsolescence on materials and supplies as of December 31, 2010 and 2009.

Property and equipment —Deepwater drillships are recorded at cost of construction, including any major capital improvements, less accumulated depreciation and impairment. Other property and equipment is recorded at cost and consists of purchased software systems, furniture, fixtures and other equipment. Planned major maintenance, ongoing maintenance, routine repairs and minor replacements are expensed as incurred.

Interest costs incurred on new borrowings attributable to qualifying new construction are capitalized. We capitalize interest costs for qualifying new construction from the point borrowing costs are incurred for the qualifying new construction and cease when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Property and equipment are depreciated to its salvage value on a straight-line basis over the estimated useful lives of each class of assets. As of December 31, 2010, the construction of the Company’s deepwater drillships is ongoing. As such, no depreciation has been recorded for drillships and related equipment during 2010, 2009 and 2008. Our estimated useful lives of property and equipment are as follows:

	<u>Years</u>
Drillships and related equipment	15-35
Other property and equipment	2-7

Long-lived assets —We review our long-lived assets, including property and equipment, for impairment when events or changes in circumstances indicate that the carrying amounts of our assets held and used may not be recoverable. Potential impairment indicators include rapid declines in commodity prices and related market conditions, actual or expected declines in rig utilization, increases in idle time, cancellations of contracts or credit concerns of customers. We assess impairment using estimated undiscounted cash flows for the long-lived assets being evaluated by applying assumptions regarding future operations, market conditions, dayrates, utilization and idle time. An impairment loss is recorded in the period if the carrying amount of the asset is not recoverable. During 2010, 2009 and 2008, there were no long-lived asset impairments.

Investment accounted for using the equity method – Our 50% ownership in Transocean Pacific Drilling Inc. is accounted for using the equity method based upon the level of ownership and our ability to exercise significant influence over the operating and financial policies of the investee. The investment is adjusted periodically to recognize our proportionate share of the investee’s net income or losses after the date of investment. The Company evaluates its investment accounted for under the equity method for impairment when there is evidence or indicators that a decrease in value may be other than temporary.

Deferred financing costs —Deferred financing costs associated with long-term debt are carried at cost and are amortized to expense using the effective interest rate method over the term of the applicable long-term debt.

Foreign currency transactions —The consolidated financial statements are stated in U.S. dollars. We have designated the U.S. dollar as the functional currency for our foreign subsidiaries in international locations because we contract with customers, purchase equipment and finance capital using the U.S. dollar. Transactions in other currencies have been translated into U.S. dollars at the rate of exchange on the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the transaction date is included as an exchange gain or loss. Monetary assets and liabilities denominated in currencies other than U.S. dollars are reported at the rates of exchange prevailing at the end of the reporting period. During 2010, 2009 and 2008, total foreign exchange gains (losses) were nominal and recorded in other income within our consolidated statements of operations.

Earnings per share —Basic earnings (loss) per common share (“EPS”) is computed by dividing the net income available to common stockholders by the weighted average number of common shares outstanding for the period. Basic and diluted EPS are retrospectively adjusted for the effects of stock dividends or stock splits. Diluted EPS reflects the potential dilution from securities that could share in the earnings of the Company. Anti-dilutive securities are excluded from diluted EPS.

Fair value measurements —We estimate fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that are categorized using a three-level hierarchy as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (“Level 1”), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (“Level 2”) and (3) unobservable inputs that require

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

significant judgment for which there is little or no market data (“Level 3”). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Share-based compensation —The grant date fair value of share-based awards granted to employees is recognized as an employee compensation expense over the requisite service period on a straight-line basis. To the extent the share-based awards will be settled in cash upon exercise, the awards are accounted for as a liability. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as employee compensation expense in the current period. The amount of compensation expense recognized is adjusted to reflect the number of awards for which the related vesting conditions are expected to be met. As such, the amount of compensation expense ultimately recognized is based on the number of awards that do meet the vesting conditions at the vesting date.

Contingencies —We record liabilities for estimated loss contingencies when we believe a loss is probable and the amount of the probable loss can be reasonably estimated. Once established, we adjust the estimated contingency loss accrual for changes in facts and circumstances that alter our previous assumptions with respect to the likelihood or amount of loss.

Income taxes —Income taxes are provided based upon the tax laws and rates in the countries in which our subsidiaries are registered and where their operations are conducted and income and expenses are earned and incurred, respectively. We recognize deferred tax assets and liabilities for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the applicable enacted tax rates in effect the year in which the asset is realized or the liability is settled. A valuation allowance for deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We recognize tax benefits from an uncertain tax position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the position. The amount recognized is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement. Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations and the final audit of tax returns by taxing authorities. We recognize interest and penalties related to uncertain tax positions in income tax expense.

Subsequent events —We have evaluated subsequent events through the date the financial statements were issued. See Note 20.

Recently issued accounting standards

Variable interest entities —In June 2009, the FASB issued an accounting standard update that clarifies the characteristics that identify a variable interest entity (“VIE”). Additionally, the standard changes how a reporting entity identifies a primary beneficiary that would consolidate the VIE from a quantitative risk and rewards calculation to a qualitative approach based on which variable interest holder has controlling financial interest and the ability to direct the most significant activities that impact the VIE’s economic performance.

This standard requires the primary beneficiary assessment to be performed on a continuous basis. It also requires additional disclosures about involvement with the VIE and how that involvement with a VIE impacts the consolidated financial statements of the reporting entity.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The standard is effective for reporting periods beginning after November 15, 2009. We adopted this standard on January 1, 2010. There was no impact to our consolidated financial statements. The additional disclosures required under this standard are included within Note 4.

Fair value measurements and disclosures —In January 2010, the FASB issued an accounting standards update that requires additional disclosures related to transfers between levels in the hierarchy of fair value measurements. The update also requires disclosure of valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements.

These updates are effective for interim and annual reporting periods beginning after December 15, 2009. We adopted these on January 1, 2010. Because the standard does not change how fair values are measured, the standard did not have an impact on our consolidated financial statements. The additional disclosures required under these updates are included within Note 11.

There are additional provisions for the fair value measurement accounting standards update effective for interim and annual periods beginning after December 15, 2010. These remaining updates require entities to separately disclose information about purchases, sales, issuances and settlements in the reconciliation of recurring Level 3 measurements on a gross basis. We do not expect adoption of these updates will have a material effect on disclosures contained in our notes to the consolidated financial statements.

Note 3—Property and equipment

Property and equipment consists of the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(In thousands)	
Drillships and related equipment	\$1,890,448	\$925,823
Other property and equipment	3,506	1,867
Property and equipment, cost	1,893,954	927,690
Accumulated depreciation	(529)	(134)
Net property and equipment	<u>\$1,893,425</u>	<u>\$927,556</u>

As of December 31, 2010, the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco* and the *Pacific Santa Ana* are under construction. Total remaining commitments under the construction contracts are \$1.0 billion as of December 31, 2010, which are expected to be paid in 2011.

During 2010 and 2009, the Company deferred certain drillship payments under amendments of the original construction contracts. Per the amendments, interest accrues at a rate of six percent per annum. During 2010 and 2009, we capitalized interest costs of \$99.0 million and \$43.8 million, respectively, on assets under construction related to interest incurred on the deferred construction payments, the related-party loan (Note 8) and long-term debt (Note 5). During 2008, there were no capitalized interest costs.

Note 4—Investment in and loans to Joint Venture

A legal entity is a VIE if the entity's equity investment at risk does not provide its holders, as a group, with the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance. We are required to consolidate VIEs if we have the power to direct the activities of a VIE

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the VIE that could potentially be significant to the VIE. If these conditions are met, we have a controlling financial interest and are the primary beneficiary of the VIE.

Once an entity is identified as a VIE, we perform a qualitative assessment to determine whether we are the primary beneficiary. A qualitative assessment begins with an understanding of nature of the risks in the entity as well as the nature of the entity's activities, including terms of the contracts entered into by the entity, ownership interests issued by the entity, how they were marketed, and the parties involved in the design of the entity. We then identify all of the variable interests held by parties involved with the VIE including, among other things, equity investments, debt financing, any financial and performance guarantees and significant contracted service providers. Once we identify the variable interests, we determine those activities that are most significant to the economic performance of the entity and which variable interest holder has the power to direct those activities.

Pacific Drilling owns a 50% interest in TPDI. The Joint Venture was formed with Transocean Offshore International Ventures Limited ("TOIVL") to construct, own, and operate or charter two deepwater drillships, named the *Dhirubai Deepwater KG1* ("KG1") and *Dhirubai Deepwater KG2* ("KG2"). Until the formation of the Joint Venture in 2007, both drillships under construction were owned by Pacific Drilling. *KG1* started operating in July 2009 and *KG2* started operating in March 2010. Both the *KG1* and *KG2* operate in India under long-term drilling service contracts.

The Joint Venture Shareholder Agreement defines the rights and restrictions with respect to the governance and management of TPDI. Among other things, the Joint Venture Shareholder Agreement provides that TOIVL may provide certain incidental general and administrative functions on behalf of TPDI, including procurement and payables, treasury and cash management, personnel and payroll and accounting. At inception, the Joint Venture Shareholders also entered into construction management agreements that provided TOIVL would design, construct, equip and test the TPDI deepwater drillships.

The Joint Venture Shareholders entered into a marketing agreement with TOIVL that granted TOIVL an exclusive right to market the TPDI deepwater drillships for use in any territory or region. The Joint Venture Shareholders also entered into an operating agreement with TOIVL that appoints TOIVL to act as the operator of the TPDI deepwater drillships, including day-to-day management and supervision and operating, maintenance, administrative and related services.

The Joint Venture Shareholder Agreement requires Joint Venture Shareholders each provide capital or loans to the Company, to the extent expenditures are not funded by third-party indebtedness, in proportion to their respective ownership percentages to fund (1) all expenditures required to be made under various management service agreements, (2) any performance guarantees, surety bonds, or letters of credit, (3) an adequate level of working capital for the Company, and (4) additional requirements agreed to by the Joint Venture Shareholders.

The Joint Venture Shareholders entered into an agreement under which Pacific Drilling, beginning on October 18, 2010, has the right to exchange its interest in the Joint Venture for shares of Transocean Ltd. or cash at a purchase price based on an appraisal of the fair value of the *KG1* and *KG2*, subject to various customary adjustments.

We have determined that the Joint Venture meets the criteria of a VIE as TPDI's equity investment at risk is not sufficient for the entity to finance its activities without additional subordinated financial support. We also determined that Transocean is the primary beneficiary for accounting purposes since Transocean a) has the power to direct the marketing and operating activities, which are the activities that most significantly impact TPDI's

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

economic performance and b) has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. As a result, we account for TPDI as an equity method investment in our consolidated financial statements.

At inception, the Joint Venture Shareholders entered into promissory note agreements with TPDI to fund the formation of the Joint Venture. The promissory notes accrue interest at LIBOR plus 2% per annum with semi-annual interest payments. The Joint Venture may, upon providing written notice, elect to defer payment of interest (including any prior deferred interest) to the following interest payment date.

On January 22, 2008 and July 30, 2008, Pacific Drilling provided additional promissory notes of \$51.1 million and \$41.5 million, respectively, to the Joint Venture. At April 30, 2008, the Joint Venture elected to defer the interest payments due under the promissory notes.

In October 2008, using borrowings under a newly secured credit facility, the Joint Venture paid us \$16.0 million to satisfy interest accrued and deferred through September 30, 2008 and prepaid \$220.0 million of the outstanding promissory notes. The Joint Venture credit facility is secured by our interest in the Joint Venture and TPDI's deepwater drillships.

On September 4, 2009 and October 23, 2009, Pacific Drilling provided additional promissory notes of \$10.0 million and \$27.3 million, respectively, to the Joint Venture. During 2010 and 2009, the Joint Venture elected to defer interest payments due under the promissory notes.

The loans are scheduled to mature ten years after the date of the respective notes. The Joint Venture may, upon providing written notice, elect to defer the maturity date for a period of up to ten years. The Joint Venture is not required to make any payments of principle or interest prior to the maturity date. The Joint Venture capitalized interest expense on the Shareholder promissory notes as a cost of property and equipment through the date the deepwater drillships were placed in service.

During 2009, the Joint Venture entered into interest rate swaps, which are designated as cash flow hedges of the future interest payments on variable rate borrowings under its bank credit facilities to reduce the variability of cash interest payments. As of December 31, 2010 and 2009, the Joint Venture recorded \$(34.9) million and \$8.0 million, respectively, of accumulated other comprehensive (loss) income representing the effective portion of the cash flow hedges. Pacific Drilling recorded its 50% share of \$(17.5) million and \$4.0 million as of December 31, 2010 and 2009, respectively, in our consolidated financial statements. During 2010 and 2009, Pacific Drilling reclassified \$11.5 million and \$6.4 million of recognized losses on derivative instruments in accumulated other comprehensive income to equity in earnings of Joint Venture.

The Joint Venture recognizes gains and losses associated with the ineffective portion of the cash flow hedges in interest expense in the period in which they are realized. During 2010 and 2009, the ineffective portion of the cash flow hedges was \$0.3 million and \$0.8 million, respectively.

In April 2010, Transocean Inc. ("Transocean") and Pacific Drilling entered into a letter of credit fee agreement whereby Transocean agreed to provide a letter of credit as needed for purposes of TPDI's compliance with terms under its bank credit facility. In return, Pacific Drilling agreed to pay Transocean its 50% share of a 4.2% per annum fee on the required letter of credit amount. During 2010, Pacific Drilling incurred \$0.9 million of fees related to this agreement that is recorded as interest expense in our consolidated statement of operations.

As of December 31, 2010, undistributed earnings of TPDI included in our retained earnings are \$60.4 million.

Table of Contents

Index to Financial Statements

PACIFIC DRILLING S.A. AND SUBSIDIARIES Notes to Consolidated Financial Statements—(Continued)

Summarized TPDI consolidated balance sheets are as follows:

	December 31,	
	2010	2009
	(In thousands)	
Balance sheet:		
Current assets	\$ 203,957	\$ 96,859
Property and equipment, net	1,430,961	1,427,729
Other assets	11,064	41,926
Total assets	<u>\$1,645,982</u>	<u>\$1,566,514</u>
Current liabilities	\$ 282,969	\$ 210,404
Long-term liabilities	1,274,523	1,340,983
Shareholders' equity	88,490	15,127
Total liabilities and shareholders' equity	<u>\$1,645,982</u>	<u>\$1,566,514</u>

Summarized TPDI consolidated results of operations are as follows:

	Years ended December 31,		
	2010	2009	2008
	(In thousands)		
Income statement:			
Operating revenues	\$ 304,092	\$ 57,025	\$ —
Operating expenses	129,214	35,677	1,250
Operating income (loss)	174,878	21,348	(1,250)
Interest expense, net	(52,762)	(10,706)	(152)
Other (expense) income	(138)	(448)	43
Income (loss) before income taxes	121,978	10,194	(1,359)
Income tax expense	13,715	2,437	—
Net income (loss)	<u>\$ 108,263</u>	<u>\$ 7,757</u>	<u>\$ (1,359)</u>

Note 5—Debt

In September 2010, Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd., Pacific Santa Ana Ltd. (collectively, the “Borrowers”), and Pacific Drilling Limited (as the “Guarantor”) (collectively, the “Borrowing Group”) entered into a project facilities agreement with a group of lenders to finance the construction, operation and other expenses associated with four ultra-deepwater drillships (each a “Drillship” and collectively the “Drillships”) (the “Project Facilities Agreement”).

The Term Loan Facility consists of a Bora Term Loan, a Mistral Term Loan, a Scirocco Term Loan, and a Santa Ana Term Loan (each a “Term Loan” and, collectively, the “Term Loans”) with maximum aggregate amounts available of \$450 million, \$500 million, \$500 million, and \$500 million, respectively, that collectively may not exceed \$1.8 billion. Each Term Loan consists of three tranches—one provided by a syndicate of nine commercial banks (the “Commercial Tranche”), one provided by Eksportfinans (and guaranteed by the Norwegian Guarantee Institute for Export Credits) (the “GIEK Tranche”) and one provided by The Export-Import Bank of Korea (the “KEXIM Tranche”), with maximum aggregate amounts available of \$1 billion, \$350 million and \$450 million, respectively. Borrowings under each Term Loan are conditional upon the lenders’

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

approval of a drilling contract in respect of the applicable Drillship with (among other requirements, as prescribed by the Project Facilities Agreement) a minimum duration of three years (an “Acceptable Contract”).

Borrowings under the Term Loans bear interest at LIBOR plus an applicable margin. Prior to the effective date of the first Acceptable Contract in respect of a Drillship, the applicable margin under the relevant Term Loan made available to a Borrower is 4% per annum. Subsequent to the effective date of the first Acceptable Contract in respect of such Borrower’s Drillship and until 12 months after delivery of all four Drillships, the applicable margin is 3.5% per annum. Subsequent to 12 months after the delivery of all four Drillships, the applicable margin is based on the Borrowing Group’s historical debt service coverage ratio. If the ratio is not greater than 125%, the Applicable Margin is 3.5% per annum. If the ratio is greater than 125%, the applicable margin is 3% per annum.

The Project Facilities Agreement requires the Borrowers to pay a quarterly commitment fee until the end of the availability period on the undrawn amounts available under the Term Loan Facility. The commitment fee is computed at the rate of 50% of the applicable margin per annum.

The Commercial Tranche under the Project Facilities Agreement matures on October 31, 2015. The GIEK Tranche and the KEXIM Tranche each contain put options that, if exercised, would require full prepayment of the relevant proportion of all loans outstanding without any premium, penalty or fee if the Commercial Tranche is not refinanced on or prior to its maturity. If the put options are not exercised, the GIEK Tranche and the KEXIM Tranche each mature on October 31, 2019.

Amortization payments are required every six months, which payments commence six months after the delivery date of each Drillship, but only if an Acceptable Contract has been signed by such date. Otherwise, amortization payments commence on the date falling six months after the signing of an Acceptable Contract or as otherwise approved by the lenders. Interest is generally payable every three months. The Commercial Tranche requires a residual debt payment of \$200 million on maturity for each Term Loan. Borrowings under the Commercial Tranche may be prepaid in whole or in part with a 1% penalty on the amount prepaid if such prepayment takes place within one year after the delivery of the fourth Drillship and no penalty thereafter. Borrowings under the GIEK Tranche and the KEXIM Tranche may be prepaid in whole or in part with a 0.5% penalty. Borrowings under the Project Facilities Agreement are subject to acceleration upon the occurrence of events of default that are usual and customary for a financing of this type, size and purpose.

In November 2010, Pacific Bora Ltd. borrowed the maximum amount available under the Bora Term Loan of \$450 million. The Bora Term Loan requires ten amortization payments totaling \$25 million every six months commencing in April 2011, with the residual debt payment of \$200 million due in October 2015. During 2010, Pacific Drilling incurred and capitalized interest expense of \$12.6 million on the Bora Term Loan and commitment fees on the undrawn amounts available under the Term Loan Facility.

The indebtedness under the Project Facilities Agreement is guaranteed by the Guarantor. The obligations of the Borrowers under the Term Loan Facility are joint and several. The Project Facilities Agreement is secured by several collateral components, which are usual and customary for facilities of this type, size and purpose. The security provided to the lenders is cross-collateralized across all Term Loans and comprises assignments of refund guarantees, shipbuilding contracts and insurances, a first preferred mortgage over each Drillship and other types of collateral.

The Project Facilities Agreement requires compliance with certain affirmative and negative covenants that are customary for such financings. These include, but are not limited to, restrictions on (i) the ability of the Borrowers to pay dividends to its shareholder, or to sell assets and (ii) the ability of the Borrowing Group to

Table of Contents

Index to Financial Statements

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

incur additional indebtedness or liens, make investments or transact with affiliates (save for certain specified exceptions). The Borrowers are restricted in their ability to transfer their net assets to the Guarantor whether in the form of dividends, loans or advances. As of December 31, 2010, the amount of the Borrowing Group's restricted net assets is \$1.5 billion.

The Guarantor (through the Borrowing Group) is also required to enter into and maintain Acceptable Contracts for each Drillship, maintain (i) cash account balances reserved for debt service payments, (ii) Guarantor liquidity and (iii) contributed equity above certain levels and to meet a required level of collateral maintenance whereby the aggregate appraised collateral value must not be less than a certain percentage of the total Term Loan Facility outstanding balances and commitments.

The Project Facilities Agreement also requires compliance by the Guarantor with financial covenants including (i) a projected debt service coverage ratio of the Borrowing Group, (ii) a historical debt service coverage ratio of the Borrowing Group, (iii) a maximum leverage ratio of the Guarantor and (iv) minimum liquidity requirements of the Guarantor. The Project Facilities Agreement requires that Guarantor maintains (i) a projected (looking forward over the following twelve months) debt service coverage ratio of at least 1.1x through June 30, 2012 and 1.2x thereafter, (ii) a historical (looking back over the preceding twelve months) debt service coverage ratio of at least 1.1x through December 31, 2013 and 1.2x thereafter, (iii) a maximum leverage ratio of 65% and (iv) a minimum liquidity of \$50 million after the delivery of all four drillships. The Company is in compliance with all covenants as of December 31, 2010.

Maturities of long-term debt for each of the five years ending after December 31, 2010 are as follows:

	<u>(In thousands)</u>
Year ended 2011	\$ 50,000
Year ended 2012	50,000
Year ended 2013	50,000
Year ended 2014	50,000
Year ended 2015	250,000

Pacific Drilling is also required under the Term Loan Facility to hedge 75% of outstanding and available balances within 60 days after the first drawdown on each term loan (Note 20).

Note 6—Restricted cash

Restricted cash consists primarily of bank accounts held with financial institutions as security for the Project Facilities Agreement.

Note 7—Income taxes

Pacific Drilling Limited is a non-resident domestic Liberian corporation. As such, Pacific Drilling Limited is exempt from tax on income derived outside of Liberia, including income from its 50% ownership interest in TPDI. Income taxes have been provided based on the laws and rates in effect in the countries in which our operations are conducted or in which our subsidiaries are considered residents for income tax purposes. Our income tax expense or benefit arises from our mix of pretax earnings or losses, respectively, in the international tax jurisdictions in which we operate. Because the countries in which we operate have different statutory tax rates and tax regimes with respect to one another, there is no expected relationship between the provision for income taxes and our income or loss before income taxes.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Income / (loss) before income taxes consisted of the following:

	Years ended December 31,		
	2010	2009	2008
	(In thousands)		
Liberia	\$38,863	\$(1,879)	\$ 7,044
United States	498	(584)	(266)
Other Jurisdictions	(1,126)	211	(1,283)
Total	<u>\$38,235</u>	<u>\$(2,252)</u>	<u>\$ 5,495</u>

The components of income tax (provision) / benefit consisted of the following:

	Years ended December 31,		
	2010	2009	2008
	(In thousands)		
Current income tax benefit (expense):			
Liberia	\$ —	\$ —	\$ —
United States	(301)	(25)	(4)
Other Foreign	(21)	(6)	—
Total current	<u>\$ (322)</u>	<u>\$ (31)</u>	<u>\$ (4)</u>
Deferred tax benefit (expense):			
Liberia	\$ —	\$ —	\$ —
United States	344	—	—
Other Foreign	27	—	—
Total deferred	<u>\$ 371</u>	<u>\$ —</u>	<u>\$ —</u>
Total	<u>\$ 49</u>	<u>\$ (31)</u>	<u>\$ (4)</u>

A reconciliation between the Liberian statutory rate for non-resident domestic corporations of zero percent and our effective tax rate is as follows:

	Years Ended December 31,		
	2010	2009	2008
Statutory Rate	—%	—%	—%
Effect of tax rates different than the statutory Liberian tax rate	(0.1%)	(1.4%)	(0.1%)
Other	—%	—%	—%
Effective Tax Rate	<u>(0.1%)</u>	<u>(1.4%)</u>	<u>(0.1%)</u>

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

The components of deferred tax assets and liabilities consist of the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	<u>(In thousands)</u>	
Deferred tax assets:		
Net operating loss carryforwards	\$ —	\$ 272
Accrued payroll expenses	934	314
Other	21	22
Deferred tax assets	955	608
Less: valuation allowance	—	(310)
Total deferred tax assets	\$ 955	\$ 298
Deferred tax liabilities:		
Depreciation and amortization	\$ (584)	\$ (298)
Other	—	—
Total deferred tax liabilities	\$ (584)	\$ (298)
Net deferred tax assets / (liabilities)	<u>\$ 371</u>	<u>\$ —</u>

As of December 31, 2010, the Company has no deferred tax assets related to net operating losses (“NOLs”). Our deferred tax assets as of December 31, 2010 relate primarily to compensation expense that is not currently deductible for tax purposes.

A valuation allowance for deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2010, the valuation allowance for deferred tax assets decreased from \$0.3 million to \$0. The decrease resulted primarily from the full utilization of our NOL in the United States. We did not previously accrue the benefit of the NOL and other deferred taxes as we did not believe it was more likely than not that the deferred tax asset would be realized.

We recognize tax benefits from an uncertain tax position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the position. As of December 31, 2010 we have not accrued any liabilities with respect to uncertain tax positions. We will recognize interest and penalties related to uncertain tax positions in income tax expense.

Pacific Drilling is subject to taxation in various foreign and state jurisdictions in which it conducts business. As of December 31, 2010, Pacific Drilling is not under audit in any of the jurisdictions in which we operate. Pacific Drilling is open to tax audits for the 2008 to 2010 tax years in the United States and the 2009 to 2010 tax years in Singapore. There are no known pending tax audits.

Note 8—Related-party loan

The related-party loan was provided by Winter Finance Limited (“Winter Finance”), a shareholder related-party company whose ultimate parent company is Gladebrooke. During and prior to 2008, the loan had no set date for payment and did not accrue interest.

Effective January 1, 2009, Winter Finance and Pacific Drilling executed an intercompany revolving loan agreement with a maximum commitment not to exceed \$1 billion in principal borrowings. All outstanding amounts under the unsecured loan with Winter Finance were converted into outstanding borrowings under the intercompany revolving loan agreement on January 1, 2009.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Effective May 1, 2010, Pacific Drilling and Winter Finance amended the intercompany revolving loan agreement to increase the maximum amount of borrowings under the intercompany revolving loan agreement to \$1.5 billion. In November 2010, the Company made a \$69.4 million related-party loan payment in conjunction and compliance with the first utilization under the Bora Term Loan and \$655 million of the related-party loan was converted into equity. On December 31, 2010, all outstanding related-party loan principal and accrued interest, in the amount of \$892.6 million, was converted into equity in Pacific Drilling Limited.

Borrowings under the intercompany revolving loan agreement accrue interest at the rate of six percent per annum. Outstanding principal and accrued interest balance are due on the termination date of the agreement, January 1, 2016. During 2010 and 2009, Pacific Drilling capitalized interest expense of \$60.1 million and \$39.0 million, respectively, on the related-party loan as a cost of property and equipment.

Note 9—Shareholder’s equity

As of December 31, 2007, the common stock of Pacific Drilling consisted of 500 shares of authorized and issued common stock with no par value.

On July 12, 2008, Gladebrooke, our parent company at the time, was assigned \$150 million of the related-party loan from Winter Finance. On July 31, 2008, this related-party loan was then converted to equity in Pacific Drilling by means of it being contributed by Gladebrooke as additional consideration for the existing shares held by it as sole shareholder of the Company at the time.

On March 13, 2009, the Board of Pacific Drilling Limited authorized and approved an amendment and restatement of its Articles of Incorporation, to increase the authorized number of shares of common stock, no par value per share, to 820,000 shares.

On March 27, 2009, the Board of Pacific Drilling Limited authorized, approved and declared a dividend payable in shares of common stock of Pacific Drilling on March 30, 2009 to the holder of record of the existing issued shares in the amount of 1,609 shares of common stock for each share of common stock then outstanding, resulting in 805,000 shares of Pacific Drilling common stock being issued and outstanding. In connection with the dividend, the Board of Pacific Drilling Limited also assigned a \$0.001 par value to each share of common stock.

On May 26, 2009, Pacific Drilling underwent a change in shareholder, whereby Quantum became the sole shareholder of the Company. To accomplish the shareholder change, Pacific Drilling canceled the common stock certificates previously issued to Gladebrooke and issued a new common stock certificate for 805,000 common shares to Quantum.

On November 29, 2010, \$655 million of the related-party loan from Winter Finance was assigned to Quantum. The related-party loan was then converted to equity in Pacific Drilling, in the form of additional paid in capital by means of it being contributed, by Quantum, as an additional capital contribution for the common stock held by it as sole shareholder of the Company.

On December 10, 2010, the Board of Pacific Drilling Limited authorized and approved an amendment and restatement of its Articles of Incorporation, to increase the authorized number of shares of common stock, no par value per share, to 2,000,000 shares of common stock.

On December 31, 2010, Quantum was assigned all outstanding principal and accrued interest of the related-party loan from Winter Finance, which was then converted to equity, in the amount of \$892.6 million, in Pacific Drilling in exchange for the issuance of 1,115,761 shares of common stock.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Note 10—Share-based compensation

On April 24, 2009, the Board of Pacific Drilling Limited approved the creation of the Pacific Drilling 2009 Omnibus Stock Incentive Plan (the “2009 Stock Plan”), which provides for issuance of common stock options, as well as share appreciation rights, restricted shares, restricted share units, and other equity based or equity related awards to directors, officers, employees and consultants of Pacific Drilling. Further, the Board resolved that 15,000 shares of Pacific Drilling common stock be reserved and authorized for issuance pursuant to the terms of the 2009 Stock Plan.

On April 24, 2009, the Board also authorized the issuance of 6,684 common stock options to certain executives and employees at a per share exercise price of \$1,000, which the Board determined at issuance to be the fair market value of a Pacific Drilling common stock share. The options issued in 2009 have a contractual term of 10 years and vest 50%, 25% and 25% on March 31, 2011, 2012, and 2013, respectively. The fair value of options as of December 31, 2009 was \$500 for the 2009 stock options, using the following assumptions:

	<u>2009</u> <u>stock options</u>
Expected volatility	35%
Expected term (in years)	6.00
Expected dividends	—
Risk-free interest rate	3.00%

On December 21, 2010, the Board resolved that the number of shares reserved and authorized for issuance pursuant to the terms of the 2009 Stock Plan be increased by 25,000 to a total of 40,000 shares of Pacific Drilling common stock. Additionally, the Board authorized the issuance of 12,577 common stock options to certain executives and employees at a per share exercise price of \$800, which the Board determined at issuance to be the fair market value of a Pacific Drilling common stock share. The options issued in 2010 have a contractual term of 10 years and vest 25% annually on March 31, 2011, 2012, 2013 and 2014.

For the 2010 and 2009 grants, the fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model utilizing the assumptions noted in the table below. Expected volatility is based on implied volatilities from the expected volatility of a representative group of our publicly listed industry peer group as the historical volatility of the Company does not provide a reasonable basis for estimating volatility. The expected terms of the options is calculated using the simplified method as the historical option exercise experience of the Company does not provide a reasonable basis for estimating expected term. The risk free interest rates are determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the options.

The fair value of options as of December 31, 2010 is \$268 and \$217 for the 2010 and 2009 stock options, respectively, using the following assumptions:

	<u>2010</u> <u>stock options</u>	<u>2009</u> <u>stock options</u>
Expected volatility	51.7%	53.0%
Expected term (in years)	6.25	5.50
Expected dividends	—	—
Risk-free interest rate	2.39%	2.12%

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

A summary of option activity under the 2009 Stock Plan as of and for the year ended December 31, 2010 is as follows:

	<u>Options</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term</u>
Outstanding—January 1, 2010	6,684	\$ 1,000	
Granted	12,577	800	
Exercised	—		
Forfeited or expired	—		
Outstanding—December 31, 2010	19,261	\$ 869	9.4
Exercisable—December 31, 2010	—	\$ —	—

There were no options exercised during the years ended December 31, 2010, 2009 and 2008. As of December 31, 2010, total compensation costs related to nonvested awards not yet recognized is \$4.2 million and is expected to be recognized over 3.25 years.

Pursuant to the terms of the options granted, Pacific Drilling may elect to settle the stock options upon exercise in cash instead of issuing shares of our common stock. As of December 31, 2010 and 2009, the Company anticipated settling any of the 2010 and 2009 stock options in cash. As such, the stock options have been accounted for as liability awards at fair value. As of December 31, 2010 and 2009, the long-term liability for the stock options is \$0.7 and \$0.6 million, respectively.

During 2010 and 2009, compensation expense recognized related to share-based arrangement grants totaled \$0.1 million and \$0.6 million, respectively, and is recorded in general and administrative expenses in our consolidated statements of operations. There was no compensation expense related to share-based arrangements during the year ended December 31, 2008.

Note 11—Fair value measurements

We have estimated fair value by using appropriate valuation methodologies and information available to management as of December 31, 2010 and 2009. Considerable judgment is required in developing these estimates, and accordingly, estimated values may differ from actual results.

The estimated fair value of accounts receivable, accounts payable and accrued expenses approximates their carrying value due to their short-term nature. Additionally, the estimated fair value current and noncurrent restricted cash approximates its carrying value as it consists of cash and cash equivalent balances.

The estimated fair value of our Project Facilities Agreement debt approximates carrying value because the variable rates approximate current market rates. The determination of the fair value of the related-party loan and accrued interest payable on the related-party loan with carrying amounts of \$832.6 million and \$39.0 million, respectively, as of December 31, 2009 is not practicable due to their related-party nature.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Note 12—Commitments and contingencies

Operating leases— The Company leases office space in countries it operates. The future minimum lease payments under the noncancelable operating leases with lease terms in excess of one year are as follows:

	<u>(In thousands)</u>
Year ended 2011	\$ 496
Year ended 2012	350
Year ended 2013	360
Year ended 2014	371
Year ended 2015	188
Thereafter	—
Total future minimum lease payments	<u>\$ 1,765</u>

During 2010, 2009 and 2008, rent expense was \$0.6 million, \$0.3 million and \$0.1 million, respectively.

Commitments —As of December 31, 2010 and 2009, Pacific Drilling had no material commitments other than commitments related to deepwater drillship construction purchase commitments discussed in Note 3 and TPDI Joint Venture funding discussed in Note 4.

Contingencies —The Company may be the subject of certain claims and lawsuits occurring in the normal course of business. No pending or known threatened claims, actions or proceedings against us are expected to have a material adverse effect on our consolidated financial position, results of operations, and cash flows.

On November 9, 2010, Pacific Drilling entered into a drilling contract for the *Pacific Bora* with a wholly-owned Nigerian subsidiary of Chevron, Star Deepwater Petroleum Ltd. (“SDWPL”). Under the contract terms, SDWPL will reimburse Pacific Drilling for up to \$30 million in capital upgrades. At the end of the contract, Pacific Drilling is obligated to refund a portion of these costs. The amount of refund is dependent upon the timing of the expiration of the drilling contract. If the contract ends on the initial primary term of three years, Pacific Drilling will refund SDWPL 50% of the capital upgrades cost. For each year the contract is extended beyond the initial primary term, the amount refunded is reduced by 10%. As of December 31, 2010, Pacific Drilling has recorded a \$4.0 million liability for costs of upgrades incurred and billed to SDWPL. If the contract is extended, Pacific Drilling will record the resulting gain contingency to reimbursable revenues in future periods.

Note 13—Retirement plan

Pacific Drilling sponsors defined contribution retirement plans covering substantially all U.S. employees. During 2010, 2009 and 2008, our employer contributions to the plan amounted to \$0.5 million, \$0.1 million and \$0, respectively.

Note 14—Concentrations of credit and market risk

Pacific Drilling has a concentration of customers in the offshore drilling industry, which exposes us to a concentration of credit risk within a single industry. Financial instruments that potentially subject Pacific Drilling to credit risk are primarily cash equivalents, accrued interest on promissory notes from the Joint Venture, restricted cash, and the promissory notes to the Joint Venture. At times, cash equivalents may be in excess of FDIC insurance limits. Management assesses the exposure to credit risk on an ongoing basis. Credit evaluations

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

are performed on all customers requiring credit over a certain amount. Pacific Drilling currently does not require collateral in respect of financial assets. As of December 31, 2010, Pacific Drilling had one drilling customer, Chevron Corporation.

Note 15—Related-party transactions

As presented in our consolidated financial statements and described in Note 4, the Company entered into promissory note agreements with TPDI and Transocean to fund TPDI. The promissory notes accrue interest at LIBOR plus 2% per annum. During 2010, 2009 and 2008, the Company recorded related-party interest income from the Joint Venture of \$2.0 million, \$2.1 million and \$7.8 million on the promissory notes, respectively. As of December 31, 2010 and 2009, promissory notes to the Joint Venture were \$139.9 million. As of December 31, 2010 and 2009, the accrued interest receivable on these promissory notes was \$5.5 million and \$3.5 million, respectively.

As presented on our consolidated financial statements and described in notes 8 and 9, Pacific Drilling has a related-party loan payable. On December 31, 2010, Quantum was assigned all outstanding principal and accrued interest of the loan from Winter Finance, which was then converted into 1,115,761 shares of Pacific Drilling.

The Company executed a noncancelable operating lease in September 2009 for office space in Singapore for a period of 28 months with Tanker Pacific Management (Singapore) PTE Ltd. (“Tanker Pacific”), which is an affiliated company. During 2010, 2009 and 2008, rent expense under this lease was \$0.3 million, \$0.2 million and \$0, respectively. The Company also has an agreement with Tanker Pacific for the use of the services of certain Tanker Pacific employees on an ad hoc basis. During 2010, 2009 and 2008, expenses for the services of Tanker Pacific employees used by the Company under this arrangement were \$0.5 million, \$1.1 million and \$0.3 million, respectively.

The Company’s obligations under the several agreements with Samsung Heavy Industries (“SHI”) for the construction of the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana* are guaranteed by Tanker Pacific. The Tanker Pacific guarantee to SHI includes, but is not limited to, due and prompt payment of obligations under the drillships’ construction agreements.

In connection with contracts for the *Pacific Santa Ana* and the *Pacific Bora*, Quantum has guaranteed to Chevron, subject to certain excuses from guarantee, prompt and proper performance by the Company of all obligations under the drilling contract. Quantum’s guarantee to Chevron includes any payments due to Chevron, indemnification with respect to certain intellectual property, satisfaction of any patent infringement judgment and a provision to substitute a drilling unit if one is available on substantially similar terms and the *Pacific Santa Ana* or *Pacific Bora* is rendered unavailable.

Note 16—Segments and geographic areas

Pacific Drilling is engaged in offshore contract drilling operations in international locations, with the operation and management of four deepwater drillships and investment in TPDI. Our primary business is to contract our deepwater drillships, related equipment, and work crews primarily on a dayrate basis. We specialize in technically demanding segments of the offshore drilling business with a focus on deepwater drilling services.

Although we operate in many geographic locations, there is a similarity of economic characteristics among all of our locations, including Pacific Drilling’s and TPDI’s nature of services provided and the type of customers. The deepwater drillships are part of a single, global market for contract drilling services and can be redeployed globally due to changing demands. We intend to evaluate the performance of our operating

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

segments based on revenues from external customers and operating profit by rig. The consolidation of our operating segments into one reportable segment is attributable to how we manage our business. The accounting policies of our operating segments are the same as those described in the summary of significant accounting policies (Note 2).

At December 31, 2010, substantially all of our identifiable long-lived tangible assets were located in South Korea.

Note 17—Earnings per Share

On March 11, 2011 Pacific Drilling S.A. was formed by Quantum as a Luxembourg company with a share capital of 50,000 common shares. On March 30, 2011 the Board of Pacific Drilling S.A. resolved to split the 50,000 incorporation common shares into 5,000,000 common shares. Further, Pacific Drilling S.A. issued 145,000,000 common shares to Quantum Pacific (Gibraltar) Limited, a wholly owned subsidiary of Quantum, to become the indirect shareholder of all issued Pacific Drilling Limited common shares.

In computing earnings per common share, the reported share and per share amounts has been retrospectively restated to reflect the restructuring that occurred on March 30, 2011. The total basic shares outstanding for the years ended December 31, 2010, 2009, and 2008 is 150,000,000 common shares.

	For the Year Ended December 31,		
	2010	2009	2008
	(in thousands, except share data)		
Net income (loss)	\$ 37,299	\$ (2,283)	\$ 5,491
Weighted average number of common shares outstanding	150,000,000	150,000,000	150,000,000
Basic and diluted earnings (loss) per common share	\$ 0.25	\$ (0.02)	\$ 0.04

The computation of diluted earnings per common share excludes shares of potentially dilutive common shares related to stock options because the Company anticipates settling those stock options in cash.

Note 18—Supplemental cash flow information

During 2010 and 2009, all amounts paid for interest were capitalized. During 2010 and 2009, we paid income taxes of \$33,000 and \$4,000, respectively. During 2008, we did not pay any income taxes.

Capital expenditures in our consolidated statements of cash flows include the effect of changes in accrued capital expenditures, which are capital expenditures that were accrued but unpaid at period end. We have included these amounts in accounts payable and accrued expenses in our consolidated balance sheets as of December 31, 2010 and 2009. During 2010, 2009 and 2008, capital expenditures excludes the effects of changes in accrued capital expenditures of \$11.6 million, \$0, and \$0.9 million in our consolidated statements of cash flows.

During 2010 and 2009, unpaid interest expense and non-cash amortization of deferred financing costs totaling \$70.8 million and \$43.9 million, respectively, were capitalized to property and equipment. Accordingly, these amounts are excluded from capital expenditures in our consolidated statements of cash flows for the years ended December 31, 2010 and 2009.

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

Note 19—Liquidity

The Company's funding has been provided to date through a combination of borrowings from affiliated entities and third party lenders (Note 5 and Note 8) and equity contributions from and issuances to our parent (Note 9). The Company's liquidity requirements relate to ongoing significant funding investments in the newbuild ultra-deepwater drillships, servicing debt, funding working capital requirements and maintaining adequate cash reserves to mitigate the effects of fluctuations in operating cash flows.

During 2010 and 2011, the Company took delivery of three of its ultra-deepwater drillships and expects to take delivery of the other ultra-deepwater drillship in 2011. Additionally, the Company has secured two long-term drilling contracts and a letter of award for a third drilling contract, which was subsequently converted to a definitive contract. We expect three of the ultra-deepwater drillships to commence drilling operations prior to the end of 2011. Additionally, on April 5, 2011, Pacific Drilling S.A. completed a private placement of 60,000,000 common shares for gross proceeds of \$600 million.

Primary sources of funds for the Company's short-term liquidity needs will be cash flow from operations, available cash balances, borrowings under the Project Facilities Agreement and existing proceeds from equity contributions and issuances. The Company's liquidity needs fluctuate depending on a number of factors, including, among others, demand for services, dayrates received and operating costs.

The Company believes that borrowings under the Project Facilities Agreement together with cash on hand, including cash flows from operations, and the 2011 Private Placement proceeds, will provide sufficient liquidity over the next twelve months to fund the Company's working capital needs, debt repayments, and anticipated capital expenditures, including progress payments for the Company's drillship construction projects.

Note 20—Subsequent events

Following December 31, 2010, Pacific Drilling borrowed \$200 million on the Pacific Scirocco Term Loan, \$200 million on the Pacific Mistral bridge loan and \$106 million on the Pacific Santa Ana Term Loan.

On January 14, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Pacific Bora Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.83% and receives LIBOR. The notional amount hedges 100% of outstanding borrowings under the Pacific Bora Term Loan. The interest rate swap expires October 31, 2015.

On February 11, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Santa Ana Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 2.39% and receives LIBOR. The notional amount hedges 100% of outstanding commitments and borrowings under the Pacific Santa Ana Term Loan. The interest rate swap expires October 31, 2015.

On May 6, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Pacific Scirocco Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.87% and receives LIBOR. The notional amount hedges \$375 million of outstanding commitments and borrowings under the Pacific Scirocco Term Loan. The interest rate swap expires October 31, 2015.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

On May 31, 2011, Pacific Drilling entered into an interest rate swap to reduce the variability of future cash flows in the interest payments for the variable-rate debt under the Pacific Mistral Term Loan. Pacific Drilling designated the interest rate swap as a cash flow hedge for accounting purposes. The interest rate swap pays fixed rate interest of 1.6% and receives LIBOR. The notional amount hedges \$375 million of outstanding commitments and borrowings under the Pacific Mistral Term Loan. The interest rate swap expires October 31, 2015.

On March 15, 2011, the Company entered into contracts with SHI for the construction of its fifth and sixth advanced-capability, ultra-deepwater drillships, the *Pacific Khamsin* and the *Pacific Sharav*, which are expected to be delivered in the second quarter and third quarter of 2013, respectively. The contracts provide for an aggregate purchase price of approximately \$1 billion for the acquisition of the two vessels, payable in installments during the construction process. On June 20, 2011, the Company paid SHI \$2.0 million for an option to construct a seventh drillship at the same price and other terms and conditions as the contracts for the *Pacific Khamsin* and the *Pacific Sharav*, subject to a price increase of not more than \$12.5 million and certain adjustments to compensate for foreign exchange rate fluctuations. The option is valid until October 31, 2011. If the Company elects to exercise this option, the \$2.0 million paid to SHI for the option will be applied towards the contract price of the seventh vessel.

During March 2011, Quantum implemented a restructuring whereby Pacific Drilling S.A. was formed as a Luxembourg company under the form of a *société anonyme* to act as a holding company for Pacific Drilling Gibraltar Limited, which acts a holding company for Pacific Drilling Limited. Additionally, the Company assigned our interests in TPDI's equity, promissory notes to Joint Venture and accrued interest on promissory notes from Joint Venture to a subsidiary of Quantum.

On March 31, 2011, the Company cancelled the 2009 Stock Plan including the 2010 and 2009 stock option grants. In conjunction with the cancellation, stock options in Pacific Drilling S.A. were issued to certain executives and employees.

On March 31, 2011, the Company entered into an Amended and Restated Project Facilities Agreement ("Amended Project Facilities Agreement") and a Charter Waiver Request Letter ("Waiver Letter"). The Amended Project Facilities Agreement allows for shorter term drilling contracts with a minimum of 12 months' duration for the *Pacific Mistral* and the *Pacific Scirocco* ("Alternative Contracts"). The Waiver Letter also permits, subject to certain conditions, for bridge loans of \$200 million each to Pacific Mistral Ltd. and Pacific Scirocco Ltd. for the final delivery payment of such Borrower's Drillship in the situation where no drilling contract exists. Pacific Mistral Ltd. and Pacific Scirocco Ltd. may only borrow under the bridge loan if the other has not previously borrowed under the bridge loan, unless at such time, either has entered into an Acceptable Contract, Alternative Contract or an acceptable letter of intent in respect of an Acceptable Contract or Alternative Contract.

Any excess over the amount of \$200 million that is drawn under the bridge loan by either Pacific Scirocco Ltd. or Pacific Mistral Ltd. must be deposited in a charged account and will be transferred to the relevant Borrower's disbursement account or used to prepay the relevant Borrower's Term Loan at the end of the waiver period. Upon entering into an Acceptable or Alternative Contract, all additional available amounts under the Term Loans may be borrowed under the terms of the Amended Project Facilities Agreement.

Borrowings under a bridge loan bear interest at LIBOR plus 4.75% per annum and mature on the earlier of (i) the date on which Pacific Mistral Ltd. or Pacific Scirocco Ltd. (as applicable) enter into either an Acceptable Contract or an Alternative Contract, (ii) the commencement of the *Pacific Santa Ana* drilling contract, or (iii) October 31, 2011.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

On April 5, 2011, Pacific Drilling S.A. completed a private placement of 60,000,000 Common Shares for gross proceeds of \$600 million.

On April 13, 2011, the Company took delivery of the *Pacific Scirocco* and secured a letter of award from Total S.A. for a one-year contract with two one-year option periods. On July 11, 2011, the letter of award was converted into a definitive contract following the necessary approvals from authorities.

On April 19, 2011, Pacific Drilling Limited assigned our interests in Pacific Drilling V Limited and Pacific Drilling VI Limited to Pacific Drilling Gibraltar Limited. Pacific Drilling V Limited and Pacific Drilling VI Limited are the owners of the construction agreements for the *Pacific Khamsin* and the *Pacific Sharav*, respectively.

In conjunction with the Amended Project Facilities Agreement and in relation to the Guarantor's transfer of its TPDI investment, Quantum has guaranteed to the lenders that any proceeds from the exercise of the put option relating to the equity interest in TPDI will be used to prepay or secure the Amended Project Facilities Agreement.

Following December 31, 2010, Quantum made aggregate capital contributions of \$142 million. The proceeds of the equity contributions were used primarily to fund the Company's ongoing construction program relating to the *Pacific Scirocco*, the *Pacific Mistral* and the *Pacific Santa Ana*, and a down payment required for the *Pacific Khamsin* and the *Pacific Sharav*.

On June 2, 2011, the Company took delivery of the *Pacific Mistral*.

[Table of Contents](#)

[Index to Financial Statements](#)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Pro Forma Condensed Consolidated Financial Statements

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2010 have been derived from the audited historical consolidated financial statements of Pacific Drilling S.A. (“Pacific Drilling,” “the Company,” “we,” “us,” or “our”) included elsewhere in this prospectus, as if the Company’s equity interest in Transocean Pacific Drilling Inc. (“TPDI”) was assigned to a subsidiary of the Quantum Pacific Group as of January 1, 2010. The unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2011 have been derived from our unaudited historical condensed consolidated financial statements included elsewhere in this prospectus, as if the assignment occurred as of January 1, 2011.

The pro forma adjustments are based on available information and include assumptions that we believe are reasonable, which are described in the accompanying notes.

These unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the operating results that would have been achieved had the assignment of TPDI been completed as of the dates indicated or of the operating results or financial position that may be obtained in the future. These unaudited pro forma condensed consolidated financial statements and the accompanying notes should be read together with our audited consolidated financial statements as of and for the year ended December 31, 2010 and our unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2011.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Consolidated Statement of Operations
(in thousands except for share and per share amounts)
Year Ended December 31, 2010

	<u>Actual</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
General and administrative expenses	\$ (19,715)	\$ —	\$ (19,715)
Depreciation expense	(395)	—	(395)
Operating loss	(20,110)	—	(20,110)
Equity in earnings of Joint Venture	56,307	(56,307)(a)	—
Interest income from Joint Venture	1,973	(1,973)(b)	—
Interest expense	(858)	858(c)	—
Other expense	(62)	—	(62)
Income (loss) before income taxes	37,250	(57,422)	(20,172)
Income tax benefit	49	—	49
Net income (loss)	<u>\$ 37,299</u>	<u>\$ (57,422)</u>	<u>\$ (20,123)</u>
Earnings (loss) per common share, basic and diluted	\$ 0.25	\$ 0.38	\$ (0.13)
Weighted average number of common shares, basic and diluted	150,000,000	150,000,000	150,000,000

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

[Table of Contents](#)

[Index to Financial Statements](#)

PACIFIC DRILLING S.A. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Consolidated Statement of Operations
(in thousands except for share and per share amounts)
Six Months Ended June 30, 2011

	<u>As Reported</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
General and administrative expenses	\$ (23,812)	\$ —	\$ (23,812)
Depreciation expense	(316)	—	(316)
Operating loss	(24,128)	—	(24,128)
Equity in earnings of Joint Venture	18,955	(18,955)(a)	—
Interest income from Joint Venture	495	(495)(b)	—
Interest expense	(305)	305(c)	—
Other expense	1,162	—	1,162
Income (loss) before income taxes	(3,821)	(19,145)	(22,966)
Income tax benefit	408	—	408
Net income (loss)	<u>\$ (3,413)</u>	<u>\$ (19,145)</u>	<u>\$ (22,558)</u>
Earnings (loss) per common share, basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.11)</u>	<u>\$ (0.13)</u>
Weighted average number of common shares, basic and diluted	<u>178,839,779</u>	<u>178,839,779</u>	<u>178,839,779</u>

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

Table of Contents

Index to Financial Statements

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

- (a) Reflects the pro forma elimination of our equity method share of earnings from Joint Venture.
- (b) Reflects the pro forma elimination of interest income on notes receivable from Joint Venture.
- (c) Reflects the pro forma elimination of interest expense incurred on a letter of credit agreement with Transocean directly related to the Joint Venture.

[Table of Contents](#)

[Index to Financial Statements](#)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Transocean Pacific Drilling Inc.

We have audited the accompanying consolidated balance sheets of Transocean Pacific Drilling Inc. (the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transocean Pacific Drilling Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, Texas
August 11, 2011

[Table of Contents](#)

[Index to Financial Statements](#)

TRANSOCEAN PACIFIC DRILLING INC.
Consolidated Statements of Operations
(In thousands)

	Years ended December 31,		
	2010	2009	2008
Operating revenues			
Contact Drilling revenues	\$304,092	\$ 57,025	\$ —
Cost and expenses			
Operating and maintenance	79,405	22,730	1,202
Operating and maintenance—affiliates	12,213	2,896	—
Depreciation	35,688	8,571	—
General and administrative	226	1,480	48
Loss on disposal of assets	1,682	—	—
	<u>129,214</u>	<u>35,677</u>	<u>1,250</u>
Operating income (loss)	<u>174,878</u>	<u>21,348</u>	<u>(1,250)</u>
Other income (expense)			
Interest expense, net	(52,762)	(10,706)	(152)
Other	(138)	(448)	43
	<u>(52,900)</u>	<u>(11,154)</u>	<u>(109)</u>
Income (loss) before income taxes	<u>121,978</u>	<u>10,194</u>	<u>(1,359)</u>
Income tax expense	13,715	2,437	—
Net income (loss)	<u>\$108,263</u>	<u>\$ 7,757</u>	<u>\$(1,359)</u>

See accompanying notes.

[Table of Contents](#)

[Index to Financial Statements](#)

TRANSOCEAN PACIFIC DRILLING INC.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Years ended December 31,		
	2010	2009	2008
Net income (loss)	<u>\$108,263</u>	<u>\$ 7,757</u>	<u>\$(1,359)</u>
Other comprehensive income (loss) before income taxes			
Unrecognized gain (loss) on derivative instruments	(11,821)	20,738	—
Recognized gain (loss) on derivative instruments	(23,079)	(12,753)	—
Other comprehensive income (loss), net of income taxes	<u>(34,900)</u>	<u>7,985</u>	<u>—</u>
Total comprehensive income (loss)	<u>\$ 73,363</u>	<u>\$ 15,742</u>	<u>\$(1,359)</u>

See accompanying notes.

[Table of Contents](#)

[Index to Financial Statements](#)

TRANSOCEAN PACIFIC DRILLING INC.
Consolidated Balance Sheets
(In thousands, except share data)

	December 31,	
	2010	2009
Assets		
Cash and cash equivalents	\$ 93,790	\$ 14,128
Accounts receivable		
Trade and other	85,703	66,146
Affiliates	290	357
Materials and supplies, net	20,071	13,325
Prepayments and other current assets	4,103	2,903
Total current assets	<u>203,957</u>	<u>96,859</u>
Property and equipment	1,474,988	1,436,300
Less accumulated depreciation	44,027	8,571
Property and equipment, net	<u>1,430,961</u>	<u>1,427,729</u>
Deferred income taxes	—	210
Other assets	11,064	41,716
Total assets	<u>\$1,645,982</u>	<u>\$1,566,514</u>
Liabilities and shareholders' equity (deficit)		
Accounts payable		
Trade	\$ 10,640	\$ 16,509
Affiliates	74,789	49,960
Debt due to affiliate within one year	70,000	52,500
Debt due to third parties within one year	70,000	52,500
Accrued income taxes	—	2,648
Interest payable	22,137	14,231
Other current liabilities	35,403	22,056
Total current liabilities	<u>282,969</u>	<u>210,404</u>
Long-term debt to affiliates	768,459	806,981
Long-term debt to third party	490,195	528,716
Deferred income taxes	163	—
Other long-term liabilities	15,706	5,286
Total long-term liabilities	<u>1,274,523</u>	<u>1,340,983</u>
Common stock, \$0.01 par value, 50,000 shares authorized, issued, fully paid and outstanding at December 31, 2010 and 2009	1	1
Additional paid-in capital	1,743	1,743
Accumulated other comprehensive income (loss)	(26,915)	7,985
Retained earnings (accumulated deficit)	113,661	5,398
Total shareholders' equity (deficit)	<u>88,490</u>	<u>15,127</u>
Total liabilities and shareholders' equity	<u>\$1,645,982</u>	<u>\$1,566,514</u>

See accompanying notes.

TRANSOCEAN PACIFIC DRILLING INC.
Consolidated Statements of Shareholders' Equity (Deficit)
(In thousands, except for shares)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income/(loss)	Retained earnings (accumulated deficit)	Total shareholders' equity (deficit)
	Shares	Amount				
Balance at December 31, 2008	<u>50,000</u>	<u>\$ 1</u>	<u>\$ 1,743</u>	<u>\$ —</u>	<u>\$ (2,359)</u>	<u>\$ (615)</u>
Net income	—	—	—	—	7,757	7,757
Other comprehensive income	—	—	—	7,985	—	7,985
Balance at December 31, 2009	<u>50,000</u>	<u>\$ 1</u>	<u>\$ 1,743</u>	<u>\$ 7,985</u>	<u>\$ 5,398</u>	<u>\$ 15,127</u>
Net income	—	—	—	—	108,263	108,263
Other comprehensive loss	—	—	—	(34,900)	—	(34,900)
Balance at December 31, 2010	<u>50,000</u>	<u>\$ 1</u>	<u>\$ 1,743</u>	<u>\$ (26,915)</u>	<u>\$ 113,661</u>	<u>\$ 88,490</u>

See accompanying notes.

[Table of Contents](#)[Index to Financial Statements](#)

TRANSOCEAN PACIFIC DRILLING INC.
Consolidated Statements of Cash Flows
(In thousands)

	Years ended December 31,		
	2010	2009	2008
Operating activities			
Net income (loss)	\$108,263	\$ 7,757	\$ (1,359)
Adjustments to reconcile net income to net cash used by operating activities			
Depreciation and amortization	35,688	8,571	—
Deferred income tax	373	(210)	—
Loss from disposals of assets, net	1,682	—	—
Other, net	3,189	(254)	—
Changes in operating assets and liabilities:			
Account receivable and other current assets	(22,447)	(82,158)	—
Other assets	214	(532)	(15,331)
Accounts payable and accrued liabilities	19,186	9,320	889
Income tax receivable / payable	(4,881)	2,648	—
Other long-term liabilities	2,296	5,286	—
Receivable from / payable to affiliates, net	43,055	8,772	—
Net cash provided by (used in) operating activities	<u>186,618</u>	<u>(40,800)</u>	<u>(15,801)</u>
Investing activities			
Capital expenditures	<u>(64,913)</u>	<u>(591,132)</u>	<u>(302,955)</u>
Net cash used in investing activities	<u>(64,913)</u>	<u>(591,132)</u>	<u>(302,955)</u>
Financing activities			
Proceeds from short-term affiliate debt	—	—	185,240
Repayment of short-term affiliate debt	(52,500)	—	(440,576)
Repayment of short-term third-party debt	(52,500)	—	—
Proceeds from long-term affiliate debt	31,478	350,573	287,905
Proceeds from long-term third-party debt	31,479	292,768	288,906
Net cash (used in) provided by financing activities	<u>(42,043)</u>	<u>643,341</u>	<u>321,475</u>
Net increase in cash and cash equivalents	79,662	11,409	2,719
Cash and cash equivalents at beginning of period	14,128	2,719	—
Cash and cash equivalents at end of period	<u>\$ 93,790</u>	<u>\$ 14,128</u>	<u>\$ 2,719</u>

See accompanying notes.

TRANSOCEAN PACIFIC DRILLING INC.
Notes to Consolidated Financial Statements

Note 1—Nature of Operations

Transocean Pacific Drilling Inc. (and together with its consolidated subsidiaries, the “Company”, “we”, “us”, or “our”), a British Virgin Islands joint venture company having its registered office at Walkers Chambers, P.O. Box 92, Road Town, Tortola, British Virgin Islands, was incorporated on October 5, 2007 by Pacific Drilling Limited, a Liberian corporation (“PDL”), whose ultimate parent is Gladebrooke Holdings Limited. On October 18, 2007 (“Inception”), Transocean Offshore International Ventures Limited (“TOIVL”) acquired a 50 percent interest in the Company from PDL to form a joint venture for the purpose of, either directly or through its subsidiaries, constructing, owning, operating and chartering two ultra-deepwater drillships (together, the “Drilling Rigs”) named Dhirubhai Deepwater KG1 (“KG1”) and Dhirubhai Deepwater KG2 (“KG2”). In January 2008, TOIVL approved the transfer of its equity in the joint venture to a wholly-owned subsidiary, Transocean Pacific Drilling Holdings Limited (“TPDHL”), a Cayman Islands company whose ultimate parent is Transocean Ltd. (together with PDL, the “Shareholders”). Beginning on October 18, 2010, PDL had the right to exchange its interest in the Company for Transocean Ltd. shares or cash at a purchase price based on an appraisal of the fair value of the Drilling Rigs subject to certain adjustments. See Note 5—Related Party Transactions.

Since its inception, the Company has devoted substantial efforts to designing, engineering and contracting with shipyards and vendors and has entered into various construction management agreements with TOIVL and its affiliates, in connection with the construction of the Drilling Rigs (see Note 5—Related Party Transactions). The KG1 started operating in July 2009 and the KG2 started operating in March 2010.

Funding for the Company, as provided for in the Shareholders’ Agreement (see Note 5—Related Party Transactions), requires that the Shareholders each provide capital or loans to the Company. To the extent expenditures are not funded by third-party indebtedness, the shareholders are to fund in proportion to their respective ownership (1) all expenditures required to be made under various management services agreements (see Note 5—Related Party Transactions), (2) any performance guarantees, surety bonds or letters of credit, (3) an adequate level of working capital for the Company, and (4) additional requirements as agreed to by the Shareholders. Prior to Inception, capital expenditure commitments were funded by PDL. At Inception, the Shareholders issued promissory notes to the Company for the funding of capital expenditures (see Note 3—Interest-bearing Loans and Borrowings and Note 5—Related Party Transactions). As of December 31, 2010, the amounts required to fund capital expenditures have been provided through a combination of loans made in accordance with the Shareholders’ Agreement and third-party indebtedness.

Note 2—Summary of Significant Accounting Policies

Accounting estimates —The preparation of financial statements in accordance with accounting principles generally accepted in the United States (“U.S.”) requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to our allowance for doubtful accounts, materials and supplies obsolescence, property and equipment, income taxes, and contingencies. We base our estimates and assumptions on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

Fair value measurements —We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (“Level 1”), (2) direct or indirect observable inputs, including quoted prices or other market data,

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (“Level 2”) and (3) unobservable inputs that require significant judgment for which there is little or no market data (“Level 3”). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Principles of consolidation —We consolidate entities in which we have a majority voting interest and entities that meet the criteria for variable interest entities for which we are deemed to be the primary beneficiary for accounting purposes. We eliminate intercompany transactions and accounts in consolidation. We apply the equity method of accounting for investments in entities when we have the ability to exercise significant influence over an entity that (a) does not meet the variable interest entity criteria or (b) meets the variable interest entity criteria, but for which we are not deemed to be the primary beneficiary. We apply the cost method of accounting for investments in other entities if we do not have the ability to exercise significant influence over the unconsolidated affiliate.

Cash and cash equivalents —Cash equivalents are highly liquid debt instruments with original maturities of three months or less that may include time deposits with commercial banks that have high credit ratings, U.S. Treasury and government securities, Eurodollar time deposits, certificates of deposit and commercial paper. We may also invest excess funds in no-load, open-end, management investment trusts (“management trusts”). The management trusts invest exclusively in high-quality money market instruments.

Accounts receivable —Accounts receivable are stated at the historical carrying amount net of allowance for doubtful accounts.

Allowance for doubtful accounts —We establish an allowance for doubtful accounts on a case-by-case basis, considering changes in the financial position of a major customer, when we believe the required payment of specific amounts owed is unlikely to occur. We derive a majority of our revenues from services to international oil companies and government-owned or government-controlled oil companies. We evaluate the credit quality of our customers on an ongoing basis, and we do not generally require collateral or other security to support customer receivables. This allowance was \$1.1 million at December 31, 2010 and zero at December 31, 2009.

Materials and supplies —Materials and supplies are carried at average cost less an allowance for obsolescence. Such allowance was \$218 thousand and \$9 thousand at December 31, 2010 and 2009, respectively.

Property and equipment —Property and equipment, consisting primarily of offshore drilling rigs and related equipment, represented approximately 87 percent of our total assets at December 31, 2010. The carrying amounts of these assets are based on estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of our rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. We compute depreciation using the straight-line method after allowing for salvage values. We capitalize expenditures for renewals, replacements and improvements, and we expense maintenance and repair costs as incurred. Upon sale or other disposition of an asset, we recognize a net gain or loss on disposal of the asset, which is measured as the difference between the net carrying amount of the asset and the net proceeds received.

Estimated original useful lives for the Drilling Rigs are 35 years and machinery and equipment from five to 12 years. From time to time, we may review the estimated remaining useful lives of our drilling units, and we may extend the useful life when events and circumstances indicate a drilling unit can operate beyond its remaining useful life.

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

Long-lived assets —We review the carrying amounts of long-lived assets for potential impairment when events occur or circumstances change that indicate that the carrying value of such assets may not be recoverable.

Operating revenues and expenses —We recognize operating revenues as they are earned, based on average daily rates over the primary contract term or based on a fixed price. In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. In connection with new drilling contracts, revenues earned and incremental costs incurred directly related to contract preparation and mobilization are deferred and recognized over the primary contract term of the drilling project using the straight-line method. Our policy to amortize the fees related to contract preparation, mobilization and capital upgrades on a straight-line basis over the estimated firm period of drilling is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract. For contractual daily rate contracts, we account for loss contracts as the losses are incurred. Costs of relocating drilling units without contracts to more promising market areas are expensed as incurred. Upon completion of drilling contracts, any demobilization fees received are reported in income, as are any related expenses. Capital upgrade revenues received are deferred and recognized over the primary contract term of the drilling project. The actual cost incurred for the capital upgrade is depreciated over the estimated useful life of the asset. We incur periodic survey and drydock costs in connection with obtaining regulatory certification to operate our rigs on an ongoing basis. Costs associated with these certifications are deferred and amortized on a straight-line basis over the period until the next survey.

Capitalized interest —We capitalize interest costs for qualifying construction and upgrade projects. We capitalized interest costs on construction work in progress of \$5 million, \$34 million and \$35 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Derivative instruments and hedging activities —From time to time, we may enter into a variety of derivative financial instruments in connection with the management of our exposure to variability in foreign exchange rates and interest rates. We record derivatives on our consolidated balance sheet, measured at fair value. For derivatives that do not qualify for hedge accounting, we recognize the gains and losses associated with changes in the fair value in current period earnings. See Note 4—Derivatives and Hedging and Note 7—Financial Instruments and Risk Concentration.

We may enter into cash flow hedges to manage our exposure to variability of the expected future cash flows of recognized assets or liabilities or of unrecognized forecasted transactions. For a derivative that is designated and qualifies as a cash flow hedge, we initially recognize the effective portion of the gains or losses in other comprehensive income (loss) and subsequently recognize the gains and losses in earnings in the period in which the hedged forecasted transaction affects earnings. We recognize the gains and losses associated with the ineffective portion of the hedges in interest expense in the period in which they are realized.

We may enter into fair value hedges to manage our exposure to changes in fair value of recognized assets or liabilities, such as fixed-rate debt, or of unrecognized firm commitments. For a derivative that is designated and qualifies as a fair value hedge, we simultaneously recognize in current period earnings the gains or losses on the derivative along with the offsetting losses or gains on the hedged item attributable to the hedged risk. The resulting ineffective portion, which is measured as the difference between the change in fair value of the derivative and the hedged item, is recognized in current period earnings. See Note 4—Derivatives and Hedging and Note 7—Financial Instruments and Risk Concentration.

Foreign currency —The majority of our revenues and expenditures are denominated in U.S. dollars to limit our exposure to foreign currency fluctuations, resulting in the use of the U.S. dollar as the functional currency for all of our operations. Foreign currency exchange gains and losses are primarily included in other income

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

(expense) as incurred. We had net foreign currency exchange losses of \$145 thousand and \$452 thousand and a gain of \$44 thousand for the years ended December 31, 2010, 2009 and 2008, respectively.

Income taxes —The Company is a British Virgin Islands (“BVI”) company and our earnings are not subject to income tax in BVI because the country does not levy tax on corporate income. Currently business is conducted through our subsidiaries with offices based in India. We have provided for income taxes based upon the tax laws and rates in the countries in which operations are conducted and income is earned.

Taxes Collected from Customers and Remitted to Governmental Authorities —The Company reports service taxes collected from customers and remitted to governmental authorities on a net basis. Certain operating activities are subject to service taxes of 10.3 percent on revenues earned from our customers. The amount of service tax incurred is excluded from contract drilling revenues and operating and maintenance expenses on our consolidated statements of operations. Unremitted service tax collected from our customers is reported in other current liabilities on our consolidated balance sheets.

Fair value of derivative financial instruments —To determine the fair value of derivative financial instruments, the Company discounts projected cash flows as of the measurement date using significant observable market data, including mid-market rates for the forward USD-LIBOR curve consisting of short-term cash rates, Eurodollar futures, treasury yields, and swap spreads. In addition, for fair value adjusted credit risk, the Company applies credit spreads to the discount factors, applying a weighted-average credit spread prevailing on the third party debt if the derivative is a liability. If the derivative is an asset, the credit risk adjustment is based on the credit quality of each respective counterparty. To determine the credit adjustment necessary for its affiliate, TOIVL, the Company applies the credit spreads prevailing on third-party debt agreements with this entity.

Subsequent events —We evaluate subsequent events through the date our financial statements are available to be issued. For the year ended December 31, 2010, we have evaluated subsequent events for recognition in the financial statements through March 31, 2011 and for disclosure only in the financial statements through August 11, 2011. See Note 10—Subsequent Events.

Recently adopted accounting pronouncements

Derivatives and hedging —Effective January 1, 2009, we adopted the accounting standards update related to derivative instruments and hedging activities, which required enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how an entity accounts for derivative instruments and related hedged items and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. Our adoption did not have a material effect on the disclosures contained within our notes to consolidated financial statements. See Note 4—Derivatives and Hedging.

Fair value measurements and disclosures —Effective 2009, we adopted the accounting standards update related to measuring fair value when the volume and level of activity for the assets or liability have significantly decreased and identifying transactions that are not orderly, which provided additional guidance for estimating fair value when there is no active market or where the activity represents distressed sales on an annual reporting basis. Our adoption did not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Effective January 1, 2010, we adopted the effective provisions of the accounting standards update that clarifies existing disclosure requirements and introduces additional disclosure requirements for fair value measurements. The update requires entities to disclose the amounts of and reasons for significant transfers

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

between Level 1 and Level 2, the reasons for any transfers into or out of Level 3, and information about recurring Level 3 measurements of purchases, sales, issuances and settlements on a gross basis. The update also clarifies that entities must provide (a) fair value measurement disclosures for each class of assets and liabilities and (b) information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. The update is effective for annual periods beginning after December 15, 2009. The requirement to separately disclose purchases, sales, issuances, and settlements of recurring Level 3 measurements is effective for annual periods beginning after December 15, 2010. Our adoption did not have a material effect on the disclosures contained within our notes to consolidated financial statements.

Note 3—Interest-bearing Loans and Borrowings

\$1.265 billion Credit Facility —In October 2008, the Company entered into a credit agreement for a \$1.265 billion secured credit facility, comprised of a \$1.0 billion senior tranche and a \$190 million junior tranche (the “Term Loan Facility”) as well as a \$75 million revolving credit facility (the “Revolving Credit Facility”). The Term Loan Facility and the Revolving Credit Facility (together, the “Credit Facilities”) financed the construction of the Drilling Rigs which serve as security against outstanding debt. The Term Loan Facility senior and junior tranches are both comprised of two equal tranches for the KG1 and KG2. TOIVL participates as a lender in the senior and junior tranches with a 50 percent commitment totaling \$595 million in the aggregate. The Credit Facilities bore interest at LIBOR plus the margin of 1.60 percent until each drilling rig was accepted. Subsequent to the acceptance of the respective rig, the related tranches of the Term Loan Facility bear interest at a margin of 1.45 percent for the senior tranche and 2.25 percent for the junior tranche. Upon acceptance of the KG2, the Revolving Credit Facility bears interest at a margin of 1.45 percent. The availability of any commitment amounts not borrowed under the Term Loan Facility ceased upon completion of construction of the Drilling Rigs. The Revolving Credit Facility remains available for the financing of general working capital needs throughout the term of the facility. The maximum amount available under the Revolving Credit Facility reduces to \$35 million at December 2013 and to \$15 million at December 2014, and at each commitment reduction date, the Company is required to repay any outstanding borrowings in excess of the reduced commitment amount. The senior tranche requires quarterly payments beginning in April 2010 and is due in full in March 2015. The junior tranche and the Revolving Credit Facility are due in full in March 2015. The Credit Facilities have covenants that contain minimum liquidity requirements, a minimum debt service ratio and a maximum leverage ratio. The Credit Facilities may be prepaid in whole or in part without premium or penalty. At December 31, 2010, \$1,103 million was outstanding under the Credit Facilities, of which \$542 million was due to TOIVL, at a weighted-average interest rate of 1.89 percent, not including the effects of the cash flow hedges. At December 31, 2009, \$1,145 million was outstanding under the Credit Facilities, of which \$564 million was due to TOIVL, at a weighted-average interest rate of 1.84 percent, not including the effects of the cash flow hedges.

Promissory Notes —At Inception the Company entered into unsecured promissory note agreements (the “Promissory Notes”) with TOIVL and PDL for the purpose of funding the joint venture formation (see Note 5—Related Party Transactions). In October 2008, using borrowings under the Credit Facilities, the Company prepaid \$441 million of outstanding Promissory Notes. In September 2009 and October 2009, additional promissory notes of \$20 million and \$54.5 million, respectively were issued to the Company. As of December 31, 2010 and 2009, \$296 million in Promissory Notes were outstanding, \$148 million of which was due to each of PDL and TOIVL. As of December 31, 2010 and 2009, the Company deferred interest payments totaling \$18.6 million and \$10.5 million, respectively, and is classified as interest payable in our consolidated balance sheet. The weighted-average interest rate was 2.6 percent, 2.8 percent and 5.2 percent for the years ended December 31, 2010, 2009 and 2008, respectively.

[Table of Contents](#)

[Index to Financial Statements](#)

TRANSOCEAN PACIFIC DRILLING INC.
Notes to Consolidated Financial Statements—(Continued)

The components of the Company's debt balances were as follows:

	December 31,	
	2010	2009
	(in thousands)	
Related party debt		
Term loan facility due within one year—due to TOIVL	\$ 70,000	\$ 52,500
Total current debt to affiliates	70,000	52,500
Long-term term loan—due to TOIVL	472,499	511,021
Long-term promissory note—due to TOIVL	147,980	147,980
Total long-term due to TOIVL	620,479	659,001
Long-term promissory note—due to PDL	147,980	147,980
Total long-term debt to affiliates	768,459	806,981
Third party debt		
Term loan facility due within one year	70,000	52,500
Total current debt to third party	70,000	52,500
Long-term debt	490,195	528,716
Total long-term debt to third party	490,195	528,716
Total debt	<u>\$1,398,654</u>	<u>\$1,440,697</u>

[Table of Contents](#)

[Index to Financial Statements](#)

TRANSOCEAN PACIFIC DRILLING INC.
Notes to Consolidated Financial Statements—(Continued)

The following table presents the carrying amounts of the Company's debt along with the key terms and balances presented at face value of its debt agreements:

	Effective Interest Rate (%) at December 31, 2010	Final maturity	December 31,	
			2010	2009
(in thousands)				
Current				
\$1.265 billion Credit Facility				
\$1 billion senior tranche—KG1	LIBOR + 1.45%	March 9, 2015	\$ 35,000	\$ 26,250
\$1 billion senior tranche—KG2	LIBOR + 1.45%	March 9, 2015	\$ 35,000	\$ 26,250
\$1 billion senior tranche—KG1 due to TOIVL	LIBOR + 1.45%	March 9, 2015	\$ 35,000	\$ 26,250
\$1 billion senior tranche—KG2 due to TOIVL	LIBOR + 1.45%	March 9, 2015	\$ 35,000	\$ 26,250
Total current debt—\$1.265 billion Credit Facility			\$ 140,000	\$ 105,000
Long-term				
\$1.265 billion Credit Facility				
\$1 billion senior tranche—KG1	LIBOR + 1.45%	March 9, 2015	188,750	223,750
\$1 billion senior tranche—KG2	LIBOR + 1.45%	March 9, 2015	188,750	223,750
\$1 billion senior tranche—KG1 due to TOIVL	LIBOR + 1.45%	March 9, 2015	188,750	223,750
\$1 billion senior tranche—KG2 due to TOIVL	LIBOR + 1.45%	March 9, 2015	188,750	223,750
\$190 million junior tranche—KG1	LIBOR + 2.25%	March 9, 2015	47,500	47,500
\$190 million junior tranche—KG2	LIBOR + 2.25%	March 9, 2015	47,500	16,020
\$190 million junior tranche—KG1 due to TOIVL	LIBOR + 2.25%	March 9, 2015	47,500	47,500
\$190 million junior tranche—KG2 due to TOIVL	LIBOR + 2.25%	March 9, 2015	47,499	16,021
\$75 million revolving credit facility	LIBOR + 1.45%	March 9, 2015	17,695	17,696
Total \$1.265 billion Credit Facility			962,694	1,039,737
Promissory Notes				
Promissory Note—due to PDL	LIBOR + 2.00%	October 18, 2017	18,110	18,110
Promissory Note—due to PDL	LIBOR + 2.00%	January 22, 2018	51,100	51,100
Promissory Note—due to PDL	LIBOR + 2.00%	July 1, 2018	41,520	41,520
Promissory Note—due to PDL	LIBOR + 2.00%	September 4, 2019	10,000	10,000
Promissory Note—due to PDL	LIBOR + 2.00%	October 23, 2019	27,250	27,250
Total Promissory Notes—due to PDL			147,980	147,980
Promissory Note—due to TOIVL	LIBOR + 2.00%	October 18, 2017	18,110	18,110
Promissory Note—due to TOIVL	LIBOR + 2.00%	January 22, 2018	51,100	51,100
Promissory Note—due to TOIVL	LIBOR + 2.00%	July 1, 2018	41,520	41,520
Promissory Note—due to TOIVL	LIBOR + 2.00%	September 4, 2019	10,000	10,000
Promissory Note—due to TOIVL	LIBOR + 2.00%	October 23, 2019	27,250	27,250
Total Promissory Notes—due to TOIVL			147,980	147,980
Total Promissory Notes			295,960	295,960
Total long-term debt			\$ 1,258,654	\$ 1,335,697
Total debt			\$ 1,398,654	\$ 1,440,697

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

Scheduled maturities —At December 31, 2010, the scheduled maturities of our debt were as follows (in thousands):

Within one year	\$ 140,000
2012	140,000
2013	140,000
2014	140,000
2015	542,694
Thereafter	295,960
	<u>\$1,398,654</u>

Note 4—Derivatives and Hedging

Cash flow hedges —In January 2009, the Company entered into interest rate swaps with an aggregate maximum notional value of \$892.8 million which are designated as a cash flow hedge of the future interest payments on variable rate borrowings under the Credit Facilities to reduce the variability of cash interest payments. Under the interest rate swaps, the Company will receive interest at three-month LIBOR and pay interest at a fixed rate of 2.24 percent over the expected term of the Credit Facilities. TOIVL, acting as a swap counter-party with the Company, provided \$446.4 million of the \$892.8 million in aggregate maximum notional value.

In May 2009, the Company entered into interest rate swaps with an aggregate maximum notional value of \$297.2 million which are designated as a cash flow hedge of the future interest payments on variable rate borrowings under the Credit Facilities to reduce the variability of cash interest payments. Under the interest rate swaps, the Company will receive interest at three-month LIBOR and pay interest at a fixed rate of 2.65 percent over the expected term of the Credit Facilities. TOIVL, acting as a swap counter-party with the Company, provided \$148.8 million of the \$297.5 million in aggregate maximum notional value.

The Company recognizes the gains and losses associated with the ineffective portion of the hedges in interest expense in the period in which they are realized. The notional value increases proportionately with the forecasted borrowings under the Credit Facilities to a maximum amount of \$1,190 million, of which \$595 million is attributable to TOIVL. As of December 31, 2010, the aggregate notional value had decreased to \$1,050 million. As of December 31, 2009, the aggregate notional value was \$1,190 million.

At December 31, 2010, the fair market value of the cash flow hedges was \$26.4 million, of which \$19.1 million was recorded in other current liabilities and \$7.3 million was recorded in other long-term liabilities. Other comprehensive loss of \$34.9 million was recorded in 2010. At December 31, 2010, the ineffective portion was recorded as an increase to interest expense of \$254 thousand. In 2010, the Company reclassified \$23 million of amounts previously recognized as other comprehensive income to interest expense. As of December 31, 2010, we estimate that we will reclassify interest expense of \$19.4 million from the amount recorded in Accumulated Other Comprehensive Income into earnings during the next 12 months.

At December 31, 2009, the fair market value of the cash flow hedges was \$8.7 million, of which \$28.3 million was recorded in other assets and \$19.6 million was recorded in other current liabilities. Other comprehensive income of \$8.0 million was recorded in 2009. At December 31, 2009, the ineffective portion was recorded as a reduction of interest expense of \$758 thousand. In 2009, the Company reclassified \$12.8 million of amounts previously recognized as other comprehensive income to interest expense.

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

Note 5—Related Party Transactions

Shareholder Agreement —The Shareholders have entered into an agreement (the “Shareholders’ Agreement”) under which the rights and restrictions with respect to the governance and management of the Company are defined. Among other things, the Shareholders’ Agreement states that the Shareholders will provide future funding of capital expenditures and other liquidity needs as required in the form of additional loans or capital contributions. Additionally, TOIVL may, during the course of its ongoing operations, provide certain incidental general and administrative functions on behalf of the Company, including procurement and payables, treasury and cash management, personnel and payroll and accounting at cost to the Company.

Put Option and Registration Rights Agreement —The Shareholders and Transocean Ltd. have entered into an agreement under which PDL, beginning on October 18, 2010, had the unilateral right to exchange its interest in the Company for shares of Transocean Ltd. or cash at a purchase price based on an appraisal of the fair value of the Drilling Rigs, subject to certain adjustments.

Promissory Note Agreements —At Inception, the Company entered into unsecured promissory note agreements with TOIVL and PDL for the purpose of funding the formation of the Company. The Promissory Notes bear an interest rate of LIBOR plus 2 percent per annum with semi-annual interest payments commencing April 30, 2008. The Company may, upon written notice to PDL and TOIVL, elect to defer the payment of accrued interest (including any prior deferred interest) to the next succeeding interest payment date. At April 30, 2008, the Company elected to defer the interest payments due under the Promissory Notes. In October 2008, in connection with borrowings under the Credit Facilities, the Company paid approximately \$32 million to satisfy interest accrued and deferred through September 30, 2008. Through December 31, 2010, no further interest payments had been made, and all interest due was deferred. The Promissory Notes are scheduled to mature ten years after the date of the respective note and the Company may, upon written notice to PDL and TOIVL, elect to defer the maturity date for a period up to ten years. The Company is not required to make any payments of principal or interest prior to the maturity date. As of December 31, 2010 and 2009, \$296 million in Promissory Notes remained outstanding, \$148 million of which was due to each of PDL and TOIVL.

Construction Management Agreements —At Inception, the Shareholders entered into construction management agreements with TOIVL in connection with the construction of the Drilling Rigs. Pursuant to these agreements, TOIVL will design, construct, equip and test the Drilling Rigs in accordance with the terms, conditions and requirements of their respective construction and equipments contracts. The Company has agreed to reimburse TOIVL for all documented costs incurred by TOIVL in performing its duties under these agreements. The terms of this agreement allow TOIVL to delegate certain of its duties and obligations under the agreement (see *Construction Support Agreements*). This agreement was terminated upon customer acceptance of the KG2.

Construction Support Agreements —TOIVL has elected to delegate certain duties and obligations under the Construction Management Agreements to an affiliate, Transocean Construction Management Ltd. – Korea Branch (“TCML”). In connection with this delegation, in January 2008 the Company entered into construction support agreements with TCML under which TCML will design, construct, equip and test the Drilling Rigs in accordance with the terms, conditions and requirements of their respective construction and equipments contracts. The Company has agreed to reimburse TCML for all documented costs incurred by TCML in performing its duties under these agreements. This agreement was terminated upon customer acceptance of the KG2. The costs incurred under the Construction Support Agreement were \$286 thousand, \$10 million and \$8 million in 2010, 2009 and 2008, respectively.

Marketing Agreement —The Shareholders entered into a marketing agreement with TOIVL. Under the terms of the marketing agreement, the Company granted TOIVL and its affiliates, on an exclusive basis, all rights

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

to market each of the Drilling Rigs worldwide for use in any territory or region. Commencing upon the date of the completion and delivery of the Drilling Rigs through perpetuity unless otherwise terminated by the party in accordance with the agreement, the Company will pay TOIVL a marketing fee of \$7,000 per day in respect of each Drilling Rig. The marketing fee is subject to adjustment annually based on the consumer pricing index published by the U.S. Department of Labor. Expense related to this agreement recorded in Operating and maintenance—affiliates on the statement of operations was \$5 million, \$1 million and zero for the years ended December 31, 2010, 2009 and 2008, respectively.

Operating Agreement —The Shareholders entered into an operating agreement with TOIVL. Under the terms of the operating agreement, the Company appoints TOIVL and its affiliates to act as the operator of the Drilling Rigs. Commencing upon the date of the completion and delivery of the Drilling Rigs, TOIVL is providing services to include day to day management supervision and operating, maintenance, administrative and related services in respect of each Drilling Rig. The Company has agreed to reimburse TOIVL for all documented costs incurred by TOIVL in performing its duties under this agreement. In addition to the documented costs incurred, TOIVL allocated local overhead costs of \$7 million, \$1 million and zero for the years ended December 31, 2010, 2009 and 2008, respectively.

Term Loan Facility —As described in Note 3—Interest-bearing Loans and Borrowings, the Company entered into a Term Loan Facility in which TOIVL participates in the senior and junior tranches with a commitment totaling \$595 million in the aggregate.

Guarantees from TOIVL —In connection with the Credit Facilities, TOIVL has provided a guarantee in the amount of \$160 million backing the obligations of the Company under the Credit Facilities which will terminate upon delivery, completion, commencement of drilling operations, and satisfaction of all construction obligations of the KG2.

Cash flow hedges —As described in Note 4—Derivatives and Hedging, the Company entered into an interest rate swap agreement in which TOIVL acts as a swap counterparty providing a maximum notional value of \$595 million.

Contract labor expenses —TOIVL and its affiliates incur certain payroll costs on the Company's behalf. Through the operating agreement TOIVL and its affiliates provide work crews to perform day to day operations. These expenses were \$42 million, \$11 million and zero for the years ended December 31, 2010, 2009 and 2008, respectively and are a component of operating and maintenance expense on the statement of operations.

Letter of credit —In connection with the minimum liquidity requirements under the Credit Facilities, the Company funded the minimum balance of \$60 million required for the Debt Service Reserve Account (the "DSRA"). This was funded by a letter of credit issued by an affiliate of TOIVL, Transocean Inc., in April 2010.

Note 6—Fair Value of Financial Instruments

We estimate the fair value of each class of financial instruments, for which estimating fair value is practicable, by applying the following methods and assumptions:

Cash and cash equivalents, Accounts receivable—Affiliates and Accounts receivable—Trade and other, Interest receivable from affiliates —The carrying amounts approximate fair value because of the short maturity of these instruments.

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

Short-term and long-term debt due to affiliates —The determination of the fair value of short-term debt due to affiliates with carrying amounts of \$70.0 million and \$52.5 million at December 31, 2010 and 2009, respectively, and the fair value of long-term debt due to affiliates with carrying amounts of \$768 million and \$807 million at December 31, 2010 and 2009, respectively, is not practicable due to the related party nature of such debt. See Note 5—Related Party Transactions.

Short-term and long-term debt to third parties —The face value of interest-bearing loans and borrowings approximates the fair value of the loans and borrowings since they have effective interest rates that are based on floating rates.

Derivative instruments —The carrying amount of our derivative instruments represents the estimated fair value, measured using direct or indirect observable inputs, including quoted prices or other market data for similar assets or liabilities in active markets or identical assets or liabilities in less active markets. At December 31, 2010, the fair market value of the cash flow hedges was \$26.4 million, of which \$19.1 million was recorded in other current liabilities and \$7.3 million was recorded in other long-term liabilities. At December 31, 2009, the fair market value of the cash flow hedges was \$8.7 million, of which \$28.3 million was recorded in other assets and \$19.6 million was recorded in other current liabilities.

Note 7—Financial Instruments and Risk Concentration

Foreign exchange risk —We operate internationally, resulting in exposure to foreign exchange risk. This risk is primarily associated with compensation costs and with purchases from foreign suppliers denominated in currencies other than the U.S. dollar.

We do not enter into derivative transactions for speculative purposes. At December 31, 2010 and 2009, we had no outstanding foreign exchange derivative instruments.

Interest rate risk —Financial instruments that potentially subject us to concentrations of interest rate risk include our cash equivalents and debt obligations. We are exposed to interest rate risk related to our cash equivalents, as the interest income earned on these investments changes with market interest rates. Floating rate debt, where the interest rate can be adjusted every year or less over the life of the instrument, exposes us to short-term changes in market interest rates.

From time to time, we may use interest rate swap agreements to manage the effect of interest rate changes on future income. These derivatives are used as hedges and are not used for speculative or trading purposes. Interest rate swaps are designated as a hedge of underlying future interest payments. These agreements involve the exchange of amounts based on variable interest rates and amounts based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based. The interest rate differential to be received or paid on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. Gains and losses on terminations of interest rate swap agreements are deferred and recognized as an adjustment to interest expense over the remaining life of the underlying debt. In the event of the early retirement of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income. At December 31, 2010, the Company had approximately \$1,399 million of outstanding variable rate debt at face value, of which \$1,085 million was in an effective hedging relationship. At December 31, 2009, the Company had approximately \$1,441 million of outstanding variable rate debt at face value, of which \$1,127 million was in an effective hedging relationship.

Credit risk —Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, trade receivables, and obligations owed to the Company by its counterparties under

Table of Contents

Index to Financial Statements

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

the cash flow hedges. It is our practice to place our cash and cash equivalents in time deposits at commercial banks with high credit ratings or mutual funds, which invest exclusively in high quality money market instruments.

In its initial drilling contracts, the Company expected to derive revenue from contract drilling services to Reliance Industries Limited (“RIL”), a large, independent energy company. The Company has a five-year drilling contract with RIL for each of the Drilling Rigs to commence upon completion of shipyard construction, sea trials, mobilization to India and customer acceptance of each rig. In November 2009, the Company entered into an agreement (the “Assignment Agreement”) with RIL and Oil and Natural Gas Company Limited (“ONGC”), where RIL assigned its interest in the first four years of the drilling contract for the KG1 to ONGC, a national oil company in India. Under the terms of the Assignment Agreement, the Company will derive revenue directly from ONGC during the first four years of the operations phase of the contract, and jointly from RIL and ONGC during the mobilization and demobilization phases of the contract.

For the years ended December 31, 2010 and 2009, RIL and/or ONGC accounted for 100 percent of total operating revenues. The Company did not earn revenues in 2008.

Note 8—Supplementary Cash Flow Information

Additional cash flow information is as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Certain cash operating activities			
Cash payments for interest	\$ 46,060	\$ 35,361	\$ 32,396
Cash payments for taxes	18,194	—	—
Non-cash investing activities			
Capital expenditures-third party, accrued at end of period	1,483	8,729	8,548
Capital expenditures-affiliates, accrued at end of period	\$ 22,784	\$ 40,940	\$ 12,321

Note 9—Income Taxes

Tax provision —The components of the Company’s provision (benefit) for income taxes are as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Current tax expense	\$ 13,342	\$ 2,647	\$ —
Deferred tax (benefit) expense	373	(210)	—
Income tax expense	<u>\$ 13,715</u>	<u>\$ 2,437</u>	<u>\$ —</u>
Effective tax rate	11%	24%	n/a

The Company is a BVI company and its earnings are not subject to income tax in BVI because the country does not levy tax on corporate income. As a result, the Company has not presented a reconciliation of the differences between the income tax provision computed at the statutory rate and the reported provision for income taxes for these periods.

TRANSOCEAN PACIFIC DRILLING INC.

Notes to Consolidated Financial Statements—(Continued)

The Company is subject to changes in tax laws, treaties and regulations in and between the countries in which the Company conducts business, or in which the Company is incorporated or resident. A material change in these tax laws, treaties or regulations could result in a higher or lower effective tax rate on the Company's earnings.

The Company recognizes deferred tax assets and liabilities for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of its assets and liabilities at the applicable tax rates in effect. As of December 31, 2010, the Company's net deferred tax liability balance of \$163 thousand relates to the net effects of deferred revenue and straight line revenue recognition. As of December 31, 2009, the Company's net deferred tax asset balance of \$210 thousand relates to the net effects of deferred revenue and straight line revenue recognition.

Tax returns —The Company's income tax returns are subject to review and examination in the jurisdictions in which the Company conducts business. The Company is not currently undergoing audits or contesting tax assessments.

The following is a reconciliation of our unrecognized tax benefits, excluding interest and penalties (in thousands):

	<u>2010</u>
Balance, beginning of the period	\$ —
Additions for current year tax position	1,047
Balance, end of the period	<u>\$1,047</u>

We recognize interest and penalties related to our unrecognized tax benefits, recorded as a component of income tax expense. For the year ended December 31, 2010, there was no interest or penalties recorded on our unrecognized tax positions. If recognized, the entire amount of our unrecognized tax benefits, as of December 31, 2010, would favorably impact our effective tax rate. We expect our existing liabilities for unrecognized tax benefits to increase approximately \$1 million to \$2 million during the year ending December 31, 2011.

Note 10—Subsequent Events (Unaudited)

On March 30, 2011, PDL transferred all of its interest in the Company to Quantum Pacific Management Limited, an affiliate of PDL and a Cyprus corporation, whose ultimate parent is Gladebrooke Holdings Limited.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers.

Pursuant to Luxembourg law on agency, agents are entitled to be reimbursed any advances or expenses made or incurred in the course of their duties, except in cases of fault or negligence on their part. Luxembourg law on agency is applicable to the mandate of directors and agents of the Company.

Pursuant to Luxembourg law, a company is generally liable for any violations committed by employees in the performance of their functions except where such violations are not in any way linked to the duties of the employee.

We intend to amend our articles of association to provide that directors and officers, past and present, are entitled to indemnification from us to the fullest extent permitted by Luxembourg law against liability and all expenses reasonably incurred or paid by such director or officer in connection with any claim, action, suit or proceeding in which such director or officer is involved by virtue of his or her being or having been a director or officer and against amounts paid or incurred by such director or officer in the settlement thereof.

No indemnification will be provided against any liability to us or our shareholders (i) by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties of a director or officer; (ii) with respect to any matter as to which any director or officer shall have been finally adjudicated to have acted in bad faith and not in the interest of the Company; or (iii) in the event of a settlement, unless approved by a court or the board of directors.

The indemnification rights set forth above shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any statute, provision of our articles of association, agreement, vote of shareholders or disinterested directors or otherwise.

We currently have and expect to maintain standard policies of insurance that provide coverage (1) to our directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act and (2) to us with respect to indemnification payments that we may make to such directors and officers.

The proposed form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement provides for indemnification of our directors and officers by the underwriters against certain liabilities.

Item 7. Recent Sales of Unregistered Securities.

The following information relates to securities we have issued or sold within the past three years that were not registered under the Securities Act. We believe that each of these transactions was exempt from the registration requirements pursuant to Section 4(2) of the Securities Act, Regulation D or Regulation S promulgated thereunder or Rule 701 of the Securities Act. The issuance and sale of securities described below are those of Pacific Drilling S.A.

On March 30, 2011, our Board of Directors resolved for Quantum Pacific (Gibraltar) Limited to become the indirect sole shareholder of all issued common shares of our Predecessor in exchange for the issuance of 145,000,000 of our common shares. The exchange was made in reliance on Section 4(2).

On April 6, 2011, we completed an offering of 60,000,000 common shares (the "2011 Private Placement") to certain international institutional investors and other professional investors in Norway and outside the United States in reliance upon Regulation S under the Securities Act, Qualified Institutional Buyers ("QIBs") in the United States pursuant to Rule 144A and other "accredited investors" pursuant to Section 4(2) or Reg D of the

Table of Contents

Index to Financial Statements

Securities Act at a price per share of \$10.00. Pareto Securities acted as the Global Coordinator for the 2011 Private Placement and Pareto Securities, DnB NOR Markets and RS Platou Markets acted as Joint Bookrunners, with Fearnley Fonds, Nordea Markets and SEB Enskilda also participating as co-managers. In connection with the 2011 Private Placement, the managers earned a base commission of 2.75% and a discretionary fee of 1%. We received approximately \$576 million in net proceeds from the 2011 Private Placement. We believe the issuances in this offering were exempt from registration pursuant to Section 4(2), Rule 144A, Regulation S or Regulation D of the Securities Act based upon the representations to us or the Managers by each investor or investor transferee that such investor is an “accredited investor” as defined in Rule 501(a) under the Securities Act, such investor is a non-US person and otherwise complies with the requirements for relation of Regulation S, or such investor is a “qualified institutional buyer” as defined in Rule 144A under the Securities Act, as the case may be.

On March 31, 2011, we concurrently (i) adopted the Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan (the “2011 Plan”) and (ii) terminated the 2009 Plan and substituted all outstanding awards (the “Substitution”) under the 2009 Plan with new awards of options to purchase common shares under the 2011 Plan, which is described below. The Substitution took into account the fair market value of the common shares at the time of the Substitution. On March 31, 2011, we also granted new stock options under the 2011 Plan to members of our senior management and other key employees. Under the 2011 Plan, a total of 2,801,311 options have been granted to our employees, of which 1,998,660 were granted to members of senior management. The exercise price of the new stock options and those granted in the Substitution was \$10.00 per share, the purchase price under the 2011 Private Placement. The grants expire on March 31, 2021.

We also have granted awards of 12,000 restricted stock units under the 2011 Plan to certain members of our Board of Directors in November 2011. These restricted stock units will be settled in shares of our stock and will vest over a period of four years.

Item 8. Exhibits and Financial Statement Schedules.

(a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Form of Underwriting Agreement
3.1	Articles of Association of Pacific Drilling S.A.
3.2	Form of Amended and Restated Articles of Association of Pacific Drilling S.A.
5.1	Opinion of Loyens & Loeff, Advocats à la Cour regarding the legality of the shares being registered
8.1	Opinion of Loyens & Loeff, Advocats à la Cour regarding certain Luxembourg tax matters
8.2	Opinion of Vinson & Elkins L.L.P. regarding certain U.S. tax matters
10.1	Amendment and Restatement Agreement in Respect of the Project Facilities Agreement and the Intercreditor Agreement, dated March 30, 2011, among Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd., as Borrowers, Pacific Drilling Limited, as Guarantor, and the arrangers, lenders and agents named therein
10.2	Agreement for Standby Letter of Credit, dated as of July 7, 2011, between Pacific Drilling (Gibraltar) Limited and Citibank, N.A.
10.3	Guaranty, dated as of July 7, 2011, by Quantum Pacific International Limited, as guarantor, in favor of Citigroup Inc. and each subsidiary or affiliate thereof
10.4	Pledge Agreement, dated as of June 27, 2011, between Pacific Drilling (Gibraltar) Limited, as pledgor, and Citibank, N.A.

Table of Contents

Index to Financial Statements

<u>Exhibit Number</u>	<u>Description</u>
10.5	Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan
10.6	Form of Registration Rights Agreement between Pacific Drilling S.A. and Quantum Pacific (Gibraltar) Limited
21.1	Subsidiaries of Pacific Drilling S.A.
23.1	Consent of KPMG LLP (Pacific Drilling S.A.)
23.2	Consent of KPMG LLP (Pacific Drilling S.A. and Subsidiaries)
23.3	Consent of Ernst & Young LLP (Transocean Pacific Drilling Inc.)
23.4	Consent of Loyens & Loeff, Advocats à la Cour (contained in Exhibit 5.1)
23.5	Consent of Loyens & Loeff, Advocats à la Cour (contained in Exhibit 8.1)
23.6	Consent of Vinson & Elkins L.L.P. (contained in Exhibit 8.2)
24.1	Power of Attorney (included on the signature page of this registration statement)

(b) Financial Statement Schedules

The financial statement schedules are omitted because they are inapplicable or the requested information is shown in the consolidated financial statements of Predecessor or related notes thereto.

Item 9. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 6, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Table of Contents

Index to Financial Statements

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

[Table of Contents](#)

[Index to Financial Statements](#)

SIGNATURE OF AUTHORIZED U.S. REPRESENTATIVE

Pursuant to the requirements of the Securities Act of 1933, the undersigned, the duly authorized representative of Pacific Drilling S.A. in the United States, has signed this registration statement in Houston, Texas, on November 7, 2011.

By: /s/ Kinga E. Doris

Name: Kinga E. Doris

Title: Vice President, General Counsel and
Secretary

Table of Contents

Index to Financial Statements

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
1.1	Form of Underwriting Agreement
3.1	Articles of Association of Pacific Drilling S.A.
3.2	Form of Amended and Restated Articles of Association of Pacific Drilling S.A.
5.1	Opinion of Loyens & Loeff, Advocats à la Cour regarding the legality of the shares being registered
8.1	Opinion of Loyens & Loeff, Advocats à la Cour regarding certain Luxembourg tax matters
8.2	Opinion of Vinson & Elkins L.L.P. regarding certain U.S. tax matters
10.1	Amendment and Restatement Agreement in Respect of the Project Facilities Agreement and the Intercreditor Agreement, dated March 30, 2011, among Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd., as Borrowers, Pacific Drilling Limited, as Guarantor, and the arrangers, lenders and agents named therein
10.2	Agreement for Standby Letter of Credit, dated as of July 7, 2011, between Pacific Drilling (Gibraltar) Limited and Citibank, N.A.
10.3	Guaranty, dated as of July 7, 2011, by Quantum Pacific International Limited, as guarantor, in favor of Citigroup Inc. and each subsidiary or affiliate thereof
10.4	Pledge Agreement, dated as of June 27, 2011, between Pacific Drilling (Gibraltar) Limited, as pledgor, and Citibank, N.A.
10.5	Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan
10.6	Form of Registration Rights Agreement between Pacific Drilling S.A. and Quantum Pacific (Gibraltar) Limited
21.1	Subsidiaries of Pacific Drilling S.A.
23.1	Consent of KPMG LLP (Pacific Drilling S.A.)
23.2	Consent of KPMG LLP (Pacific Drilling S.A. and Subsidiaries)
23.3	Consent of Ernst & Young LLP (Transocean Pacific Drilling Inc.)
23.4	Consent of Loyens & Loeff, Advocats à la Cour (contained in Exhibit 5.1)
23.5	Consent of Loyens & Loeff, Advocats à la Cour (contained in Exhibit 8.1)
23.6	Consent of Vinson & Elkins L.L.P. (contained in Exhibit 8.2)
24.1	Power of Attorney (included on the signature page of this registration statement)

Shares

PACIFIC DRILLING S.A.

COMMON SHARES, ACCOUNTING PAR VALUE \$0.01 PER SHARE

FORM OF UNDERWRITING AGREEMENT

, 2011

Morgan Stanley & Co. LLC
 Deutsche Bank Securities Inc.
 DnB NOR Markets, Inc.
 Howard Weil Incorporated
 Simmons & Company International
 Pareto Securities AS
 c/o Morgan Stanley & Co. LLC
 1585 Broadway
 New York, New York 10036

Ladies and Gentlemen:

Pacific Drilling S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg (“ **Luxembourg** ”) having its registered office at 16 Avenue Pasteur, L-2310, Luxembourg and registered with the Luxembourg register of commerce and companies (the “ **RCS** ”) under registration number B159658 (the “ **Company** ”), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the “ **Underwriters** ”) common shares, accounting par value \$0.01 per share (the “ **Firm Shares** ”). The Company also proposes to issue and sell to the several Underwriters not more than an additional common shares, accounting par value \$0.01 per share (the “ **Additional Shares** ”), if and to the extent that you, as managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such common shares granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the “ **Shares.** ” The common shares, accounting par value \$0.01 per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the “ **Common Shares .** ”

The Company has filed with the Securities and Exchange Commission (the “ **Commission** ”) a registration statement on Form F-1 (No. 333-), including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the “ **Securities Act** ”), is hereinafter referred to as the “ **Registration Statement** ”; the prospectus in the form first used to confirm sales of Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the “ **Prospectus.** ” If the Company has filed an abbreviated registration statement to register additional Common Shares pursuant to Rule 462(b) under the Securities Act (the “ **Rule 462 Registration Statement** ”), then any reference herein to the term “ **Registration Statement** ” shall be deemed to include such Rule 462 Registration Statement.

For the purposes of this Agreement, “ **free writing prospectus** ” has the meaning set forth in Rule 405 under the Securities Act, “ **Time of Sale Prospectus** ” means the preliminary

prospectus together with the documents and pricing information set forth in Schedule II hereto, and “ **broadly available road show** ” means a “bona fide electronic road show” as defined in Rule 433(h)(5) under the Securities Act that has been made available without restriction to any person. As used herein, the terms “Registration Statement,” “preliminary prospectus,” “Time of Sale Prospectus” and “Prospectus” shall include the documents, if any, incorporated by reference therein as of the date hereof.

1. *Representations and Warranties.* The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (iii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 4), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (v) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company is not an “ineligible issuer” in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule II hereto, and electronic road shows, if any, each furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(d) The Company has been duly incorporated, is validly existing as a corporation under the laws of Luxembourg, has the corporate power and authority to own or lease its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing (where such concept exists) in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries listed on Schedule III hereto (each a “ **Subsidiary** ” and, collectively, the “ **Subsidiaries** ”), taken as a whole.

(e) Each of the Subsidiaries has been duly organized, is validly existing as a corporation or other legal entity in good standing under the laws of the jurisdiction of its organization, has the corporate power and authority to own or lease its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole; all of the issued shares of capital stock of each Subsidiary have been duly and validly authorized and issued in accordance with the constitutive documents of each Subsidiary, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (other than those securing obligations under the Amendment and Restatement Agreement in Respect of the Project Facilities Agreement and the Intercreditor Agreement, dated March 30, 2011 (the “ **Project Facilities Agreement** ”), among Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd., as borrowers, Pacific Drilling Limited, as guarantor, and the arrangers, lenders and agents named therein).

(f) Other than its 90% indirect ownership interest in the share capital of Pacific International Drilling West Africa Limited, a company organized under the laws of Nigeria (“ **PIDWAL** ”), and the Company’s direct and indirect ownership interest, as applicable, in the share capital of or equity or participation interests in, each Subsidiary other than PIDWAL as set forth in Schedule III, none of the Company or the Subsidiaries own, directly or indirectly, any equity or long-term debt securities of any corporation, partnership limited liability company, joint venture, association or other entity.

(g) This Agreement has been duly authorized, executed and delivered by the Company.

(h) The authorized share capital of the Company conforms as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(i) The Common Shares outstanding prior to the issuance of the Shares have been duly authorized and are validly issued in accordance with the articles of association of the Company (the “ **Articles of Association** ”), fully paid and non-assessable.

(j) Except as disclosed in the Time of Sale Prospectus, there are (i) no outstanding securities issued by the Company convertible into or exchangeable for, rights, warrants or options to acquire from the Company, or obligations of the Company to issue, Common Shares, and (ii) no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any shares in the capital of or direct interest in any of the Subsidiaries.

(k) The Shares have been duly authorized in accordance with the Articles of Association and, when issued in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(l) The Shares have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(m) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the Articles of Association or any agreement or other instrument binding upon the Company or any of the Subsidiaries that is material to the Company and the Subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any Subsidiary that is material to the Company and the Subsidiaries, taken as a whole, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares and except such as would not, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(n) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and the Subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(o) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened to which the Company or any Subsidiary is a party or to which any of the properties of the Company or any Subsidiary is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described; and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(p) The Time of Sale Prospectus conformed, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 424(b) and on the Closing Date and any Option Closing Date, to the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder.

(q) The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.

(r) The Company and the Subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“ **Environmental Laws** ”), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(s) Except as disclosed in the Time of Sale Prospectus and the Prospectus, there are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(t) Except as disclosed in the Time of Sale Prospectus and the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(u) Neither the Company nor any of the Subsidiaries or affiliates, nor any director, officer, or employee, nor, to the Company’s knowledge, any agent or representative of the Company or of any of the Subsidiaries or affiliates, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any “government official” (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and the Subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(v) The operations of the Company and the Subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and the Subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Anti-Money Laundering Laws**”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of the Subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(w) Neither the Company nor any of the Subsidiaries, nor any director, officer, or employee thereof, nor, to the Company’s knowledge, any agent, affiliate or representative of the Company or any of the Subsidiaries, is an individual or entity (“**Person**”) that is, or in the case of an entity is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”), the United Nations Security Council (“**UNSC**”), the European Union (“**EU**”), Her Majesty’s Treasury (“**HMT**”), or other relevant sanctions authority (collectively, “**Sanctions**”), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan and Syria).

The Company will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(C) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(D) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(x) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and the Subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Company has not purchased any of its outstanding Common Shares, nor declared, paid or otherwise made any dividend or distribution of any kind on its Common Shares other than ordinary and customary dividends; and (iii) there has not been any material change in the share capital, short-term debt or long-term debt of the Company and the Subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(y) The Company and the Subsidiaries do not own any real property. Subject to the security interests described in the Registration Statement, Time of Sale Prospectus and Prospectus, the Company and the Subsidiaries have good and marketable title to all personal property owned by them which is material to the business of the Company and the Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries; and any real property and buildings held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and the Subsidiaries, in each case except as described in the Time of Sale Prospectus.

(z) Except as disclosed in the Time of Sale Prospectus and the Prospectus, the Company and the Subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of the Subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, would have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(aa) No material labor dispute with the employees of the Company or any of the Subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(bb) The Company and each of the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any of the Subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of the Subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(cc) The Company and each of the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to do so would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole, and neither the Company

nor any of the Subsidiaries has received any written notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, would have a material adverse effect on the Company and the Subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(dd) The Company and each of the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year, there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(ee) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any Common Shares during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(ff) The Company and each of the Subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof (except where the failure to file would not, individually or in the aggregate, have a material adverse effect) and have paid all taxes required to be paid thereon (except for cases in which the failure to file or pay would not have a material adverse effect, or, except as currently being contested in good faith and for which reserves required by U.S. GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of the Subsidiaries which has had (nor does the Company nor any of the Subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or the Subsidiaries and which could reasonably be expected to have) a material adverse effect.

(gg) The Company was not a "passive foreign investment company" ("PFIC") within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended, for any taxable year ended on or before December 31, 2010, is not a PFIC, and does not expect to become a PFIC in its current taxable year or any subsequent taxable year.

(hh) The consolidated financial statements (and the notes thereto) of the Company included in the Time of Sale Prospectus and Prospectus present fairly, in all material respects, the financial position of the Company on a consolidated basis as of the dates indicated, and the results of operations and the cash flows for the periods specified; and (i) such financial statements have been prepared in conformity with U.S. GAAP on a consistent basis throughout

the period involved and (ii) KPMG LLP, who have expressed an opinion on the audited financial statements of the Company based on their audits and reviews, are independent auditors with respect to the Company within the meaning of the Securities Act, the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the applicable rules and regulations of the Commission thereunder.

(ii) The Company is a “foreign private issuer” within the meaning of Rule 405 under the Securities Act.

(jj) The statistical and market-related data included in the Time of Sale Prospectus and the Prospectus are based on or derived from sources which the Company reasonably and in good faith believes are reliable and accurate in all material respects.

2. *Agreements to Sell and Purchase.* The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at \$ _____ a share (the “**Purchase Price**”).

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to Additional Shares at the Purchase Price. You may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an “**Option Closing Date**”), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

3. *Terms of Public Offering.* The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at \$ _____ a share (the “**Public Offering Price**”) and to certain dealers selected by you at a price that represents a concession not in excess of \$ _____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of \$ _____ a share, to any Underwriter or to certain other dealers.

4. *Payment and Delivery.* Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on _____, 2011, or at such other time on the same or such other date, not later than _____, 2011, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the “ **Closing Date** .”

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 2 or at such other time on the same or on such other date, in any event not later than _____, 2011, as shall be designated in writing by you.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. *Conditions to the Underwriters’ Obligations.* The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than _____ (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of the Subsidiaries by any “nationally recognized statistical rating organization,” as such term is defined in Section 3(a)(62) of the Exchange Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and the Subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 5(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Vinson & Elkins L.L.P., outside counsel for the Company, dated the Closing Date, in substantially the form of Exhibit B hereto.

(d) The Underwriters shall have received on the Closing Date an opinion of Loyens & Loeff, Luxembourg counsel for the Company, dated the Closing Date, in substantially the form of Exhibit C hereto.

(e) The Underwriters shall have received on the Closing Date an opinion of Kinga Doris, the Company's General Counsel, dated the Closing Date, in substantially the form of Exhibit D hereto.

(f) The Underwriters shall have received on the Closing Date an opinion of Blank Rome LLP, Liberian counsel for the Company, dated the Closing Date, in substantially the form of Exhibit E hereto.

(g) The Underwriters shall have received on the Closing Date an opinion of Maples and Calder, British Virgin Islands counsel for the Company, dated the Closing Date, in substantially the form of Exhibit F hereto.

(h) The Underwriters shall have received on the Closing Date an opinion of Hassans, Gibraltar counsel for the Company, dated the Closing Date, in substantially the form of Exhibit G hereto.

(i) The Underwriters shall have received on the Closing Date an opinion of Adeptun Caxton-Martins Agbor & Segun, Nigerian counsel for the Company, dated the Closing Date, in substantially the form of Exhibit H hereto.

(j) The Underwriters shall have received on the Closing Date an opinion of Baker Botts L.L.P., counsel for the Underwriters, dated the Closing Date, in the form and substance to be agreed upon by such counsel and the Underwriters.

(k) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from KPMG LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information of the Company contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(l) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Ernst & Young LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information of Transocean Pacific Drilling Inc. contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut off date" not earlier than the date hereof.

(m) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and Quantum Pacific (Gibraltar) Ltd., officers and directors of the Company relating to sales and certain other dispositions of Common Shares or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(n) The Shares shall have been approved for listing on the NYSE.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of such documents as you may reasonably request with respect to the valid existence of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

6. *Covenants of the Company.* The Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, conformed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(e) or 6(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters, the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(g) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request; provided, however, that the Company shall not be required to qualify as a foreign corporation or to qualify as a dealer in securities or to file a general consent to service of process under the laws of any jurisdiction.

(h) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(i) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the Financial Industry Regulatory Authority, (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Shares and all costs and expenses incident to listing the Shares on the NYSE, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depository, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and 50% of the cost of any aircraft chartered with the prior written consent of the Company, in connection with the road show, (ix) the document production charges and expenses associated with printing this Agreement and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 8 entitled "Indemnity and Contribution" and the last paragraph of Section 10 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

The Company also covenants with each Underwriter that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any

Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder, (b) the issuance by the Company of Common Shares upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing, or (c) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of Common Shares, *provided* that such plan does not provide for the transfer of Common Shares during the 90-day restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of the undersigned or the Company. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 90-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 90-day period, the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. The Company shall promptly notify Morgan Stanley & Co. LLC of any earnings release, news or event that may give rise to an extension of the initial 90-day restricted period.

7. *Covenants of the Underwriters.* Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter.

8. *Indemnity and Contribution.* (a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act who has participated or is alleged to have participated in the distribution of the Shares as underwriters and each selling agent of any Underwriter from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any

amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any broadly available road show, or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus, any broadly available road show or the Prospectus or any amendment or supplement thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b), such person (the “**indemnified party**”) shall promptly notify the person against whom such indemnity may be sought (the “**indemnifying party**”) in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley & Co. LLC, in the case of parties indemnified pursuant to Section 8(a), and by the Company, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in Section 8(a) or 8(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 8 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 8(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 8 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate or agent of any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

9. *Termination.* The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, the New York Stock Exchange or the NASDAQ Global Market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over the counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by U.S. Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets, currency exchange rates or controls or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

10. *Effectiveness; Defaulting Underwriters.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any

other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement (except for any termination pursuant to Sections 9(i), (iii), (iv) and (v) of this Agreement), or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

11. *Entire Agreement.* (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares, represents the entire agreement between the Company and the Underwriters with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

12. *Counterparts.* This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

15. *Notices.* All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you in care of Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department; and if to the Company shall be delivered, mailed or sent to 3050 Post Oak Blvd., Suite 1500, Houston, Texas 77056, Attention: General Counsel.

Very truly yours,

PACIFIC DRILLING S.A.

By: _____
Name:
Title:

Accepted as of the date hereof

Morgan Stanley & Co. LLC

Acting severally on behalf of themselves and the several
Underwriters named in Schedule I hereto.

By: MORGAN STANLEY & CO. LLC

By: _____
Name:
Title:

SCHEDULE I

<u>Underwriter</u>	<u>Number of Firm Shares To Be Purchased</u>
Morgan Stanley & Co. LLC	
Deutsche Bank Securities Inc.	
DnB NOR Markets, Inc.	
Howard Weil Incorporated	
Simmons & Company International	
Pareto Securities AS	
Total:	

Time of Sale Prospectus

1. Preliminary Prospectus issued [date]
2. [identify all free writing prospectuses filed by the Company under Rule 433(d) of the Securities Act]
3. [free writing prospectus containing a description of terms that does not reflect final terms, if the Time of Sale Prospectus does not include a final term sheet]
4. [orally communicated pricing information such as price per share and size of offering if a Rule 134 pricing term sheet is used at the time of sale instead of a pricing term sheet filed by the Company under Rule 433(d) as a free writing prospectus]

Subsidiaries

Entity Name	Jurisdiction of Organization
Pacific Drilling (Gibraltar) Limited	Gibraltar
Pacific Drilling Ltd.	Liberia
Pacific Bora Ltd.	Liberia
Pacific Mistral Ltd.	Liberia
Pacific Scirocco Ltd.	Liberia
Pacific Santa Ana Ltd.	Liberia
Pacific Drilling V Ltd.	British Virgin Islands
Pacific Drilling VI Ltd.	British Virgin Islands
Pacific Drillship S.a.r.l.	Luxembourg
Pacific Drilling Operations Ltd.	British Virgin Islands
Pacific International Drilling West Africa Ltd.	Nigeria
Pacific Drilling South America 1 Ltd.	British Virgin Islands
Pacific Drilling South America 2 Ltd.	British Virgin Islands
Pacific Drilling N.V.	Curaçao
Pacific Drilling Services Inc.	Delaware
Pacific Deepwater Construction Ltd.	British Virgin Islands
Pacific Drilling Services Pte. Ltd.	Singapore
Pacific Drilling International LLC	Delaware
Pacific Drilling Manpower Ltd.	British Virgin Islands
Pacific Drilling Inc.	Delaware
Pacific Drilling do Brasil Servicos de Perfuacao Ltd.	Brazil
Pacific Drilling Netherlands Cooperatif	Netherlands
Pacific Drilling International Ltd.	British Virgin Islands
Pacific Drilling Administrator Ltd.	British Virgin Islands
Pacific Drilling do Brasil Investimentos Ltda.	Brazil

[FORM OF LOCK-UP LETTER]

, 2011

Morgan Stanley & Co. LLC
Deutsche Bank Securities Inc.
DnB NOR Markets, Inc.
Howard Weil Incorporated
Simmons & Company International
Pareto Securities AS
c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036

Ladies and Gentlemen:

The undersigned understands that Morgan Stanley & Co. LLC (“**Morgan Stanley**”) proposes to enter into an Underwriting Agreement (the “**Underwriting Agreement**”) with Pacific Drilling S.A., a corporation organized under the laws of the Grand Duchy of Luxembourg (the “**Company**”), providing for the public offering (the “**Public Offering**”) by the several Underwriters, including Morgan Stanley (the “**Underwriters**”), of _____ shares (the “**Shares**”) of the common shares, accounting par value \$0.01 per share of the Company (the “**Common Shares**”).

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the final prospectus relating to the Public Offering (the “**Prospectus**”), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Shares beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), by the undersigned or any other securities so owned convertible into or exercisable or exchangeable for Common Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) transactions relating to Common Shares or other securities acquired in open market transactions after the completion of the Public Offering, *provided* that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of Common Shares or other

securities acquired in such open market transactions, (b) transfers of Common Shares or any security convertible into Common Shares as a bona fide gift, or (c) distributions of Common Shares or any security convertible into Common Shares to limited partners or stockholders of the undersigned; *provided* that in the case of any transfer or distribution pursuant to clause (b) or (c), (i) each donee or distributee shall sign and deliver a lock-up letter substantially in the form of this letter and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of Common Shares, shall be required or shall be voluntarily made during the restricted period referred to in the foregoing sentence, or (d) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of Common Shares, *provided* that such plan does not provide for the transfer of Common Shares during the restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of the undersigned or the Company. In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any Common Shares or any security convertible into or exercisable or exchangeable for Common Shares. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's Common Shares except in compliance with the foregoing restrictions.

If:

(1) during the last 17 days of the restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the restricted period or provides notification to Morgan Stanley of any earnings release or material news or material event that may give rise to an extension of the initial 90-day restricted period;

the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

The undersigned shall not engage in any transaction that may be restricted by this agreement during the 34-day period beginning on the last day of the initial restricted period unless the undersigned requests and receives prior written confirmation from the Company or Morgan Stanley that the restrictions imposed by this agreement have expired.

The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

(Name)

(Address)

Form of Opinion of Vinson & Elkins LLP

1. Each of Pacific Drilling Services Inc., Pacific Drilling International LLC (“**PDI LLC**”) and Pacific Drilling Inc. (each, a “**Delaware Subsidiary**”) is validly existing as a corporation or other legal entity in good standing under the laws of Delaware, has the corporate power and authority to own or lease its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in the State of Texas.
2. All of the issued shares of capital stock or membership interests, as applicable, of each Delaware Subsidiary have been duly and validly authorized and issued in accordance with the constitutive documents of such Delaware Subsidiary, are fully paid and non-assessable (except, in the case of PDI LLC, as such nonassessability may be affected by Sections 18-303, 18-607 and 18-804 of the Delaware Limited Liability Act (the “**Delaware LLC Act**”)) and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (A) in respect of which a financing statement under the Uniform Commercial Code of the State of Delaware naming the Company as debtor is on file in the office of the Secretary of State of the State of Delaware, [(B) arising under the Project Facilities Agreement] or (C) otherwise known to us, without independent investigation, other than those created by or arising under the Delaware LLC Act.
3. This Agreement has been duly authorized, executed and delivered by the Company.
4. The statements set forth in the Time of Sale Prospectus and the Prospectus under the caption “Tax Considerations— Material U.S. Federal Income Tax Considerations for Holders of Common Shares”, insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and complete in all material respects.
5. The statements set forth in the Registration Statement in Item 7 of Part II fairly summarizes in all material respects such matters, documents or proceedings.
6. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any of the agreements or other instruments set forth on Annex A to such opinion.

-
7. The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.

In addition, such counsel shall also furnish a written statement to the effect that (A) the Registration Statement and the Prospectus (except for the financial statements and financial schedules and other financial included therein, as to which such counsel need not express any opinion) appear on their face to be appropriately responsive in all material respects to the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder and (B) such counsel has participated in conferences with officers and other representatives of the Company and the independent registered public accounting firm of the Company, and with representatives and legal counsel of the Underwriters, at which the contents of the Registration Statement, the Time of Sale Prospectus and the Prospectus and related matters were discussed, and although such counsel has not independently verified, is not passing upon and is not assuming any responsibility for the accuracy, completeness or fairness of the statements contained in or incorporated by reference in, the Registration Statement, the Time of Sale Prospectus and the Prospectus (except to the extent set forth in paragraphs 4 and 5 above), nothing has come to the attention of such counsel that causes such counsel to believe that:

(A) the Registration Statement or the prospectus included therein, at the time the Registration Statement became effective, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading,

(B) the Time of Sale Prospectus, as of the date of this Agreement, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or

(C) the Prospectus, as of its date or as of the Closing Date contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

it being understood that such counsel expresses no statement or belief in such opinion with respect to (i) the financial statements and related schedules, including the notes and schedules thereto and the auditor’s report thereon, or any other financial and accounting information included in the Registration Statement, the Time of Sale Prospectus or the Final Prospectus, and (ii) representations and warranties and other statements of fact included in the exhibits to the Registration Statement.

Annex A to

Form of Opinion of Vinson & Elkins LLP

1. Amendment and Restatement Agreement in Respect of the Project Facilities Agreement and the Intercreditor Agreement, dated March 30, 2011, among Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd., as Borrowers, Pacific Drilling Limited, as Guarantor, and the arrangers, lenders and agents named therein.
2. Agreement for Standby Letter of Credit, dated as of July 7, 2011, between Pacific Drilling (Gibraltar) Limited and Citibank, N.A.
3. Guaranty, dated as of July 7, 2011, by Quantum Pacific International Limited, as guarantor, in favor of Citigroup Inc. and each subsidiary or affiliate thereof.
4. Pledge Agreement, dated as of June 27, 2011, between Pacific Drilling (Gibraltar) Limited, as pledgor, and Citibank, N.A.
5. Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan.
6. Offshore Drilling Contract No.CW780940, between Chevron U.S.A., Inc., through its division, Chevron North America Exploration and Production Company, and Pacific Santa Ana Limited, effective as of April 30, 2010.
7. Offshore Drilling Contract DWD-2010-639426 Drilling Unit, between Star Deep Water Petroleum Limited and Pacific Bora Limited and Pacific International Drilling West Africa Limited, effective as of November 9, 2010.
8. Contract NTD00001073 for Offshore Drilling Services with the “Pacific Scirocco” Rig between Total Exploration Petroleum Nigeria Limited and Pacific Scirocco Ltd and Pacific International Drilling West Africa Limited.
9. Charter Agreement for Unit *Pacific Mistral* between Petroleo Brasileiro S.A. and Pacific Drillship S.a.r.l., effective as of August 16, 2011.
10. Services Agreement with the Use of Unit *Pacific Mistral* between Petroleo Brasileiro S.A. and Pacific Drilling do Brasil Serviços de Perfuração Ltda., effective as of August 16, 2011.
11. Contract for Construction and Sale of a Drillship (Hull No. 2014) between Pacific Drilling V Limited and Samsung Heavy Industries Co., Ltd.
12. Contract for Construction and Sale of a Drillship (Hull No. 2015) between Pacific Drilling VI Limited and Samsung Heavy Industries Co., Ltd.
13. Second Amended Option Agreement between Pacific Drilling V Limited and Samsung Heavy Industries Co., Ltd.

Form of Opinion of Loyens & Loeff

1. The Company has been duly incorporated, is validly existing under the laws of Luxembourg, has the corporate power and authority to own or lease its property and to conduct its business as described in the Time of Sale Prospectus.
2. Pacific Drillship S.a.r.l. (the “ **Designated Subsidiary** ”) has been duly incorporated, is validly existing as a limited liability company (*société a responsabilité limitée*) under the laws of Luxembourg, has the corporate power and authority to own or lease its property and to conduct its business as described in the Time of Sale Prospectus.
3. The share capital of the Company conforms as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.
4. The Common Shares outstanding prior to the issuance of the Shares have been duly authorized and are validly issued in accordance with the Articles of Association, are fully paid and non-assessable. As of the date hereof, the authorized share capital of the Company is \$50,000,000 (being 5,000,000,000 common shares with an accounting par value of \$0.01 each) and as of the date hereof, 210,000,000 common shares are issued and outstanding.
5. All of the issued shares of the Designated Subsidiary have been duly and validly authorized and issued in accordance with the articles of association of the Designated Subsidiary and the laws of Luxembourg, are fully paid and non-assessable and are owned by the Company.
6. The Shares to be issued and sold to the Underwriters pursuant to this Agreement have been duly authorized in accordance with the Articles of Association and the laws of Luxembourg and, when issued in accordance with the terms of this Agreement, will be validly issued and fully paid and non-assessable and the issuance of such Shares will not be subject to any preemptive or similar rights.
7. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene (i) any provision of Luxembourg law or (ii) the Articles of Association, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency in Luxembourg is required for the performance by the Company of its obligations under this Agreement, as far as Luxembourg law is concerned.

-
8. The statements set forth in the Time of Sale Prospectus and the Prospectus (A) under the caption “Description of Share Capital”, insofar as they purport to constitute a summary of the share capital and the rights of the holders of the Common Shares, and (B) under the caption “Tax Considerations— Material Luxembourg Tax Considerations for Holders of Common Shares”, insofar as they purport to describe the provisions of the laws and documents referred to therein, in each case are accurate and complete, in all material respects.
 9. The statements set forth in the Registration Statement in Item 6 of Part II fairly summarize in all material respects such matters, documents or proceedings.

Form of Opinion of General Counsel

1. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene (i) the laws of the States of Texas or federal law (except such counsel expresses no opinion as to any federal or state securities or blue sky laws nor any opinion with respect to the Conduct Rules of FINRA or any anti-fraud laws), (ii) any agreement or other instrument known to such counsel and binding upon the Company or any of the Subsidiaries that is material to the Company and the Subsidiaries, taken as a whole, or (iii) any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any Subsidiary, which contraventions would, individually or in the aggregate, have a Material Adverse Effect; and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, other than the registration of Shares under the Securities Act, which has been effected (except such counsel expresses no opinion as to any necessary qualification under the state securities or blue sky laws of the various jurisdictions in which the Common Shares are being offered by the Underwriters nor any opinion with respect to the Conduct Rules of FINRA or any anti-fraud laws).
2. To such counsel's knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or any Subsidiary is a party or to which any of the properties of the Company or any Subsidiary is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any U.S. statutes or regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

In addition, such counsel shall also furnish a written statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company and the independent registered public accounting firm of the Company, and with representatives and legal counsel of the Underwriters, at which the contents of the Registration Statement, the Time of Sale Prospectus and the Prospectus and related matters were discussed, and although such counsel has not independently verified, is not passing upon and is not assuming any responsibility for the accuracy, completeness or fairness of the statements contained in or incorporated by reference in, the Registration Statement, the Time of Sale Prospectus and the Prospectus, nothing has come to the attention of such counsel that causes such counsel to believe that:

(A) the Registration Statement or the prospectus included therein, at the time the Registration Statement became effective, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading,

(B) the Time of Sale Prospectus, as of the date of this Agreement, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or

(C) the Prospectus, as of its date or as of the Closing Date contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

it being understood that such counsel expresses no statement or belief in such opinion with respect to (i) the financial statements and related schedules, including the notes and schedules thereto and the auditor's report thereon, or any other financial and accounting information included in, incorporated by reference in or excluded from, the Registration Statement, the Time of Sale Prospectus or the Final Prospectus, and (ii) representations and warranties and other statements of fact included in the exhibits to the Registration Statement.

Form of Opinion of Liberian Counsel

1. Each of Pacific Drilling Ltd., Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. (the “**Liberian Subsidiaries**”) is in existence and in good standing as a corporation under the laws of Liberia, possessing the capacity to sue or be sued in its own name and having the power to own its assets and carry on any lawful business.
2. Based solely upon an examination of the constitutional and other documents set forth in such opinion, all of the issued and outstanding shares of capital stock of Pacific Drilling Ltd. are owned of record by the Company and all of the issued and outstanding shares of capital stock of each other Liberian Subsidiary are owned of record by Pacific Drilling Ltd., in each case free and clear of any encumbrances or liens (other than those securing obligations under the Amendment and Restatement Agreement in Respect of the Project Facilities Agreement and the Intercreditor Agreement, dated March 30, 2011, among Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd., as borrowers, Pacific Drilling Limited, as guarantor, and the arrangers, lenders and agents named therein). All of such outstanding shares have been duly authorized and validly issued by such Liberian Subsidiary, are fully paid and non-assessable, and were not issued in violation of or subject to any preemptive right or similar right of the shareholders of such Liberian Subsidiary arising by operation of Liberian law or under the Articles of Incorporation or By-Laws of such Liberian Subsidiary.

Form of Opinion of British Virgin Islands Counsel

1. Each of Pacific Drilling V Ltd., Pacific Drilling VI Ltd. and Pacific Drilling Operations Limited (the “**BVI Subsidiaries**”) is a company limited by shares registered under the BVI Business Companies Act, 2004 (the “**Act**”), duly incorporated, in good standing at the Registry of Corporate Affairs and validly existing under the laws of the British Virgin Islands, and possesses the capacity to sue and be sued in its own name, has the corporate power and authority under its memorandum and articles of association to own or lease property and to conduct its business as described in a Director’s Certificate attached to such opinion.
2. All of the issued shares of capital stock of Pacific Drilling Operations Limited are registered in the name of Pacific Drilling Limited and all of the issued shares of capital stock of each other BVI Subsidiary are registered in the name of Pacific Drilling (Gibraltar) Limited, in each case have been duly and validly authorized and issued in accordance with the constitutive documents of such BVI Subsidiary, and are fully paid and non-assessable. Based solely on the Director’s Certificate, such shares are free and clear of all liens, encumbrances, equities or claims (other than those securing obligations under the Amendment and Restatement Agreement in Respect of the Project Facilities Agreement and the Intercreditor Agreement, dated March 30, 2011, among Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd., as borrowers, Pacific Drilling Limited, as guarantor, and the arrangers, lenders and agents named therein).

Form of Opinion of Gibraltar Counsel

1. Pacific Drilling (Gibraltar) Limited (the “**Gibraltar Subsidiary**”) is a corporate body incorporated on March 15, 2011, and is duly established and existing with limited liability under the laws of Gibraltar.
2. All of the issued shares of capital stock of the Gibraltar Subsidiary are currently issued in favour of the Company, have been duly and validly authorised and duly issued in accordance with the Gibraltar Subsidiary’s original Memorandum and Articles of Association and the applicable laws of Gibraltar.
3. The Gibraltar Subsidiary has corporate power and legal capacity to carry on business as set out in its Memorandum and Articles of Association, to hold, dispose of, charge and otherwise deal with property, and to sue and be sued in its own name.
4. The Certificate of Good Standing obtained from Companies House, Gibraltar in respect of the Gibraltar Subsidiary, a copy of which shall be attached as an annex to such opinion, does not reveal, as at the date thereof, that any steps have been taken to appoint a receiver, a receiver and manager or liquidator over or to wind up the Gibraltar Subsidiary, nor that any charges, liens, encumbrances or other security have been registered against the Gibraltar Subsidiary at Companies House, Gibraltar.

Form of Opinion of Nigerian Counsel

1. Pacific International Drilling West Africa Ltd. (“**PIDWAL**”) is a duly incorporated and validly existing company under Nigerian laws.
2. By virtue of Section 37 of the Companies and Allied Matters Act 1990, PIDWAL is a body corporate capable of exercising all powers attributable to an incorporated body including the powers to hold property and conduct business as stated in its memorandum of association and the Time of Sale Prospectus.
3. In addition, PIDWAL is validly empowered by its memorandum and articles of association to perform and observe its business as described in the Time of Sale Prospectus.
4. All of the issued shares of capital stock of PIDWAL have been duly and validly authorized and issued in accordance with its constitutive documents and the laws of Nigeria. The issued share capital of PIDWAL is fully paid, non-assessable and 90% of such share capital is owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.
5. The statements set forth in the Time of Sale Prospectus and the Prospectus under the caption “Business— Environmental and Other Regulatory Issues— Nigeria”, insofar as they purport to describe the provisions of the laws and documents referred to therein, in each case are accurate in all material respects.

PACIFIC DRILLING S.A.

Société anonyme

Registered Office: 16 Avenue Pasteur
L-2310 Luxembourg

Share Capital: US\$ 50,000

CONSTITUTION DE SOCIETE DU 11 MARS 2011 NUMERO

In the year 2011, on the eleventh day of March,

Before us, Maître Elvinger, notary residing in Luxembourg, Grand Duchy of Luxembourg.

THERE APPEARED:

Quantum Pacific Gibraltar Limited a company incorporated under the laws of Gibraltar, having its registered office at 57/63 Line Wall Road, Gibraltar registered under number 105501

here represented by Siobhán McCarthy, lawyer, whose professional address is 18 – 20 Rue Edward Steichen, L-2540 Luxembourg, by virtue of a power of attorney given under private seal.

The power of attorney, after signature *ne varietur* by the representative of the appearing party and the undersigned notary, will remain attached to this deed for the purpose of registration.

The appearing party represented as above, has requested the undersigned notary, to state, as follows, the articles of association of a public company limited by shares (*société anonyme*), which is hereby incorporated:

I. NAME – REGISTERED OFFICE – OBJECT – DURATION

Art.1. Name

The name of the company is “ **Pacific Drilling S.A.** ” (the **Company**). The Company is a public company limited by shares (*société anonyme*) governed by the laws of the Grand Duchy of Luxembourg, in particular the law of August 10, 1915, on commercial companies, as amended (the **Law**), and these articles of incorporation (the **Articles**).

Art.2. Registered office

- 2.1. The Company’s registered office is established in Luxembourg, Grand Duchy of Luxembourg. It may be transferred within that municipality by a resolution of the board of directors (the Board). It may be transferred to any other location in the Grand Duchy of Luxembourg by a resolution of the general meeting of shareholders (the General Meeting), acting in accordance with the conditions prescribed for the amendment of the Articles.
- 2.2. Branches, subsidiaries or other offices may be established in the Grand Duchy of Luxembourg or abroad by a resolution of the Board. If the Board determines that extraordinary political or military developments or events have occurred or are imminent, and that those developments or events may interfere with the normal activities of the Company at its registered office, or with ease of communication between that office and persons abroad, the registered office may be temporarily transferred abroad until the developments or events in question have completely ceased. Any such temporary measures do not affect the nationality of the Company, which, notwithstanding the temporary transfer of its registered office, will remain a Luxembourg incorporated company.

Art.3. Corporate object

- 3.1. The Company’s object is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. The Company may in particular acquire, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin.

-
- 3.2. The Company may borrow in any form. It may issue notes, bonds and any kind of debt and equity securities. It may lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, and, generally, for its own benefit and that of any other company or person. For the avoidance of doubt, the Company may not carry out any regulated financial sector activities without having obtained the requisite authorisation.
 - 3.3. The Company may use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks.
 - 3.4. The Company may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favours or relates to its corporate object.

Art.4. Duration

- 4.1. The Company is formed for an unlimited period.
- 4.2. The Company is not to be dissolved by reason of the death, suspension of civil rights, incapacity, insolvency, bankruptcy or any similar event affecting one or more shareholders.

II. CAPITAL – SHARES

Art.5. Capital

- 5.1. The share capital is set at fifty thousand United States Dollars (US \$50,000), represented by fifty thousand (50,000) shares in registered form without nominal value.
- 5.2. The share capital may be increased or reduced once or more by a resolution of the General Meeting acting in accordance with the conditions prescribed for the amendment of the Articles.
- 5.3. The Board is authorised, for a period of five (5) years from the date of the publication of the deed of incorporation, to:
 - (i) increase the current share capital once or more up to fifty million United States dollars (US\$50,000,000) by the issue of new shares having the same rights as the existing shares, or without any such issue;

-
- (ii) limit or withdraw the shareholders' preferential subscription rights to the new shares, if any, and determine the persons who are authorised to subscribe to the new shares; and
 - (iii) record each share capital increase by way of a notarial deed and amend the share register accordingly.

Art.6. Shares

- 6.1. The shares are and will remain in registered form (*actions nominatives*).
- 6.2. A register of shares is kept at the registered office and may be examined by any shareholder on request.
- 6.3. A share transfer is carried out by the entry in the register of shares of a declaration of transfer, duly signed and dated by both the transferor and the transferee or their authorised representatives, following a notification to or acceptance by the Company, in accordance with Article 1690 of the Civil Code. The Company may also accept other documents recording the agreement between the transferor and the transferee as evidence of a share transfer.
- 6.4. The shares are indivisible and the Company recognises only one (1) owner per share.
- 6.5. The Company may redeem its own shares within the limits set forth by the Law.

III. MANAGEMENT – REPRESENTATION

Art.7. Board of directors

7.1. Composition of the board of directors

- (i) The Company is managed by the Board, which is composed of at least three (3) members and not more than nine (9) members (save as provided for in Article 8). The directors need not be shareholders.
- (ii) The General Meeting appoints the directors, and determines their number and remuneration and the term of their mandate. Directors cannot be appointed for more than six (6) years and are re-eligible.
- (iii) Directors may be removed at any time, with or without cause, by a resolution of the General Meeting.
- (iv) If a legal entity is appointed as director, it must appoint a permanent representative to perform its duties. The permanent representative is subject to the same rules and

incurs the same liabilities as if he had exercised its functions in its own name and on its own behalf, without prejudice to the joint and several liability of the legal entity which it represents.

- (v) Should the permanent representative be unable to perform its duties, the legal entity must immediately appoint another permanent representative.
- (vi) If the office of a director becomes vacant, the other directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed by the next General Meeting.

7.2. Powers of the board of directors

- (i) All powers not expressly reserved to the shareholder(s) by the Law or the Articles fall within the competence of the Board, which has full power to carry out and approve all acts and operations consistent with the Company's corporate object.
- (ii) The Board may delegate special and limited powers to one or more agents for specific matters and may also establish committees for certain specific purposes. Such committees may include, but are not limited to, an audit committee and a compensation committee.
- (iii) The Board is authorised to delegate the day-to-day management, and the power to represent the Company in this respect, to one or more directors, officers, managers or other agents, whether shareholders or not, acting either individually or jointly. If the day-to-day management is delegated to one or more directors, the Board must report to the annual General Meeting any salary, fee and/or any other advantage granted to those director(s) during the relevant financial year.

For the avoidance of doubt, it is noted that the following non-exhaustive list of matters shall not under any circumstances be regarded as coming within the scope of day-to-day management:

- Approval of the accounts of the Company
- Approval of the annual budget of the Company
- Approval of Company policies
- Approval of recommendations made by any Board committee

7.3. Procedure

- (i) The Board must appoint a chairperson from among its members, and may choose a secretary who need not be a director and who will be responsible for keeping the minutes of the meetings of the Board and of General Meetings.

-
- (ii) The Board meets at the request of the chairperson or the majority of the Board of directors, at the place indicated in the notice, which in principle is in Luxembourg.
 - (iii) Written notice of any Board meeting is given to all directors at least twenty-four (24) hours in advance, except in the case of an emergency whose nature and circumstances are set forth in the notice.
 - (iv) No notice is required if all members of the Board are present or represented and state that they know the agenda for the meeting. A director may also waive notice of a meeting, either before or after the meeting. Separate written notices are not required for meetings which are held at times and places indicated in a schedule previously adopted by the Board.
 - (v) A director may grant another director a power of attorney in order to be represented at any Board meeting.
 - (vi) The Board may only validly deliberate and act if a majority of its members are present or represented. Board Resolutions are validly adopted if the majority of the members of the Board vote in their favour. The chairman has a casting vote in the event of a tie vote. Board resolutions are recorded in minutes signed by the chairperson, by all directors present or represented at the meeting, or by the secretary (if any).
 - (vii) Any director may participate in any meeting of the Board by telephone or video conference, or by any other means of communication which allows all those taking part in the meeting to identify, hear and speak to each other. Participation by such means is deemed equivalent to participation in person at a duly convened and held meeting .
 - (viii) Circular resolutions signed by all the directors (the Directors' Circular Resolutions) are valid and binding as if passed at a duly convened and held Board meeting, and bear the date of the last signature.
 - (ix) A director who has an interest in a transaction carried out other than in the ordinary course of business which conflicts with the interests of the Company must advise the Board accordingly and have the statement recorded in the minutes of the meeting. The director concerned may not take part in the deliberations concerning that transaction. A special report on the relevant transaction is submitted to the shareholders at the next General Meeting, before any vote on the matter.

7.4. Representation

- (i) The Company is bound towards third parties in all matters by the joint signature of the majority of the Board.
- (ii) The Company is also bound towards third parties by the joint or single signature of any person to whom special signatory powers have been delegated.

Art.8.Sole director

- 8.1. Where the number of shareholders is reduced to one (1), the Company may be managed by a single director until the ordinary General Meeting following the introduction of an additional shareholder. In this case, any reference in the Articles to the Board or the directors should be read as a reference to that sole director, as appropriate.
- 8.2. Transactions entered into by the Company which conflict with the interest of its sole director must be recorded in minutes. This does not apply to transactions carried out under normal circumstances in the ordinary course of business.
- 8.3. The Company is bound towards third parties by the signature of the sole director or by the joint or single signature of any person to whom the sole director has delegated special signatory powers.

Art.9.Liability of the directors

- 9.1. The directors may not be held personally liable by reason of their mandate for any commitment they have validly made in the name of the Company's name, provided those commitments comply with the Articles and the Law.

IV. SHAREHOLDER(S)**Art.10. General meetings of shareholders****10.1. Powers and voting rights**

- (i) Resolutions of the shareholders are adopted at a general meeting of shareholders (the General Meeting). The General Meeting has full powers to adopt and ratify all acts and operations which are consistent with the company's corporate object.
- (ii) Each share gives entitlement to one (1) vote.

10.2. Notices, quorum, majority and voting proceedings

- (i) General Meetings are held at the time and place specified in the notices.
- (ii) If all the shareholders are present or represented and consider themselves duly convened and informed of the agenda, the General Meeting may be held without prior notice.

-
- (iii) A shareholder may grant written power of attorney to another person, shareholder or otherwise, in order to be represented at any General Meeting.
 - (iv) Any shareholder may participate in any General Meeting by telephone or video conference, or by any other means of communication which allows all those taking part in the meeting to identify, hear and speak to each other. Participation by such means is deemed equivalent to participation in person at the meeting.
 - (v) Any shareholder may vote by using the forms provided to that effect by the Company. Voting forms contain the date, place and agenda of the meeting and the text of the proposed resolutions. For each resolution, the form must contain three boxes allowing for a vote for or against that resolution or an abstention. Shareholders must return the voting forms to the registered office. Only voting forms received prior to the General Meeting are taken into account for calculation of the quorum. Forms which indicate neither a voting intention nor an abstention are void.
 - (vi) Resolutions of the General Meeting are passed by a simple majority vote, regardless of the proportion of share capital represented.
 - (vii) An Extraordinary General Meeting may only amend the Articles if at least one-half of the share capital is represented and the agenda indicates the proposed amendments to the Articles, including the text of any proposed amendment to the Company's object or form. If this quorum is not reached, a second General Meeting may be convened by means of notices published twice in the *Mémorial* and two Luxembourg newspapers, at an interval of at fifteen (15) days and fifteen (15) days before the meeting. These notices state the date and agenda of the General Meeting and the results of the previous General Meeting. The second General Meeting deliberates validly regardless of the proportion of capital represented. At both General Meetings, resolutions must be adopted by at least two-thirds of the votes cast.
 - (viii) Any change in the nationality of the Company and any increase in a shareholder's commitment in the Company require the unanimous consent of the shareholders and bondholders (if any).

Art.11. Sole shareholder

- 11.1. When the number of shareholders is reduced to one (1), the sole shareholder exercises all powers granted by the Law to the General Meeting.
- 11.2. Any reference to the General Meeting in the Articles is to be read as a reference to the sole shareholder, as appropriate.
- 11.3. The resolutions of the sole shareholder are recorded in minutes.

V. ANNUAL ACCOUNTS – ALLOCATION OF PROFITS – SUPERVISION

Art.12. Financial year and approval of annual accounts

- 12.1. The financial year begins on 1 January and ends on 31 December of each year.
- 12.2. The Board prepares the balance sheet and profit and loss account annually, together with as an inventory stating the value of the Company's assets and liabilities, with an annex summarising its commitments and the debts owed by its officers, directors and statutory auditors to the Company.
- 12.3. One month before the Annual General Meeting, the Board provides the statutory auditors with a report on and documentary evidence of the Company's operations. The statutory auditors then prepare a report stating their findings and proposals.
- 12.4. The annual General Meeting is held at the registered office or in any other place within the municipality of the registered office, as specified in the notice, on the second Monday of May of each year at 10.00 a.m. If that day is not a business day in Luxembourg, the annual General Meeting is held on the following business day.
- 12.5. The annual General Meeting may be held abroad if, in the Board's, absolute and final judgement, exceptional circumstances so require.

Art.13.Auditors

- 13.1. The Company's operations are supervised by one or more statutory auditors (*commissaires*).
- 13.2. When so required by law, or when the Company so chooses, the Company's operations are supervised by one or more approved external auditors (*réviseurs d'entreprises agréés*).
- 13.3. The General Meeting appoints the statutory auditors (*commissaires*) / external auditors (*réviseurs d'entreprises agréés*), and determines their number and remuneration and the term of their mandate, which may not exceed six (6) years but may be renewed.

Art.14.Allocation of profits

- 14.1. Five per cent (5%) of the Company's annual net profits are allocated to the reserve required by law. This requirement ceases when the legal reserve reaches an amount equal to ten per cent (10%) of the share capital.
- 14.2. The General Meeting determines the allocation of the balance of the annual net profits. They may decide on the payment of a dividend, to transfer the balance to a reserve account, or to carry it forward in accordance with the applicable legal provisions.

14.3. Interim dividends may be distributed at any time, under the following conditions:

- (i) the Board draws up interim accounts;
- (ii) the interim accounts show that sufficient profits and other reserves (including share premiums) are available for distribution; it being understood that the amount to be distributed may not exceed the profits made since the end of the last financial year for which the annual accounts have been approved, if any, increased by profits carried forward and distributable reserves, and reduced by losses carried forward and sums to be allocated to the legal or a statutory reserve;
- (iii) the decision to distribute interim dividends is made by the Board within two (2) months from the date of the interim accounts.

In their report to the Board, the statutory auditors (*commissaires*) or the approved external auditors (*réviseurs d'entreprises agréés*), as applicable, must verify whether the above conditions have been satisfied.

VI. DISSOLUTION – LIQUIDATION

- 15.1. The Company may be dissolved at any time by a resolution of the General Meeting, acting in accordance with the conditions prescribed for the amendment of the Articles. The General Meeting appoints one or more liquidators, who need not be shareholders, to carry out the liquidation, and determines their number, powers and remuneration. Unless otherwise decided by the General Meeting, the liquidators have full powers to realise the Company's assets and pay its liabilities.
- 15.2. The surplus after realisation of the assets and payment of the liabilities is distributed to the shareholders in proportion to the shares held by each of them.

VII. GENERAL PROVISION

- 16.1. Notices and communications may be made or waived and circular resolutions may be evidenced in writing, fax, email or any other means of electronic communication.
- 16.2. Powers of attorney are granted by any of the means described above. Powers of attorney in connection with Board meetings may also be granted by a director, in accordance with such conditions as may be accepted by the Board.
- 16.3. Signatures may be in handwritten or electronic form, provided they fulfil all legal requirements for being deemed equivalent to handwritten signatures. Signatures of circular resolutions or resolutions adopted by telephone or video conference are affixed to one original or several counterparts of the same document, all of which taken together constitute one and the same document.

16.4. All matters not expressly governed by these Articles shall be determined in accordance with the applicable law and, subject to any non-waivable provisions of the law, with any agreement entered into by the shareholders from time to time.

TRANSITIONAL PROVISION

The first financial year begins on the date of this deed and ends on December 31, 2011.

SUBSCRIPTION AND PAYMENT

Quantum Pacific (Gibraltar) Limited, represented as stated above, subscribes to fifty thousand (50,000) shares in registered form without nominal value and agrees to pay them in full by a contribution in cash of fifty thousand United States dollars (US\$ 50,000).

The amount of fifty thousand United States dollars (US\$ 50,000) is at the Company's disposal and evidence thereof has been given to the undersigned notary.

COSTS

The expenses, costs, fees and charges of any kind whatsoever to be borne by the Company in connection with its incorporation are estimated at approximately one thousand five hundred euro.

RESOLUTIONS OF THE SHAREHOLDERS

Immediately after the incorporation of the Company, the above appearing party, representing the entire subscribed share capital, adopted the following resolutions:

1. The following are appointed as directors of the Company for a period of one year:
 - a) Aidan J Foley, General Manager, born on December 8, 1976 in Waterford, Ireland residing professionally at 16 Avenue Pasteur, L-2310 Luxembourg;
 - b) Christian J Beckett, Company Director, April 4, 1968 in Leeds, the United Kingdom, residing professionally at 3050 Post Oak Blvd, Suite 150, Houston, Texas 77056 United States of America; and
 - c) Ron Moskovitz, Company Director, born on February 2, 1963 in Haifa, Israel, residing professionally at 5th Floor, 28-29 Dover Street Mayfair, W1S 4NA, United Kingdom.

-
2. KPMG Luxembourg of 9, Allée Scheffer L-2520 Luxembourg is appointed as statutory auditor (*commisaire*) of the Company for a period of one year.
 3. KPMG Luxembourg of 9, Allée Scheffer L-2520 Luxembourg is appointed as approved external auditors (*réviseurs d'entreprises agréés*) of the Company for a period of one year.
 4. The registered office of the Company is located at 16 Avenue Pasteur, L-2310 Luxembourg.

DECLARATION

The undersigned notary, who understands and speaks English, states that at the request of the appearing parties, this deed is drawn up in English, followed by a French version, and that in the case of divergences between the English text and the French text, the English text prevails.

WHEREOF this deed was drawn up in Luxembourg, on the day stated above.

This deed has been read to the representatives of the appearing parties, who have signed it together with the undersigned notary.

PACIFIC DRILLING S.A.
Société anonyme
Registered Office: 16 Avenue Pasteur
L-2310 Luxembourg
Share Capital: US\$ 2,100,000

I. NAME — REGISTERED OFFICE — OBJECT — DURATION

Art. 1. Name

The name of the company is “ **Pacific Drilling S.A.** ” (the **Company**). The Company is a public company limited by shares (*société anonyme*) governed by the laws of the Grand Duchy of Luxembourg, in particular the law of August 10, 1915, on commercial companies, as amended (the **Law**), and these articles of incorporation (the **Articles**).

Art. 2. Registered office

- 2.1 The Company’s registered office is established in Luxembourg, Grand Duchy of Luxembourg. It may be transferred within that municipality by a resolution of the board of directors (the **Board**). It may be transferred to any other location in the Grand Duchy of Luxembourg by a resolution of the general meeting of shareholders (the **General Meeting**), acting in accordance with the conditions prescribed for the amendment of the Articles.
- 2.2 Branches, subsidiaries or other offices may be established in the Grand Duchy of Luxembourg or abroad by a resolution of the Board. If the Board determines that extraordinary political or military developments or events have occurred or are imminent, and that those developments or events may interfere with the normal activities of the Company at its registered office, or with ease of communication between that office and persons abroad, the registered office may be temporarily transferred abroad until the developments or events in question have completely ceased. Any such temporary measures do not affect the nationality of the Company, which, notwithstanding the temporary transfer of its registered office, will remain a Luxembourg incorporated company.

Art. 3. Corporate object

- 3.1 The Company’s object is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. The Company may in particular acquire, by subscription, purchase and exchange or in any other

manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin.

- 3.2 The Company may borrow in any form. It may issue notes, bonds and any kind of debt and equity securities. It may lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, and, generally, for its own benefit and that of any other company or person. For the avoidance of doubt, the Company may not carry out any regulated financial sector activities without having obtained the requisite authorization.
- 3.3 The Company may use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks.
- 3.4 The Company may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favours or relates to its corporate object.

Art. 4. Duration

- 4.1 The Company is formed for an unlimited period.
- 4.2 The Company is not to be dissolved by reason of the death, suspension of civil rights, incapacity, insolvency, bankruptcy or any similar event affecting one or more shareholders.

II. CAPITAL — SHARES

Art. 5. Capital

- 5.1 The share capital is set at two million one hundred thousand United States Dollars (USD 2,100,000), represented by two hundred ten million (210,000,000) shares in registered form without nominal value.

-
- 5.2 The share capital may be increased or reduced once or more by a resolution of the General Meeting acting in accordance with the conditions prescribed for the amendment of the Articles.
- 5.3 The Board is authorized, for a period of five (5) years from the date of the publication in the Luxembourg *Mémorial C, Recueil des Sociétés et Associations* of the minutes of the General Meeting held on 30 March 2011 without prejudice to any renewals, to:
- (i) increase the current share capital once or more up to fifty million United States dollars (USD 50,000,000) (such amount including the current share capital of the Company) by the issue of new shares having the same rights as the existing shares, or without any such issue;
 - (ii) determine the conditions of any such capital increase including through contributions in cash or in kind, by the incorporation of reserves, issue/share premiums or retained earnings, with or without issue of new shares to current shareholders or third parties (non-shareholders) or following the issue of any instrument convertible into shares or any other instrument carrying an entitlement to, or the right to subscribe for, shares;
 - (iii) limit or withdraw the shareholders' preferential subscription rights to the new shares, if any, and determine the persons who are authorized to subscribe to the new shares; and
 - (iv) record each share capital increase by way of a notarial deed and amend the share register accordingly.
- 5.4 Within the limits of article 5.3 of the Articles, the Board is expressly authorized to increase the Company's share capital by incorporation of reserves, issue / share premiums or retained earnings and to issue the additional shares resulting from such capital increase to a beneficiary under any stock incentive plan as agreed by the Company, such beneficiary being a shareholder of the Company or not, or, to an entity appointed by the Company as an administrator in connection with such plan. The Company reserves the right to place transfer and other restrictions on such shares as determined by the Company pursuant to such stock incentive plan from time to time.

-
- 5.5 When the Board has implemented a complete or partial increase in capital as authorised by article 5.3, article 5 of the present articles of association shall be amended to reflect that increase.
- 5.6 The Board is expressly authorised to delegate to any natural or legal person to organise the market in subscription rights, accept subscriptions, conversions or exchanges, receive payment for the price of shares or other financial instruments, to have registered increases of capital carried out as well as the corresponding amendments to article 5 of the present articles of association and to have recorded in said article 5 of the present articles of association the amount by which the authorisation to increase the capital has actually been used and, where appropriate, the amounts of any such increase that are reserved for financial instruments which may carry an entitlement to shares.

Art. 6. Shares

- 6.1 The shares are and will remain in registered form (*actions nominatives*).
- 6.2 A register of shares is kept at the registered office and may be examined by any shareholder on request.
- 6.3 The shares may be entered without serial numbers into fungible securities accounts with financial institutions or other professional depositaries operating a settlement system in relation to transactions on securities, dividends, interest, matured capital or other matured monies of securities or of other financial instruments being handled through the system of such depositary (such systems, professionals or other depositaries being referred to hereinafter as **Depositaries** and each a **Depositary**). The shares held in deposit or in an account with such financial institution or professional depositary shall be recorded in an account opened in the name of the depositor and may be transferred from one account to another, whether such account is held by the same or a different financial institution or depositary. The Board may however impose transfer restrictions for shares that are registered, listed, quoted, dealt in, or have been placed in certain jurisdictions in compliance with the requirements applicable therein. The transfer to the register kept at the Company's registered office may always be requested by a shareholder.
- 6.4 The Company may consider the person in whose name the registered shares are registered in the register(s) of Shareholders as the full owner of such registered shares. The Company shall be completely free from any responsibility in dealing with such registered shares towards third parties

-
- and shall be justified in considering any right, interest or claims of such third parties in or upon such registered shares to be non-existent, subject, however, to any right which such third party might have to demand the registration or change in registration of registered shares.
- 6.5 Where the shares are held with Depositaries through fungible securities accounts within clearing and settlement systems, the exercise of the voting rights in respect of such shares may be subject to the internal rules and procedures of those clearing and settlement systems.
- 6.6 All communications and notices to be given to a registered shareholder shall be deemed validly made to the latest address communicated by the shareholder to the Company. In the event that a holder of registered shares does not provide an address to which all notices or announcements from the Company may be sent, the Company may permit a notice to this effect to be entered into the register(s) of Shareholders and such holder's address will be deemed to be at the registered office of the Company or such other address as may be so entered by the Company from time to time, until a different address shall be provided to the Company by such holder. The holder may, at any time, change his address as entered in the register(s) of Shareholders by means of written notification to the Company or the relevant registrar.
- 6.7 A share transfer of registered shares which are not held through fungible securities accounts is carried out by the entry in the register of shares of a declaration of transfer, duly signed and dated by both the transferor and the transferee or their authorized representatives, following a notification to or acceptance by the Company, in accordance with Article 1690 of the Civil Code. The Company may also accept other documents recording the agreement between the transferor and the transferee as evidence of a share transfer.
- 6.8 The rights and obligations attached to any share shall pass to any transferee thereof.
- 6.9 The shares are indivisible and the Company recognizes only one (1) owner per share.
- 6.10 The Company may redeem its own shares using a method approved by the Board which is in accordance with Luxembourg law and the rules of any stock exchange(s) on which the shares in the Company are listed from time to time.

III. MANAGEMENT — REPRESENTATION

Art. 7. Board of directors

7.1 Composition of the board of directors

- (i) The Company is managed by the Board, which is composed of at least three (3) members (save as provided for in Article 8). The directors need not be shareholders.

-
- (ii) The General Meeting appoints the directors, and determines their number and remuneration and the term of their mandate. Directors cannot be appointed for more than six (6) years and are re-eligible.
 - (iii) Directors may be removed at any time, with or without cause, by a resolution of the General Meeting.
 - (iv) If a legal entity is appointed as director, it must appoint a permanent representative to perform its duties. The permanent representative is subject to the same rules and incurs the same liabilities as if he had exercised its functions in its own name and on its own behalf, without prejudice to the joint and several liability of the legal entity which it represents.
 - (v) Should the permanent representative be unable to perform its duties, the legal entity must immediately appoint another permanent representative.
 - (vi) If the office of a director becomes vacant, the other directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed by the next General Meeting.

7.2 **Powers of the board of directors**

- (i) All powers not expressly reserved to the shareholder(s) by the Law or the Articles fall within the competence of the Board, which has full power to carry out and approve all acts and operations consistent with the Company's corporate object.
- (ii) The Board may delegate special and limited powers to one or more agents for specific matters and may also establish committees for certain specific purposes. Such committees may include, but are not limited to, an audit committee and a compensation committee.
- (iii) The Board is authorized to delegate the day-to-day management, and the power to represent the Company in this respect, to one or more directors, officers, managers or other agents, whether shareholders or not, acting either individually or jointly. If the day-to-day management is delegated to one or more directors, the Board must report to the annual General Meeting any salary, fee and/or any other advantage granted to those director(s) during the relevant financial year.

For the avoidance of doubt, it is noted that the following non-exhaustive list of matters shall not under any circumstances be regarded as coming within the scope of day-to-day management:

- Approval of the accounts of the Company
- Approval of the annual budget of the Company
- Approval of Company policies
- Approval of recommendations made by any Board committee

7.3 Procedure

- (i) The Board must appoint a chairperson from among its members, and may choose a secretary who need not be a director and who will be responsible for keeping the minutes of the meetings of the Board and of General Meetings.
- (ii) The Board meets at the request of the chairperson or the majority of the Board of directors, at the place indicated in the notice, which in principle is in Luxembourg.
- (iii) Written notice of any Board meeting is given to all directors at least twenty-four (24) hours in advance, except in the case of an emergency whose nature and circumstances are set forth in the notice.
- (iv) No notice is required if all members of the Board are present or represented and state that they know the agenda for the meeting. A director may also waive notice of a meeting, either before or after the meeting. Separate written notices are not required for meetings which are held at times and places indicated in a schedule previously adopted by the Board.
- (v) A director may grant another director a power of attorney in order to be represented at any Board meeting.
- (vi) The Board may only validly deliberate and act if a majority of its members are present or represented. Board Resolutions are validly adopted if the majority of the members of the Board vote in their favour. The chairman has a casting vote in the event of a tie vote. Board resolutions are recorded in minutes signed by the chairperson, by all directors present or represented at the meeting, or by the secretary (if any).
- (vii) Any director may participate in any meeting of the Board by telephone or video conference, or by any other means of communication which allows all those taking part in the meeting to identify, hear and speak to each other. Participation by such means is deemed equivalent to participation in person at a duly convened and held meeting.

-
- (viii) Circular resolutions signed by all the directors (the **Directors' Circular Resolutions**) are valid and binding as if passed at a duly convened and held Board meeting, and bear the date of the last. signature.
 - (ix) A director who has an interest in a transaction carried out other than in the ordinary course of business which conflicts with the interests of the Company must advise the Board accordingly and have the statement recorded in the minutes of the meeting. The director concerned may not take part in the deliberations concerning that transaction. A special report on the relevant transaction is submitted to the shareholders at the next General Meeting, before any vote on the matter.

7.4 **Representation**

- (i) The Company is bound towards third parties in all matters by the joint signature of the majority of the Board.
- (ii) The Company is also bound towards third parties by the joint or single signature of any person to whom special signatory powers have been delegated, including, for the avoidance of doubt, the signature of any person to whom day-to-day management of the Company has been delegated in accordance with article 7.2(iii).

Art. 8. Sole director

- 8.1 Where the number of shareholders is reduced to one (1), the Company may be managed by a single director until the ordinary General Meeting following the introduction of an additional shareholder. In this case, any reference in the Articles to the Board or the directors should be read as a reference to that sole director, as appropriate.
- 8.2 Transactions entered into by the Company which conflict with the interest of its sole director must be recorded in minutes. This does not apply to transactions carried out under normal circumstances in the ordinary course of business.
- 8.3 The Company is bound towards third parties by the signature of the sole director or by the joint or single signature of any person to whom the sole director has delegated special signatory powers.

Art. 9. Liability of the directors

- 9.1 The directors may not be held personally liable by reason of their mandate for any commitment they have validly made in the name of the Company's name, provided those commitments comply with the Articles and the Law.

Art. 10. Directors' Remuneration

- 10.1 The remuneration of the board of directors will be decided by the General Meeting.
- 10.2 The Company shall, to the fullest extent permitted by Luxembourg law, indemnify any director or officer, as well as any former director or officer, against any damages and/or compensation to be paid and any costs, charges and expenses, reasonably incurred by him in connection with the defense or settlement of any civil, criminal or administrative action, suit or proceeding to which he may be made a party by reason of his being or having been a director or officer of the Company, if (i) he acted honestly and in good faith, and (ii) in the case of criminal or administrative proceedings, he had reasonable grounds for believing that his conduct was lawful. Notwithstanding the foregoing, the current or former director or officer will not be entitled to indemnification in case of an action, suit or proceeding brought against him by the Company or in case he shall be finally adjudged in an action, suit or proceeding to be liable for gross negligence, wilful misconduct, fraud, dishonesty or any other criminal offence.

Furthermore, in case of settlement, the current or former director or officer will only be entitled to indemnification hereunder, provided that (i) the Board shall have determined in good faith that the defendant's actions did not constitute willful and deliberate violations of the law and shall have obtained the relevant legal advice to that effect; and (ii) notice of the intention of settlement of such action, suit or proceeding is given to the Company at least 10 business days prior to such settlement.

IV. SHAREHOLDER(S)**Art. 11. General meetings of shareholders****11.1 Powers and voting rights**

- (i) Resolutions of the shareholders are adopted at a general meeting of shareholders (the **General Meeting**). The General Meeting has full powers to adopt and ratify all acts and operations which are consistent with the company's corporate object.
- (ii) Each share gives entitlement to one (1) vote.

11.2 Notices, quorum, majority and voting proceedings

- (i) General Meetings are held at the time and place specified in the notices.
- (ii) The notices for any ordinary General Meeting or extraordinary General Meeting shall contain the agenda, the hour and the place of the meeting and shall be made by notices published twice (2) at least at eight (8) days interval and eight (8) days before the meeting in the *Memorial C, Recueil des Sociétés et Associations* (Luxembourg Official Gazette) and in a leading newspaper having general circulation in Luxembourg. In case the shares of the Company are listed on a foreign regulated market, the notices shall, in addition, (subject to applicable regulations) either (i) be published once in a leading newspaper having general circulation in the country of such listing at the same time as the first publication in Luxembourg or (ii) follow the market practices in such country regarding publicity of the convening of a general meeting of shareholders.
- (iii) If all the shareholders are present or represented and consider themselves duly convened and informed of the agenda, the General Meeting may be held without prior notice.
- (iv) A shareholder may grant written power of attorney to another person, shareholder or otherwise, in order to be represented at any General Meeting.
- (v) Any shareholder may participate in any General Meeting by telephone or video conference, or by any other means of communication which allows all those taking part in the meeting to identify, hear and speak to each other. Participation by such means is deemed equivalent to participation in person at the meeting.
- (vi) Any shareholder may vote by using the forms provided to that effect by the Company. Voting forms contain the date, place and agenda of the meeting and the text of the proposed resolutions. For each resolution, the form must contain three boxes allowing for a vote for or against that resolution or an abstention. Shareholders must return the voting forms to the registered office. Only voting forms received prior to the General Meeting are taken into account for calculation of the quorum. Forms which indicate neither a voting intention nor an abstention are void.
- (vii) Resolutions of the General Meeting are passed by a simple majority vote, regardless of the proportion of share capital represented.

-
- (viii) An extraordinary General Meeting (**Extraordinary General Meeting**) may only amend the Articles if at least one-half of the share capital is represented and the agenda indicates the proposed amendments to the Articles, including the text of any proposed amendment to the Company's object or form. If this quorum is not reached, a second Extraordinary General Meeting may be convened by means of notices published twice in the *Mémorial* and two Luxembourg newspapers, at an interval of at fifteen (15) days and fifteen (15) days before the meeting. These notices state the date and agenda of the Extraordinary General Meeting and the results of the previous Extraordinary General Meeting. The second Extraordinary General Meeting deliberates validly regardless of the proportion of capital represented. At both Extraordinary General Meetings, resolutions must be adopted by at least two-thirds of the votes cast.
 - (ix) Any change in the nationality of the Company and any increase in a shareholder's commitment in the Company require the unanimous consent of the shareholders and bondholders (if any).

Art. 12. Procedure

- 12.1 Every General Meeting will be presided over by the chairman *pro tempore* appointed by the General Meeting. The General Meeting will appoint a scrutineer who shall keep the attendance list.
- 12.2 The board of the General Meeting so constituted shall designate the secretary.
- 12.3 Irrespective of the agenda, the Board may adjourn any ordinary General Meeting or Extraordinary General Meeting in accordance with the formalities and time limits stipulated for by law.
- 12.4 Minutes of the General Meetings shall be signed by the members of the board of the meeting. Copies or excerpts of the minutes to be produced in court or elsewhere shall be signed by two (2) directors or by the secretary of the Board or by any assistant secretary.

Art. 13. Sole shareholder

- 13.1 When the number of shareholders is reduced to one (1), the sole shareholder exercises all powers granted by the Law to the General Meeting.
- 13.2 Any reference to the General Meeting in the Articles is to be read as a reference to the sole shareholder, as appropriate.
- 13.3 The resolutions of the sole shareholder are recorded in minutes.

V. ANNUAL ACCOUNTS — ALLOCATION OF PROFITS — SUPERVISION

Art. 14. Financial year and approval of annual accounts

- 14.1 The financial year begins on 1 January and ends on 31 December of each year.
- 14.2 The Board prepares the balance sheet and profit and loss account annually, together with as an inventory stating the value of the Company's assets and liabilities, with an annex summarizing its commitments and the debts owed by its officers, directors and statutory auditors to the Company.
- 14.3 One month before the annual General Meeting, the Board provides the statutory auditors with a report on and documentary evidence of the Company's operations. The statutory auditors then prepare a report stating their findings and proposals.
- 14.4 The annual General Meeting is held at the registered office or in any other place within the municipality of the registered office, as specified in the notice, on the second Monday of May of each year at 10.00 a.m. If that day is not a business day in Luxembourg, the annual General Meeting is held on the following business day.
- 14.5 The annual General Meeting may be held abroad if, in the Board's, absolute and final judgment, exceptional circumstances so require.

Art. 15. Auditors

- 15.1 The Company's operations are supervised by one or more statutory auditors (*commissaires*).
- 15.2 When so required by law, or when the Company so chooses, the Company's operations are supervised by one or more approved external auditors (*réviseurs d'entreprises agréés*).
- 15.3 The General Meeting appoints the statutory auditors (*commissaires*) / external auditors (*réviseurs d'entreprises agréés*), and determines their number and remuneration and the term of their mandate, which may not exceed six (6) years but may be renewed.

Art. 16. Allocation of profits

- 16.1 Five per cent (5%) of the Company's annual net profits are allocated to the reserve required by law. This requirement ceases when the legal reserve reaches an amount equal to ten per cent (10%) of the share capital.
- 16.2 The General Meeting determines the allocation of the balance of the annual net profits. They may decide on the payment of a dividend, to transfer the balance to a reserve account, or to carry it forward in accordance with the applicable legal provisions.

16.3 Interim dividends may be distributed at any time, under the following conditions:

- (i) the Board draws up interim accounts;
- (ii) the interim accounts show that sufficient profits and other reserves (including share premiums) are available for distribution; it being understood that the amount to be distributed may not exceed the profits made since the end of the last financial year for which the annual accounts have been approved, if any, increased by profits carried forward and distributable reserves, and reduced by losses carried forward and sums to be allocated to the legal or a statutory reserve;
- (iii) the decision to distribute interim dividends, is made by the Board within two (2) months from the date of the interim accounts.

In their report to the Board, the statutory auditors (*commissaires*) or the approved external auditors (*réviseurs d'entreprises agréés*), as applicable, must verify whether the above conditions have been satisfied.

16.4 The Company may make payment of dividends and any other payments in cash, shares or other securities to a Depositary. Said Depositary shall distribute these funds to his depositors according to the amount of securities or other financial instruments recorded in their name. Such payment by the Company to the Depositary will effect full discharge of the Company's obligations in this regard.

VI. DISSOLUTION — LIQUIDATION

17.1 The Company may be dissolved at any time by a resolution of the General Meeting, acting in accordance with the conditions prescribed for the amendment of the Articles. The General Meeting appoints one or more liquidators, who need not be shareholders, to carry out the liquidation, and determines their number, powers and remuneration. Unless otherwise decided by the General Meeting, the liquidators have full powers to realize the Company's assets and pay its liabilities.

17.2 The surplus after realization of the assets and payment of the liabilities is distributed to the shareholders in proportion to the shares held by each of them.

VII. GENERAL PROVISION

18.1 Notices and communications may be made or waived and circular resolutions may be evidenced in writing, fax, email or any other means of electronic communication.

-
- 18.2 Powers of attorney are granted by any of the means described above. Powers of attorney in connection with Board meetings may also be granted by a director, in accordance with such conditions as may be accepted by the Board.
- 18.3 Signatures may be in handwritten or electronic form, provided they fulfill all legal requirements for being deemed equivalent to handwritten signatures. Signatures of circular resolutions or resolutions adopted by telephone or video conference are affixed to one original or several counterparts of the same document, all of which taken together constitute one and the same document.
- 18.4 All matters not expressly governed by these Articles shall be determined in accordance with the applicable law and, subject to any non-waivable provisions of the law, with any agreement entered into by the shareholders from time to time.

November 7, 2011

Pacific Drilling S.A.
16 Avenue Pasteur
L-2310 Luxembourg

RE: Pacific Drilling S.A. Registration Statement on Form F-1

Ladies and Gentlemen

PACIFIC DRILLING S.A.

1 INTRODUCTION

Incorporation

We are acting as Luxembourg counsel for Pacific Drilling S.A., a Luxembourg public company limited by shares (*société anonyme*) with registered office at 16 Avenue Pasteur, L-2310 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (**RCS**) under number B 159658 (the **Company**) in connection with the Registration Statement on Form F-1 being filed with the Securities and Exchange Commission under the US Securities Act of 1933, as amended, (the **Registration Statement**) relating to the offering by the Company of 6,000,000 common shares, accounting par value \$0.01 per share (the **Shares**).

2 SCOPE OF INQUIRY

2.1 For the purpose of this Opinion, we have examined a copy of and relied upon the following documents (together the **Documents** and each a **Document**):

- (a) the deed of incorporation of the Company, as enacted in the notarial deed dated 11 March 2011 and drawn up by Maître Elvinger, Notary in Luxembourg, Grand Duchy of Luxembourg;
- (b) the extraordinary resolutions of the sole shareholder of the Company, as enacted in the notarial deed of EGM held on 30 March 2011 and drawn up by Maître Elvinger, Notary in Luxembourg, Grand Duchy of Luxembourg;
- (c) the coordinated articles of association of the Company (the **Articles**);
- (d) the resolutions of the board of directors of the Company, dated 01 August 2011 in which the share capital increase is authorised subject to receipt of the relevant

subscription monies (the **Directors Resolutions**);

- (e) a certificate from authorized officers of the Company with respect to certain factual matters, dated 7 November 2011;
- (f) an excerpt pertaining to the Company delivered by the RCS, dated 7 November 2011;
- (g) a certificate of absence of judicial decisions (*certificat de non-inscription d'une décision judiciaire*) pertaining to the Company, delivered by the RCS on 7 November 2011 with respect to the situation of the Company as at 6 November 2011;

3 ASSUMPTIONS

We have assumed the following:

- 3.1 the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies;
- 3.2 all factual matters and statements relied upon or assumed in this Opinion are and were true and complete on the date of execution of the Documents (and any document in connection therewith);

4 OPINION

- 4.1 The Company is a validly existing *société anonyme* under the laws of the Grand Duchy of Luxembourg.
- 4.2 The Shares to be issued and sold have been duly authorised in accordance with the Articles and the laws of Luxembourg and, when duly subscribed to and fully paid and issued in accordance with the Directors Resolutions, will be validly issued and fully paid and non-assessable (based on the meaning of that term as understood under U.S. law) and the issuance of such Shares will not be subject to any pre-emptive or similar rights.

5 MISCELLANEOUS

- 5.1 We express no opinion, nor do we imply any opinion, as to any laws other than Luxembourg laws and this Opinion is given on the express condition, accepted by each person entitled to rely on it, that this Opinion and all rights, obligations, issues of interpretation and liabilities in relation to it are governed by, and shall be construed in accordance with, Luxembourg law and any actions or claims in relation to it can be brought exclusively before the Luxembourg courts.
- 5.2 This Opinion is strictly limited to the matters expressly set forth at clause 4 above. No other opinion is, or may be, implied or inferred therefrom.
- 5.3 We hereby consent to the filing of this Opinion as an exhibit to the Registration Statement. The giving of this Opinion does not constitute acceptance or agreement that we are in the category of persons whose consent is required under section 7 of the Securities Act of

1933, as amended.

Yours faithfully,

/s/ LOYENS & LOEFF
Loyens & Loeff

Avocats à la Cour

November 7, 2011

Pacific Drilling S.A.
16 Avenue Pasteur
L-2310 Luxembourg

RE: Pacific Drilling S.A. Registration Statement on Form F-1

Ladies and Gentlemen

1 INTRODUCTION

Incorporation

We are acting as Luxembourg counsel for Pacific Drilling S.A., a Luxembourg public company limited by shares (*société anonyme*) with registered office at 16 Avenue Pasteur, L-2310 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (**RCS**) under number B 159658 (the **Company**) in connection with the Registration Statement on Form F-1 being filed with the Securities and Exchange Commission under the US Securities Act of 1933, as amended, (the **Registration Statement**) relating to the offering by the Company of 6,000,000 common shares, accounting par value \$0.01 per share.

2 OPINION

2.1 The statements set forth in the Registration Statement under the caption “ *Tax Considerations—Material Luxembourg Tax Considerations for Holders of Common Shares* ”, are accurate insofar as they purport to describe the provisions of the laws and documents referred to therein.

3 MISCELLANEOUS

- 3.1 We express no opinion, nor do we imply any opinion, as to any laws other than Luxembourg laws and this Opinion is given on the express condition, accepted by each person entitled to rely on it, that this Opinion and all rights, obligations, issues of interpretation and liabilities in relation to it are governed by, and shall be construed in accordance with, Luxembourg law and any actions or claims in relation to it can be brought exclusively before the Luxembourg courts.
- 3.2 This Opinion is strictly limited to the matters expressly set forth at clause 2 above. No other opinion is, or may be, implied or inferred therefrom.
- 3.3 We hereby consent to the filing of this Opinion as an exhibit to the Registration Statement.

The giving of this Opinion does not constitute acceptance or agreement that we are in the category of persons whose consent is required under section 7 of the Securities Act of 1933, as amended.

Yours faithfully,

/s/ LOYENS & LOEFF
Loyens & Loeff

Avocats à la Cour



November 7, 2011

Pacific Drilling S.A.
3050 Post Oak Blvd., Suite 1500
Houston, Texas 77056

RE: Pacific Drilling S.A. Registration Statement on Form F-1

Ladies and Gentlemen:

We have acted as counsel for Pacific Drilling S.A. (the “*Company*”), a company organized under the laws of Luxembourg, with respect to certain legal matters in connection with the offer and sale of its common shares. We have also participated in the preparation of a Prospectus dated November 7, 2011 (the “*Prospectus*”), forming part of the Registration Statement on Form F-1, No. 333-[—] (the “*Registration Statement*”).

This opinion is based on various facts and assumptions, and is conditioned upon certain representations made by the Company as to factual matters through a certificate of an officer of the Company (the “*Officer’s Certificate*”). In addition, this opinion is based upon the factual representations of the Company concerning its business, properties and governing documents as set forth in the Registration Statement.

In our capacity as counsel to the Company, we have made such legal and factual examinations and inquiries, including an examination of originals or copies certified or otherwise identified to our satisfaction of such documents, corporate records and other instruments, as we have deemed necessary or appropriate for purposes of this opinion. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures thereon, the legal capacity of natural persons executing such documents and the conformity to authentic original documents of all documents submitted to us as copies. For the purpose of our opinion, we have not made an independent investigation or audit of the facts set forth in the above-referenced documents or in the Officer’s Certificate. In addition, in rendering this opinion we have assumed the truth and accuracy of all representations and statements made to us which are qualified as to knowledge or belief, without regard to such qualification.

We are opining herein as to the effect on the subject transaction only of the federal income tax laws of the United States, and we express no opinion with respect to the applicability thereto, or the effect thereon, of other federal laws, foreign laws, the laws of any state or any other jurisdiction or as to any matters of municipal law or the laws of any other local agencies within any state. Based on the facts, assumptions and representations set forth herein, the discussion in the Prospectus under the caption “Material U.S. Federal Income Tax Considerations for Holders of Common Shares,” insofar as such discussion purports to constitute a summary of U.S. federal income tax law and regulations or legal conclusions with respect thereto, constitute the opinion of Vinson & Elkins LLP as to the material U.S. federal income tax consequences of the matters described therein. No opinion is expressed as to any matter not discussed herein.

Vinson & Elkins LLP Attorneys at Law
Abu Dhabi Austin Beijing Dallas Dubai Hong Kong Houston London
Moscow New York Palo Alto Riyadh Shanghai Tokyo Washington

First City Tower, 1001 Fannin Street, Suite 2300
Houston, TX 77002
Tel 713.758.2222 Fax 713.758.2346 www.velaw.com

This opinion is rendered to you as of the effective date of the Registration Statement, and we undertake no obligation to update this opinion subsequent to the date hereof. This opinion is based on various statutory provisions, regulations promulgated thereunder and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Also, any variation or difference in the facts from those set forth in the representations described above, including in the Registration Statement and the Officer's Certificate, may affect the conclusions stated herein.

This opinion is furnished to you, and is for your use in connection with the transactions set forth in the Registration Statement. This opinion may not be relied upon by you for any other purpose or furnished to, assigned to, quoted to or relied upon by any other person, firm or other entity, for any purpose, without our prior written consent. However, this opinion may be relied upon by you and by persons entitled to rely on it pursuant to applicable provisions of federal securities law, including persons purchasing common shares pursuant to the Registration Statement.

We hereby consent to the filing of this opinion of counsel as Exhibit 8.2 to, and the incorporation by reference of this opinion of counsel into, the Registration Statement and to the reference to our firm in the Prospectus. In giving such consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended

Very truly yours,

/s/ VINSON & ELKINS L.L.P.

Vinson & Elkins L.L.P.

Vinson & Elkins LLP Attorneys at Law
Abu Dhabi Austin Beijing Dallas Dubai Hong Kong Houston London
Moscow New York Palo Alto Riyadh Shanghai Tokyo Washington

First City Tower, 1001 Fannin Street, Suite 2300
Houston, TX 77002
Tel 713.758.2222 Fax 713.758.2346 www.velaw.com

AMENDMENT AND RESTATEMENT AGREEMENT IN RESPECT OF THE PROJECT FACILITIES AGREEMENT AND THE INTERCREDITOR AGREEMENT

among

PACIFIC BORA LTD.

PACIFIC MISTRAL LTD.

PACIFIC SCIROCCO LTD.

PACIFIC SANTA ANA LTD.

as the Borrowers

PACIFIC DRILLING LIMITED

as the Guarantor

DNB NOR BANK ASA (NEW YORK BRANCH), CREDIT AGRICOLE CORPORATE & INVESTMENT BANK, CITIBANK, N.A., DVB BANK SE, NORDIC BRANCH, FOKUS BANK (NORWEGIAN BRANCH OF DANSKE BANK A/S), NIBC BANK N.V., NORDEA BANK FINLAND PLC, NEW YORK BRANCH and SKANDINAVISKA ENSKILDA BANKEN AB (PUBL.)

as the Mandated Lead Arrangers

THE COMMERCIAL FACILITY LENDERS LISTED IN SCHEDULE 2

as the Commercial Facility Lenders

EKSPORTFINANS ASA

as the GIEK Facility Lender

THE EXPORT-IMPORT BANK OF KOREA

as the KEXIM Facility Lender

THE HEDGING PARTIES LISTED IN SCHEDULE 3

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Commercial Facility Agent and GIEK Facility Agent

CREDIT AGRICOLE CORPORATE & INVESTMENT BANK

as the KEXIM Facility Agent

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee, Intercreditor Agent and Accounts Bank

and

CITIBANK, N.A. (NEW YORK BRANCH)

as the Operating Accounts Bank

TABLE OF CONTENTS

	Page
1. DEFINITIONS AND INTERPRETATION	2
1.1 Definitions in Project Facilities Agreement	2
1.2 Other definitions	2
1.3 Interpretation	2
2. AMENDMENT AND RESTATEMENT OF THE PROJECT FACILITIES AGREEMENT AND AMENDMENT OF THE INTERCREDITOR AGREEMENT	3
3. MISCELLANEOUS	3
3.1 Governing law	3
3.2 Counterparts	3
3.3 Incorporation of terms	3
3.4 Finance Document	3

This **AMENDMENT AND RESTATEMENT AGREEMENT** (this “**Agreement**”), is dated 2011, and made between:

- (1) **PACIFIC BORA LTD., PACIFIC MISTRAL LTD., PACIFIC SCIROCCO LTD. and PACIFIC SANTA ANA LTD.**, each a corporation organised and existing under the laws of Liberia (each a “**Borrower**” and together the “**Borrowers**”);
- (2) **PACIFIC DRILLING LIMITED**, a corporation organised and existing under the laws of Liberia (the “**Guarantor**”);
- (3) **DNB NOR BANK ASA (NEW YORK BRANCH), CREDIT AGRICOLE CORPORATE & INVESTMENT BANK, CITIBANK, N.A., DVB BANK SE, NORDIC BRANCH, FOKUS BANK (NORWEGIAN BRANCH OF DANSKE BANK A/S), NIBC BANK N.V., NORDEA BANK FINLAND PLC, NEW YORK BRANCH and SKANDINAVISKA ENSKILDA BANKEN AB (PUBL.)** (as the “**Mandated Lead Arrangers**”);
- (4) **THE COMMERCIAL FACILITY LENDERS LISTED IN SCHEDULE 2** (as the “**Commercial Facility Lenders**”);
- (5) **EKSPORTFINANS ASA** (as the “**GIEK Facility Lender**”);
- (6) **THE EXPORT-IMPORT BANK OF KOREA** (as the “**KEXIM Facility Lender**”);
- (7) **THE HEDGING PARTIES LISTED IN SCHEDULE 3**;
- (8) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “**Commercial Facility Agent**”);
- (9) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “**GIEK Facility Agent**”);
- (10) **CREDIT AGRICOLE CORPORATE & INVESTMENT BANK** (as the “**KEXIM Facility Agent**”);
- (11) **DNB NOR BANK ASA (NEW YORK BRANCH)** (on behalf of each of the Secured Parties) (as the “**Security Trustee**”);
- (12) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “**Intercreditor Agent**”);
- (13) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “**Accounts Bank**”); and
- (14) **CITIBANK, N.A. (NEW YORK BRANCH)** (as the “**Operating Accounts Bank**”),

each a “**Party**” and together the “**Parties**”.

WHEREAS:

- (A) The Parties are all party to a project facilities agreement originally dated 9 September 2010 and as first amended on 16 November 2010 (the “ **Project Facilities Agreement** ”) and an intercreditor agreement dated 9 September 2010 (the “ **Intercreditor Agreement** ”).
- (B) The Parties desire to enter into this Agreement in order to make certain further amendments to the Project Facilities Agreement and to restate the Project Facilities Agreement and to make certain amendments to the Intercreditor Agreement.

NOW, THEREFORE , in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions in Project Facilities Agreement

Except as otherwise expressly provided in this Agreement, capitalised terms used in this Agreement shall have the meanings given to them in the Project Facilities Agreement, as the Project Facilities Agreement shall be amended and restated in accordance with this Agreement and as set out in Schedule 1 to this Agreement (the “ **Amended and Restated Project Facilities Agreement** ”). To the extent such terms are defined by reference to any other Transaction Document, for the purposes of this Agreement, such terms shall continue to have their original definitions (but shall be subject to and interpreted in accordance with the governing law of this Agreement) notwithstanding any termination, expiration or amendment of any such Transaction Document, except to the extent the Parties agree to the contrary.

1.2 Other definitions

“ **Effective Date** ” means the date on which the Intercreditor Agent (acting on the instructions of Facility Agents representing one hundred per cent. of the Lenders) notifies each Facility Agent and the Guarantor that all of the conditions precedent listed in Schedule 4 to this Agreement have been satisfied or waived.

1.3 Interpretation

- (a) Except as otherwise expressly provided in this Agreement, the rules of interpretation set out in clause 1.2 (*Interpretation*) of the Project Facilities Agreement shall apply to this Agreement save that references therein to “this Agreement” shall be construed as references to this Agreement.
- (b) With effect from the Effective Date and unless the context otherwise requires, references in the Project Facilities Agreement and the Intercreditor Agreement to “this Agreement” shall be references to the Project Facilities Agreement or the Intercreditor Agreement (as the case may be), in each case as amended and, in the case of the Project Facilities Agreement, restated by this Agreement and words such as “herein”, “hereof”, “hereunder”, “hereafter”, “hereby” and “hereto”, where they appear in the Project Facilities Agreement and the Intercreditor Agreement, shall be construed accordingly.

2. AMENDMENT AND RESTATEMENT OF THE PROJECT FACILITIES AGREEMENT AND AMENDMENT OF THE INTERCREDITOR AGREEMENT

- (a) With effect from the Effective Date, the Project Facilities Agreement shall be amended and restated such that it shall be read and construed for all purposes as set out in Schedule 1 to this Agreement.
- (b) With effect from the Effective Date, the Intercreditor Agreement shall be amended as set out in Schedule 5 to this Agreement and, except as so amended, otherwise shall continue in full force and effect.

3. MISCELLANEOUS

3.1 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

3.2 Counterparts

This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

3.3 Incorporation of terms

Each Party agrees that the provisions of clauses 1.3 (*Third party rights*), 36.2 (*Jurisdiction*), 36.3 (*Service of process*), 37.1 (*Notices*), 37.4 (*Amendments*), 37.6 (*Delay and waiver*), 37.7 (*Entire agreement*), 37.8 (*Successors and assigns*), 37.9 (*Severability*), 37.10 (*Reinstatement*), 37.12 (*Termination*), 37.13 (*No partnership*), 37.14 (*No reliance*), 37.15 (*English language*) and 37.16 (*Waiver of Immunity*) of the Project Facilities Agreement are incorporated into this Agreement as if such provisions were set out, mutatis mutandis, in this Agreement.

3.4 Finance Document

This Agreement is designated as a Finance Document.

IN WITNESS WHEREOF , the Parties have caused this Agreement to be duly executed as a deed and intend to deliver and hereby deliver the same on the day and year first above written. This Agreement shall take effect as a deed notwithstanding that any Party may execute it under hand.

EXECUTED as a deed by
PACIFIC BORA LTD.
as Borrower

acting by: /s/ J.F MEGGINSON, Director
its authorised signatory

/s/ J.F. Megginson
Authorised Signatory

In the presence of:

Witness /s/ Lorraine Davidson

Name: Lorraine DAVIDSON

Address: Villa Saint Jean

3 Ruelle Saint Jean

98000 Monaco

Occupation: Company Secretary

EXECUTED as a deed by
PACIFIC MISTRAL LTD.
as Borrower

acting by: /s/ J. F. MEGGISON, Director
its authorised signatory

/s/ J.F. Megginson
Authorised Signatory

In the presence of:

Witness /s/ Lorraine Davidson

Name: Lorraine DAVIDSON

Address: Villa Saint Jean

3 Ruelle Saint Jean

98000 Monaco

Occupation: Company Secretary

EXECUTED as a deed by
PACIFIC SCIROCCO LTD.
as Borrower

acting by: /s/ J. F. MEGGINSON
its authorised signatory

/s/ J. F. Megginson
Authorised Signatory

In the presence of:

Witness /s/ Lorraine Davidson

Name: Lorraine DAVIDSON

Address: Villa Saint Jean

3 Ruelle Saint Jean

98000 Monaco

Occupation: Company Secretary

EXECUTED as a deed by
PACIFIC SANTA ANA LTD.
as Borrower

acting by: /s/ J.F. MEGGINSON, Director
its authorised signatory

/s/ J.F. Megginson
Authorised Signatory

In the presence of:

Witness /s/ Lorraine Davidson

Name: Lorraine DAVIDSON

Address: Villa Saint Jean

3 Ruelle Saint Jean

98000 Monaco

Occupation: Company Secretary

EXECUTED as a deed by
PACIFIC DRILLING LIMITED
as Guarantor

acting by: /s/ J.F. MEGGINSON, Director
its authorised signatory

/s/ J.F. Megginson
Authorised Signatory

In the presence of:

Witness /s/ Lorraine Davidson

Name: Lorraine DAVIDSON

Address: Villa Saint Jean

3 Ruelle Saint Jean

98000 Monaco

Occupation: Company Secretary

EXECUTED as a deed by
DNB NOR BANK ASA (NEW YORK BRANCH)
as Mandated Lead Arranger

acting by: /s/ Barbara Gronquist
its authorised signatory

/s/ Stian Lovseth
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
**CREDIT AGRICOLE CORPORATE &
INVESTMENT BANK**
as Mandated Lead Arranger

acting by: /s/ J. Duval
its authorised signatory

J. Duval
Authorised Signatory

In the presence of:

Witness /s/ Yannick Le Gourieres

Name: Yannick LE GOURIERES

Address: CREDIT AGRICOLE CIB

BROADWALK HOUSE

5 APPOLD STREET

LONDON EC2A 2DA

Occupation: Senior Account Manager

EXECUTED as a deed by
CITIBANK, N.A.
as Mandated Lead Arranger

acting by: /s/ Robert H. Malleck
its authorised signatory

/s/ Robert H. Malleck
Authorised Signatory

In the presence of:
Witness /s/ Jeffrey Kohn

Name: Jeffery Kohn
Address: 885 Third Avenue
New York, NY 10022
Occupation: Paralegal

EXECUTED as a deed by
DVB BANK SE, NORDIC BRANCH
as Mandated Lead Arranger

acting by: /s/ Ronny Gothesen
its authorised signatory

/s/ Ronny Gothesen
Authorised Signatory

In the presence of:

Witness /s/ N.A. Dijkshoorn

Name: N.A. Dijkshoorn

Address: Haakon VII's Gate 1

0161 Oslo

Occupation: Banker

EXECUTED as a deed by
**FOKUS BANK (NORWEGIAN BRANCH OF
DANSKE BANK A/S)**
as Mandated Lead Arranger

acting by: /s/ Einar Stavrum, Senior Vice President
its authorised signatory

/s/ Einar Stavrum
Authorised Signatory

In the presence of:

Witness /s/ Tore Th. Brein

Name: Tore Th. Brein

Address: Knausen 8

N-1414 Trollasen, Norway

Occupation: Vice President

EXECUTED as a deed by
NIBC BANK N.V.
as Mandated Lead Arranger

acting by: /s/ Dirk Kaper
its authorised signatory

/s/ Saskia Hovers
Authorised Signatory

In the presence of:
Witness /s/ Paulien Hop

Name: Paulien Hop
Address: Carnegieplein 4
2517 KJ The Hague
The Netherlands

Occupation: Associate

EXECUTED as a deed by
**NORDEA BANK FINLAND PLC, NEW YORK
BRANCH**

as Mandated Lead Arranger

acting by: /s/ Gerald E. Chelius, Jr.
its authorised signatory

Gerald E. Chelius, Jr., SVP Credit
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
Address: Nordea Bank, New York Branch
437 Madison Ave., NY, NY 10022
Occupation: Compliance Consultant

EXECUTED as a deed by
SKANDINAVISKA ENSKILDA BANKEN AB
(PUBL.)

as Mandated Lead Arranger

acting by: /s/ Erling Amundsen
its authorised signatory

/s/ Per Olav Bucher-Johannessen
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
Address: Fritznersgate 17
0264 OSLO NORWAY
Occupation: Account Manager

EXECUTED as a deed by
DNB NOR BANK ASA (NEW YORK BRANCH)
as Commercial Facility Lender

acting by: /s/ Barbara Gronquist
its authorised signatory

/s/ Stian Lovsath
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
**CREDIT AGRICOLE CORPORATE &
INVESTMENT BANK**
as Commercial Facility Lender

acting by: /s/ J. Duval
its authorised signatory

J. Duval
Authorised Signatory

In the presence of:

Witness /s/ Yannick Le Gourieres

Name: Yannick Le Gourieres

Credit Agricole

Address: Broadwalk House

5 Appold Street

London EC2A 2DA

Occupation: Senior Account Manager

EXECUTED as a deed by
ABN AMRO BANK N.V., OSLO BRANCH
as Commercial Facility Lender

acting by: /s/ H.J. Norregaard
its authorised signatory

/s/ Birkeland F.
Authorised Signatory

In the presence of:
Witness

Name: /s/ Kari S. Trendsén
Address: Olav Vs gt 5
0161 Oslo
Occupation: Banker

EXECUTED as a deed by
CITIBANK, N.A.
as Commercial Facility Lender

acting by: /s/ Robert H. Malleck
its authorised signatory

/s/ Robert H. Malleck
Authorised Signatory

In the presence of:
Witness /s/ Jeffery Kohn

Name: Jeffery Kohn
Address: 885 Third Avenue
New York, NY, 10022
Occupation: Paralegal

EXECUTED as a deed by
DVB BANK SE, NORDIC BRANCH
as Commercial Facility Lender

acting by: /s/ Ronny Gothesen
its authorised signatory

/s/ Ronny Gothesen
Authorised Signatory

In the presence of:
Witness /s/ Philip Froyland

Name: Philip Froyland
Address: Haakon Viis gate 1
0125 Oslo
Occupation: Banker

EXECUTED as a deed by
**FOKUS BANK (NORWEGIAN BRANCH OF
DANSKE BANK A/S)**
as Commercial Facility Lender

acting by: /s/ Einar Stavrum
its authorised signatory

/s/ Einar Stavrum
Authorised Signatory

In the presence of:
Witness

Name: Tore Th. Brein
Address: Knausen 8
N-1414 Trollasen, Norway
Occupation: Vice President

EXECUTED as a deed by
NIBC BANK N.V.
as Commercial Facility Lender

acting by: /s/ Dirk Kaper
its authorised signatory

/s/ Saskia Hovers
Authorised Signatory

In the presence of:
Witness

Name: /s/ Paulien Hop
Address: Carnegieplein 4
2517 KJ The Hague
The Netherlands
Occupation: Associate

EXECUTED as a deed by
**NORDEA BANK FINLAND PLC, NEW YORK
BRANCH**

as Commercial Facility Lender

acting by: /s/ Gerald E. Chelius, Jr.
its authorised signatory

/s/ Justin Martin
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
Address: Nordea Bank, New York Branch
437 Madison Ave, NY, NY 10022
Occupation: Compliance Consultant

EXECUTED as a deed by
SKANDINAVISKA ENSKILDA BANKEN AB
(PUBL.)

as Mandated Lead Arranger

acting by: /s/ Erling Amundsen
its authorised signatory

/s/ Per Olav Bucher-Johannessen
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE

Address: Fritznersgate 17

0264 OSLO NORWAY

Occupation: Account Manager

EXECUTED as a deed by
EKSPORTFINANS ASA
as GIEK Facility Lender

acting by: /s/ Olav E. Rygg
its authorised signatory

Olav E. Rygg, Executive Vice President
Authorised Signatory

In the presence of:
Witness

Name: /s/ Tom Stonjum

Address: _____

Occupation: Attorney-at-Law

EXECUTED as a deed by
THE EXPORT-IMPORT BANK OF KOREA
as KEXIM Facility Lender

acting by: /s/ Heung-sik Min
its authorised signatory

/s/ Heung-Sik Min
Authorised Signatory

In the presence of:
Witness

Name: /s/ Choum-Jae Lee
Address: The Export-Import Bank of Korea

Occupation: Deputy Director

EXECUTED as a deed by
DNB NOR BANK ASA (NEW YORK BRANCH)
as Mandated Lead Arranger

acting by: /s/ Barbara Gronquist
its authorised signatory

/s/ Stian Lovseth
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
DNB NOR BANK ASA (NEW YORK BRANCH)
as Mandated Lead Arranger

acting by: /s/ Barbara Gronquist
its authorised signatory

/s/ Stian Lovseth
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
**CREDIT AGRICOLE CORPORATE AND
INVESTMENT BANK**
as KEXIM Facility Agent

acting by: /s/ J. Duval
its authorised signatory

J. Duval
Authorised Signatory

In the presence of:
Witness

Name: /s/ Yannick Le Gourieres
Address: Credit Agricole CIB
Broadwalk House
5 Appold Street
London EC2A 2DA
Occupation: Senior Account Manager

EXECUTED as a deed by
DNB NOR BANK ASA (NEW YORK BRANCH)
as Security Trustee

acting by: /s/ Barbara Gronquist
its authorised signatory

/s/ Stian Lovseth
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
DNB NOR BANK ASA (NEW YORK BRANCH)
as Intercreditor Agent

acting by: /s/ Barbara Gronquist
its authorised signatory

/s/ Stian Lovseth
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
DNB NOR BANK ASA (NEW YORK BRANCH)
as Accounts Bank

acting by: /s/ Barbara Gronquist
its authorised signatory

/s/ Stian Lovseth
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
CITIBANK, N.A. (NEW YORK BRANCH)
as Operating Accounts Bank

acting by: /s/ Robert H. Malleck
its authorised signatory

/s/ Robert H. Malleck
Authorised Signatory

In the presence of:
Witness

Name: /s/ Jeffrey Kohn
Address: 885 Third Avenue
New York, NY 10022
Occupation: Paralegal

EXECUTED as a deed by
**CREDIT AGRICOLE CORPORATE &
INVESTMENT BANK**
as Hedging Party

acting by: /s/ J. Duval
its authorised signatory

J. Duval
Authorised Signatory

In the presence of:
Witness

Name: /s/ Yannick Le Gourieres

Credit Agricole CIB

Address: Broadwalk House

5 Appold Street

London EC2A 2DA

Occupation: Senior Account Manager

EXECUTED as a deed by
CITIBANK, N.A. (NEW YORK BRANCH)
as Hedging Party

acting by: /s/ Robert H. Malleck
its authorised signatory

/s/ Robert H. Malleck
Authorised Signatory

In the presence of:
Witness

Name: /s/ Jeffrey Kohn
Address: 885 Third Avenue
New York, NY 10022
Occupation: Paralegal

EXECUTED as a deed by
DANSKE BANK A/S
as Hedging Party

acting by: /s/ Lars Brynildsrud
its authorised signatory

/s/ Einar Stavrum
Authorised Signatory

In the presence of:
Witness /s/ Tore Th. Brein

Name: Tore Th. Brein
Address: Knausen 8
N-1414 Trollasen, Norway
Occupation: Vice President

EXECUTED as a deed by
DNB NOR BANK ASA (New York Branch)
as Hedging Party

acting by: /s/ Stian Lovseth
its authorised signatory

/s/ Barbara Gronquist
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE
DnB Nor Bank ASA
Address: 200 Park Avenue, 31st FLR.
New York, NY 10166 USA
Occupation: Banker

EXECUTED as a deed by
NIBC Bank N.V.
as Hedging Party

acting by: /s/ Dirk Kaper
its authorised signatory

/s/ Saskia Hovers
Authorised Signatory

In the presence of:
Witness

Name: /s/ Paulien Hop
Address: Carnegieplein 4
2517 KJ The Hague
The Netherlands

Occupation: Associate

EXECUTED as a deed by
SKANDINAVISKA ENSKILDA BANKEN AB
(PUBL.)

as Mandated Lead Arranger

acting by: /s/ Erling Amundsen
its authorised signatory

/s/ Per Olav Bucher-Johannessen
Authorised Signatory

In the presence of:
Witness

Name: /s/ ILLEGIBLE

Address: Fritznersgate 17

0264 OSLO NORWAY

Occupation: Account Manager

SCHEDULE 1

AMENDED AND RESTATED PROJECT FACILITIES AGREEMENT

among

PACIFIC BORA LTD.

PACIFIC MISTRAL LTD.

PACIFIC SCIROCCO LTD.

PACIFIC SANTA ANA LTD.

as the Borrowers

PACIFIC DRILLING LIMITED

as the Guarantor

**DNB NOR BANK ASA (NEW YORK BRANCH), CREDIT AGRICOLE CORPORATE & INVESTMENT BANK, CITIBANK, N.A.,
DVB BANK SE, NORDIC BRANCH, FOKUS BANK (NORWEGIAN BRANCH OF DANSKE BANK A/S), NIBC BANK N.V.,
NORDEA BANK FINLAND PLC, NEW YORK BRANCH and SKANDINAVISKA ENSKILDA BANKEN AB (PUBL.)**

as the Mandated Lead Arrangers

THE COMMERCIAL FACILITY LENDERS LISTED IN SCHEDULE 3

as the Commercial Facility Lenders

EKSPORTFINANS ASA

as the GIEK Facility Lender

THE EXPORT-IMPORT BANK OF KOREA

as the KEXIM Facility Lender

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Commercial Facility Agent and GIEK Facility Agent

CREDIT AGRICOLE CORPORATE & INVESTMENT BANK

as the KEXIM Facility Agent

**EACH HEDGING PARTY SET OUT IN SCHEDULE 39 AND EACH OTHER HEDGING PARTY THAT HAS ACCEDED TO THIS
AGREEMENT AS A HEDGING PARTY**

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee, Intercreditor Agent and Accounts Bank

and

CITIBANK, N.A. (NEW YORK BRANCH)

as the Operating Accounts Bank

TABLE OF CONTENTS

	Page
1. DEFINITIONS AND INTERPRETATION	2
1.1 Definitions	2
1.2 Interpretation	2
1.3 Third party rights	4
2. THE FACILITIES	4
2.1 Term Loan Facility and Tranches	4
2.2 Secured Parties' rights and obligations	6
2.3 Borrowers' obligations	6
2.4 Obligor's agent	6
2.5 Purpose	7
2.6 Monitoring	7
3. CONDITIONS OF UTILISATION	7
3.1 Conditions precedent to the Financing Date	7
3.2 Conditions precedent to each Utilisation	7
4. UTILISATION	7
4.1 Delivery of Utilisation Requests and Advance Notice	7
4.2 Completion of a Utilisation Request	8
4.3 Currency and amount	9
4.4 Cost Certificate	9
4.5 Lenders' participation	9
5. REPAYMENT, PREPAYMENT AND CANCELLATION	10
5.1 General payment terms	10
5.2 Repayment	10
5.3 Reborrowing	10
5.4 Voluntary prepayments	10
5.5 Voluntary cancellation	10
5.6 Availability Period, Acceptable Charters, Alternative Charters and automatic cancellation	11
5.7 Illegality	12
5.8 Change of control	12
5.9 Exceptional events	13
5.10 Reduction in Total Project Costs	13
5.11 Prepayment from TPDI Put Option Account	14
5.12 Fair Market Value prepayments	14
5.13 GIEK/KEXIM put option	14
5.14 Prepayment and cancellation – miscellaneous	15
5.15 Right of replacement or repayment and cancellation in relation to a single Lender	16
5.16 Release of one Vessel	19

6.	INTEREST	20
6.1	Calculation of interest	20
6.2	CIRR Interest Rate	20
6.3	Payment of interest	21
6.4	Default interest	21
6.5	Notification of rates of interest	21
6.6	Determination of Applicable Margin	22
7.	INTEREST PERIODS	22
7.1	Selection of Interest Periods	22
7.2	Non-Business Days	22
7.3	Consolidation of Loans	23
8.	CHANGES TO THE CALCULATION OF INTEREST	23
8.1	Absence of quotations	23
8.2	Market disruption	23
8.3	Alternative basis of interest or funding	23
8.4	Break Costs	24
9.	FEES	24
9.1	Commitment fee	24
9.2	Agency fee	24
10.	TAX GROSS UP AND INDEMNITIES	24
10.1	Definitions	24
10.2	Tax gross-up	25
10.3	Tax indemnity	26
10.4	Tax Credit	26
10.5	Stamp taxes	27
10.6	VAT	27
11.	INCREASED COSTS	27
11.1	Increased costs	27
11.2	Increased cost claims	28
11.3	Exceptions	28
12.	OTHER INDEMNITIES	28
12.1	Currency indemnity	28
12.2	General indemnity	29
12.3	Other indemnities	29
12.4	Indemnity of Agents	30
13.	MITIGATION BY THE LENDERS	30
13.1	Mitigation	30
13.2	Limitation of liability	30

14.	COSTS AND EXPENSES	30
14.1	Transaction expenses	30
14.2	Amendment costs	31
14.3	Enforcement costs	31
15.	GUARANTEE	31
15.1	Guarantee and indemnity	31
15.2	Continuing guarantee	31
15.3	Reinstatement	31
15.4	Waiver of defences	32
15.5	Immediate recourse	32
15.6	Appropriations	32
15.7	Deferral of Guarantor's rights	33
15.8	Additional security	33
16.	EQUITY AND COST OVERRUNS	34
16.1	Equity Undertaking	34
16.2	Cost Overrun Undertaking	34
16.3	Refund of Equity following Vessel delivery and entry into Acceptable Charter or Alternative Charter	34
16.4	Reallocation of Equity	35
16.5	Charterer Furnished Items	35
17.	REPRESENTATIONS AND WARRANTIES	36
17.1	General	36
17.2	Organisation	36
17.3	Authorisation	37
17.4	Legality, validity and enforceability	37
17.5	Compliance with Legal Requirements and Consents	37
17.6	Consent	37
17.7	No proceedings	38
17.8	Financial Statements and Summary Financial Statements	38
17.9	Security Interests	38
17.10	Existing defaults	39
17.11	Governing law and enforcement	39
17.12	Deduction of Tax	39
17.13	No filing or stamp taxes	39
17.14	Taxes	40
17.15	No other business	40
17.16	Capital stock	40
17.17	Representations and warranties	40
17.18	Information Memorandum	40
17.19	Pari passu ranking	41
17.20	No default	41
17.21	No conflict	41

17.22	Environment	41
17.23	Immunity	42
17.24	No sharing of earnings	42
17.25	Insolvency	42
17.26	No amendment	42
17.27	No Termination	42
17.28	No Assignment	42
17.29	No Force Majeure Notice	43
18.	FINANCIAL COVENANTS	43
18.1	Projected DSCR	43
18.2	Historical DSCR	43
18.3	Maximum leverage	43
18.4	Minimum liquidity	43
18.5	Times for testing covenants	43
18.6	Calculation of Projected DSCR	44
19.	AFFIRMATIVE COVENANTS	44
19.1	Use of Proceeds	45
19.2	Existence, conduct of business	45
19.3	Accounts and operation of Accounts and other bank accounts of the Guarantor	45
19.4	Annual and interim Financial Statements and compliance certificates	45
19.5	Security assurance	46
19.6	Legal Requirements	46
19.7	Consents	46
19.8	Books, accounts and records	47
19.9	Construction Budgets, Annual Operating Budgets and associated Technical Consultant's reports	47
19.10	Insurances	48
19.11	Notices and other information	49
19.12	Taxes	50
19.13	Material Agreements	50
19.14	Proper legal form	50
19.15	Management of interest rate risk	50
19.16	Registration of Vessel	50
19.17	Customary Industry Practice	51
19.18	Maintenance of classification	51
19.19	Vessel Management	51
19.20	ISM Code	51
19.21	ISPS Code	51
19.22	Safety and compliance documentation	51
19.23	Acceptable Charter Direct Agreements	51
19.24	Payment instructions	52
19.25	Obligation to rebuild or repair	52
19.26	"Know your customer" checks	53
19.27	Notice under Acceptable Charter Direct Agreement	53
19.28	Delivery Date obligations	53
19.29	Fair Market Value	55

19.30	Acceptable Letter of Credit	56
19.31	Delivery Obligations	56
19.32	Cost overrun letter of credit	57
19.33	Access to Vessel	57
19.34	Major Casualty Event	57
20.	NEGATIVE COVENANTS	58
20.1	Business and constitutional documents	58
20.2	Additional obligations	58
20.3	Other accounts	58
20.4	Affiliate transaction	58
20.5	Merger	59
20.6	Limitations on Security	59
20.7	Material Agreements and Hurricane/Emergency Preparedness Plan	59
20.8	Incurrence of Financial Indebtedness and investments	59
20.9	Asset sales	59
20.10	Distributions and loans	59
20.11	Sovereign immunity	60
20.12	Change of flag, registry or class certification	60
20.13	Transfer of shares	60
20.14	Replacement of Manager	60
20.15	Interest Hedging Instruments and Other Hedging Instruments	60
20.16	New waters and Insurance Policies	61
21.	ADDITIONAL COVENANTS OF GUARANTOR	62
21.1	Shareholding in each Borrower and shareholding in, and control of, PDSI and PDOL	62
21.2	Guarantor Equity Account	62
21.3	Incurrence of Financial Indebtedness and investments	62
21.4	Guarantor Distributions	62
21.5	Released Vessel and set off rights	62
22.	EVENTS OF DEFAULT	63
22.1	Non-payment	63
22.2	Insurance covenants	63
22.3	Financial covenants	63
22.4	Acceptable Letters of Credit	63
22.5	Guarantor and QPML Undertakings and covenants	64
22.6	Use of Proceeds	64
22.7	Negative covenants	64
22.8	Breach of other provisions of Finance Documents	64
22.9	Acceptable Charterers, Acceptable Charters and Alternative Charters	64
22.10	Cross default	65
22.11	Judgments	65
22.12	Finance Documents	66
22.13	Unlawfulness	66
22.14	Repudiation	66
22.15	Security Documents	66

22.16	Insolvency	66
22.17	Insolvency proceedings	66
22.18	Creditors' process	67
22.19	Misrepresentation	67
22.20	Breach of Material Agreements	67
22.21	Material adverse change	68
22.22	Change of control	68
22.23	Delayed Vessel delivery	68
23.	REMEDIES	68
24.	CONSULTANTS AND REPORTS	69
25.	INSURANCE	69
25.1	Scope of Required Insurances for each Vessel	69
25.2	Permitted insurers	71
25.3	Undertakings regarding Required Insurances	71
25.4	Market Availability	73
25.5	Mortgagee's interest insurance	74
26.	ACCOUNTS	75
26.1	Establishment of Accounts	75
26.2	Control of Accounts	76
26.3	Deposit of funds	77
26.4	Disbursement Account	77
26.5	Collection Account	78
26.6	Debt Service Account	79
26.7	Debt Service Reserve Account	80
26.8	Operating Accounts	80
26.9	Required balances	81
26.10	Distributions	81
26.11	Payments from Accounts	82
26.12	Guarantor Equity Account	85
26.13	Funds standing to credit of Accounts	85
26.14	Permitted Investments	86
26.15	Acceptable Letters of Credit	87
26.16	Local Accounts	89
26.17	Intercompany loans	89
26.18	Proceeds Retention Accounts	90
27.	SECURITY TRUST AND ENFORCEMENT OF SECURITY	91
27.1	Appointment of Security Trustee and power of attorney	91
27.2	Security interests held in trust	92
27.3	Liability of the Obligors	92
27.4	Release of Security	92
27.5	Indemnity; limitations on enforcement	92
27.6	Security Trustee may file proofs of claim	93
27.7	Security Trustee may enforce claims	93

27.8	Acceptable Letters of Credit and Acceptable Guarantees	93
27.9	Enforcement expenses	93
27.10	Insurance by Security Trustee	94
27.11	Custodians and nominees	94
27.12	Limitation on Security Trustee's duties in respect of Secured Collateral	94
27.13	Right to initiate judicial proceedings, etc.	94
27.14	Exculpatory provisions	95
27.15	Power of attorney	95
27.16	Miscellaneous	95
28.	INSTRUCTIONS AND VOTING	96
28.1	General	96
28.2	Requisite Approval	98
28.3	Administrative aspects of the Finance Documents	103
29.	CLAIMS OF SECURED PARTIES	104
29.1	Initiation of Claims	104
29.2	No direct enforcement by Lenders	104
30.	CHANGES TO THE LENDERS AND OBLIGORS	104
30.1	Assignments and transfers by the Lenders	104
30.2	Conditions of assignment or transfer	105
30.3	Assignment or transfer fee	106
30.4	Limitation of responsibility of Existing Lenders	106
30.5	Procedure for transfer	107
30.6	Procedure for assignment	108
30.7	Copy of Transfer Certificate or Assignment Agreement to Obligors	108
30.8	Security over Lenders' rights	109
30.9	Pro rata interest settlement	109
30.10	Assignments and transfer by Obligors	109
30.11	Prohibition on Debt Purchase Transactions by the Group	109
30.12	Disenfranchisement on Debt Purchase Transactions entered into by Investor Affiliates	110
31.	THE AGENTS	111
31.1	Appointment of the Agents	111
31.2	Duties of the Agents	111
31.3	Role of the Mandated Lead Arrangers	112
31.4	No fiduciary duties	112
31.5	Business with the Group	113
31.6	Rights and discretions of the Agents	113
31.7	Delegation	114
31.8	Additional Agents	114
31.9	Responsibility for documentation	115
31.10	Exclusion of liability	115
31.11	Lenders' indemnity to the Agents	116
31.12	Exceptional duties	116

31.13	Information	116
31.14	Miscellaneous	117
31.15	Secured Party action	117
31.16	Resignation of an Agent	117
31.17	Confidentiality	118
31.18	Facility Agents' relationship with the Lenders	119
31.19	Credit appraisal by the Lenders	119
31.20	Reference Banks	120
31.21	Agents' costs and expenses	120
31.22	Deduction from amounts payable by the Agents	120
32.	CONDUCT OF BUSINESS BY THE SECURED PARTIES	120
33.	PAYMENT MECHANICS	121
33.1	Payments to the Agents	121
33.2	Distributions by the Agents	121
33.3	Distributions to an Obligor	121
33.4	Clawback	121
33.5	Impaired Agent	121
33.6	Partial payments	122
33.7	Set-off by Obligors	122
33.8	Disruption to payment systems etc.	123
34.	SET-OFF	123
35.	DEFAULTING LENDERS	123
35.1	Disenfranchisement of Defaulting Lenders and Defaulting Hedging Parties	123
35.2	Replacement of a Defaulting Lender	124
36.	GOVERNING LAW AND JURISDICTION	125
36.1	Governing law	125
36.2	Jurisdiction	125
36.3	Service of process	126
37.	MISCELLANEOUS	126
37.1	Notices	126
37.2	Use of websites	127
37.3	Communication when Agent is Impaired Agent	128
37.4	Amendments	128
37.5	Accession Deeds	129
37.6	Delay and waiver	129
37.7	Entire agreement	129
37.8	Successors and assigns	129
37.9	Severability	130
37.10	Reinstatement	130
37.11	Counterparts	130

37.12	Termination	130
37.13	No partnership	130
37.14	No reliance	130
37.15	English language	131
37.16	Waiver of Immunity	131
37.17	Publicity	131
37.18	Confidential Information	131
37.19	Disclosure of Confidential Information	131
37.20	Survival and continuing obligations	133

This **PROJECT FACILITIES AGREEMENT** (this “ **Agreement** ”), is dated 2010, and made between:

- (1) **PACIFIC BORA LTD. , PACIFIC MISTRAL LTD. , PACIFIC SCIROCCO LTD. and PACIFIC SANTA ANA LTD. ,** each a corporation organised and existing under the laws of Liberia (each a “ **Borrower** ” and together the “ **Borrowers** ”);
 - (2) **PACIFIC DRILLING LIMITED ,** a corporation organised and existing under the laws of Liberia (the “ **Guarantor** ”);
 - (3) **DNB NOR BANK ASA (NEW YORK BRANCH) , CREDIT AGRICOLE CORPORATE & INVESTMENT BANK , CITIBANK, N.A., DVB BANK SE, NORDIC BRANCH, FOKUS BANK (NORWEGIAN BRANCH OF DANSKE BANK A/S), NIBC BANK N.V., NORDEA BANK FINLAND PLC, NEW YORK BRANCH and SKANDINAVISKA ENSKILDA BANKEN AB (PUBL.)** (as the “ **Mandated Lead Arrangers** ”);
 - (4) **THE COMMERCIAL FACILITY LENDERS LISTED IN SCHEDULE 3** (the “ **Commercial Facility Lenders** ”);
 - (5) **EKSPORTFINANS ASA** (the “ **GIEK Facility Lender** ”);
 - (6) **THE EXPORT-IMPORT BANK OF KOREA** (the “ **KEXIM Facility Lender** ”);
 - (7) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “ **Commercial Facility Agent** ”);
 - (8) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “ **GIEK Facility Agent** ”);
 - (9) **CREDIT AGRICOLE CORPORATE & INVESTMENT BANK** (as the “ **KEXIM Facility Agent** ”);
 - (10) each **HEDGING PARTY** set out in Schedule 39 and each other **HEDGING PARTY** that is party to this Agreement from time to time (each a “ **Hedging Party** ”);
 - (11) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “ **Security Trustee** ”);
 - (12) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “ **Intercreditor Agent** ”);
 - (13) **DNB NOR BANK ASA (NEW YORK BRANCH)** (as the “ **Accounts Bank** ”); and
 - (14) **CITIBANK, N.A. (NEW YORK BRANCH)** (as the “ **Operating Accounts Bank** ”),
- each a “ **Party** ” and together the “ **Parties** ”.

WHEREAS:

- (A) Each Borrower is a wholly owned subsidiary of the Guarantor and is party to a Shipbuilding Contract in respect of its Vessel.
- (B) Amounts raised under the Finance Documents shall be used to finance the construction, operation and other costs and expenses associated with the Vessels.
- (C) The Borrowers, the Guarantor, the Facility Agents, the Hedging Parties, the Security Trustee, the Intercreditor Agent, the Accounts Bank and others have entered into on or about the date of this Agreement, or shall enter into, the Intercreditor Agreement that governs the relationship between the Secured Parties and regulates the claims of the Secured Parties against the Borrowers and the Guarantor and the enforcement by the Secured Parties of the Security.
- (D) Each Manager, the Borrowers, the Guarantor, QPML and Pacific Gibco have granted, or will grant, certain Security pursuant to the Security Documents.
- (E) The Parties desire to enter into this Agreement in order to set out certain provisions including: (a) the procedure for utilising the loan facilities to be made available in accordance with this Agreement; (b) the conditions precedent to drawdowns under such loan facilities; (c) the repayment, prepayment and cancellation of such loan facilities; (d) details of the guarantee to be provided by the Guarantor in favour of the Secured Parties; (e) the representations and warranties of the Obligors; and (f) covenants, Events of Default and remedies in relation to such loan facilities.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION**1.1 Definitions**

Except as otherwise expressly provided in this Agreement, capitalised terms used in this Agreement shall have the meanings given to them in Schedule 1. To the extent such terms are defined by reference to any other Transaction Document, for the purposes of this Agreement, such terms shall continue to have their original definitions (but shall be subject to and interpreted in accordance with the governing law of this Agreement) notwithstanding any termination, expiration or amendment of any such Transaction Document except to the extent the Parties agree to the contrary.

1.2 Interpretation

- (a) In this Agreement, except to the extent specified to the contrary or where the context otherwise requires:
 - (i) the table of contents and headings are for convenience only and shall not affect the interpretation of this Agreement;
 - (ii) references to “Clauses”, “Schedules” and “Appendices” are references to clauses of, and schedules and appendices to, this Agreement;

-
- (iii) references to “assets” includes present and future properties, revenues and rights of every description (whether real, personal or mixed and whether tangible or intangible);
 - (iv) references to an “amendment” includes a variation, supplement, replacement, novation, restatement or re-enactment and “amended” is to be construed accordingly;
 - (v) references to any document or agreement, including this Agreement, shall be deemed to include references to such document or agreement as amended, from time to time in accordance with its terms and (where applicable) subject to compliance with the requirements set forth in the Finance Documents;
 - (vi) references to any Party, party or to any other Person shall include its successors, permitted assigns and permitted transferees;
 - (vii) references to “indebtedness” include any obligation (whether incurred as principal or surety) for the payment or repayment of money, whether present, future, actual or contingent;
 - (viii) in respect of any Borrower, references to “its Vessel” or “such Borrower’s Vessel” or similar phrases are to the Vessel owned, or to be owned by it, references to “its Term Loan” or similar phrases are to the Term Loan made available to such Borrower, each in accordance with this Agreement and references to “its Shipbuilding Contract” or similar phrases are to the Shipbuilding Contract to which it is a party;
 - (ix) words importing the singular include the plural and vice versa;
 - (x) words importing the masculine include the feminine and vice versa;
 - (xi) accounting terms have the meanings assigned to them by IFRS or US GAAP, as applicable;
 - (xii) the words “include”, “includes” and “including” are not limiting;
 - (xiii) references to “days” shall mean calendar days, unless the term “Business Days” is used;
 - (xiv) references to “months” shall mean calendar months and references to “years” (other than references to “fiscal years”) shall mean calendar years;
 - (xv) unless the contrary indication appears, a reference to a time of day is a reference to the time of day in New York;
 - (xvi) the word “or” is not exclusive;
 - (xvii) a reference to a Legal Requirement is a reference to such Legal Requirement as the same may be amended from time to time;
 - (xviii) a Potential Event of Default is “continuing” if it has not been remedied or waived; and

-
- (xix) an Event of Default is “ **continuing** ” if:
- (A) following the delivery of an Enforcement Direction in accordance with this Agreement in respect of such Event of Default, such Event of Default has not been waived; or
 - (B) otherwise if it has not been remedied or waived.
- (b) This Agreement and the other Finance Documents are the result of negotiations among, and have been reviewed by, all parties thereto and their respective counsel. Accordingly, this Agreement and the other Finance Documents shall be deemed to be the product of all parties thereto, and no ambiguity shall be construed in favour of or against any party thereto.
- (c) For the purposes of any Finance Document, “ **payment in full** ” or “ **paid in full** ” or “ **satisfied** ”, in each case, as used with respect to any Senior Debt Obligations means the receipt of cash equal to the full amount of such Senior Debt Obligations.
- (d) Unless a contrary intention appears, a term used in any Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

1.3 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document, a Person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the “ **Third Parties Act** ”) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Finance Document, the consent of any Person that is not a Party is not required to rescind or amend this Agreement at any time.

2. THE FACILITIES

2.1 Term Loan Facility and Tranches

- (a) Subject to the terms of this Agreement, the Lenders make available to the Borrowers a Dollar denominated term loan facility (the “ **Term Loan Facility** ”) in an amount equal to the Total Commitments.
- (b) Subject to Clause 2.1(a), the maximum aggregate amount available to, and available to be drawn by, Pacific Bora Ltd., under the Term Loan Facility shall be 450,000,000 Dollars (the “ **Bora Term Loan** ”) as such amount may be reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10). The Bora Term Loan shall consist of three tranches as follows:
 - (i) a tranche made available by the Commercial Facility Lenders (the “Bora Commercial Tranche”);
 - (ii) a tranche made available by the GIEK Facility Lender (the “Bora GIEK Tranche”); and
 - (iii) a tranche made available by the KEXIM Facility Lender (the “Bora KEXIM Tranche”).

-
- (c) Subject to Clause 2.1(a), the maximum aggregate amount available to, and available to be drawn by, Pacific Mistral Ltd., under the Term Loan Facility shall be 500,000,000 Dollars (the “**Mistral Term Loan**”) as such amount may be reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10). The Mistral Term Loan shall consist of three tranches as follows:
- (i) a tranche made available by the Commercial Facility Lenders (the “Mistral Commercial Tranche”);
 - (ii) a tranche made available by the GIEK Facility Lender (the “Mistral GIEK Tranche”); and
 - (iii) a tranche made available by the KEXIM Facility Lender (the “Mistral **KEXIM Tranche**”).
- (d) Subject to Clause 2.1(a), the maximum aggregate amount available to, and available to be drawn by, Pacific Scirocco Ltd., under the Term Loan Facility shall be 500,000,000 Dollars (the “**Scirocco Term Loan**”) as such amount may be reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10). The Scirocco Term Loan shall consist of three tranches as follows:
- (i) a tranche made available by the Commercial Facility Lenders (the “Scirocco Commercial Tranche”);
 - (ii) a tranche made available by the GIEK Facility Lender (the “Scirocco GIEK Tranche”); and
 - (iii) a tranche made available by the KEXIM Facility Lender (the “**Scirocco KEXIM Tranche**”).
- (e) Subject to Clause 2.1(a), the maximum aggregate amount available to, and available to be drawn by, Pacific Santa Ana Ltd., under the Term Loan Facility shall be 500,000,000 Dollars (the “**Santa Ana Term Loan**”) as such amount may be reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10). The Santa Ana Term Loan shall consist of three tranches as follows:
- (i) a tranche made available by the Commercial Facility Lenders (the “Santa Ana Commercial Tranche”);
 - (ii) a tranche made available by the GIEK Facility Lender (the “Santa Ana GIEK Tranche”); and
 - (iii) a tranche made available by the KEXIM Facility Lender (the “**Santa Ana KEXIM Tranche**”).
- (f) The maximum aggregate amount available to, and available to be drawn by, all Borrowers under:
- (i) the Commercial Tranches shall not exceed 1,000,000,000 Dollars;
 - (ii) the GIEK Tranches shall not exceed 350,000,000 Dollars; and
 - (iii) the KEXIM Tranches shall not exceed 450,000,000 Dollars,
- as each such amount may be reduced in accordance with this Agreement (including pursuant to Clause 5.6 or Clause 5.10).

2.2 Secured Parties' rights and obligations

- (a) The obligations of each Secured Party under the Finance Documents are several. Failure by a Secured Party to perform its obligations under any Finance Document does not affect the obligations of any other Party under any Finance Document. No Secured Party is responsible for the obligations of any other Secured Party under any Finance Document.
- (b) The rights of each Secured Party under or in connection with the Finance Documents are separate and independent rights and any indebtedness arising under the Finance Documents to a Secured Party from an Obligor shall be a separate and independent debt.
- (c) Except as otherwise stated in the Finance Documents and subject always to Clause 28, Clause 29 and Clause 31.15, a Secured Party may enforce its rights under the Finance Documents separately.

2.3 Borrowers' obligations

The obligations of the Borrowers under the Finance Documents shall be joint and several. Any amount expressed to be payable under any Finance Document by "the Borrowers" shall be discharged if paid in full by any Borrower (or two or more Borrowers collectively).

2.4 Obligors' agent

- (a) Each Borrower by its execution of this Agreement irrevocably appoints the Guarantor to act on its behalf as its agent in relation to the Finance Documents and irrevocably authorises:
 - (i) the Guarantor on its behalf to supply all information concerning itself contemplated by this Agreement to the Secured Parties and to give all notices and instructions (including any Utilisation Request), to execute on its behalf any Accession Deed, to make such agreements and to effect the relevant amendments capable of being given, made or effected by such Borrower notwithstanding that they may affect such Borrower, without further reference to, or the consent of, such Borrower; and
 - (ii) each Secured Party to give to the Guarantor any notice, demand or other communication to be addressed to such Borrower in accordance with the Finance Documents,and in each case such Borrower shall be bound as though such Borrower itself had given the notices and instructions (including any Utilisation Request) or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.
- (b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, notice or other communication given or made by the Guarantor or given to the Guarantor under any Finance Document on behalf of a Borrower or in connection with any Finance Document (whether or not known to any Borrower) shall be binding for all purposes on each Borrower as if such Borrower expressly had made, given, received or concurred with it. In the event of any conflict between any notices or other communications of the Guarantor and any Borrower, those of the Guarantor shall prevail.

2.5 Purpose

Each Borrower shall apply all amounts borrowed by it under its Term Loan towards Permitted Uses in accordance with the terms of this Agreement.

2.6 Monitoring

No Secured Party is bound to monitor or verify the application of any amount borrowed in accordance with this Agreement.

3. CONDITIONS OF UTILISATION**3.1 Conditions precedent to the Financing Date**

No Borrower may deliver a Utilisation Request or an Advance Notice in respect of its Term Loan unless the Intercreditor Agent has confirmed in writing to each Facility Agent and to the Guarantor that:

- (a) all of the conditions precedent listed in Part 1 of Schedule 2 have been satisfied or waived; and
- (b) each Facility Agent has confirmed to the Intercreditor Agent that all of the documents and other evidence listed in Part 1 of Schedule 2 and delivered to the Intercreditor Agent are satisfactory in form and substance to such Facility Agent save to the extent that the requirement to provide such document or other evidence has been waived by the Intercreditor Agent,

and the Intercreditor Agent promptly shall deliver such written confirmation to each Facility Agent and to the Guarantor upon receipt of the confirmations from each Facility Agent delivered in accordance with Clause 3.1(b).

3.2 Conditions precedent to each Utilisation

The Lenders must comply with Clause 4.5 (including in respect of the initial Utilisation of any Term Loan) only if on the date of the Utilisation Request and on the proposed Utilisation Date, each condition precedent set out in Part 2 of Schedule 2 is satisfied or waived in accordance with this Agreement.

4. UTILISATION**4.1 Delivery of Utilisation Requests and Advance Notice**

- (a) Subject to Clause 4.1(b), a Borrower may utilise its Term Loan in accordance with this Agreement by delivery of a duly completed Utilisation Request to the Intercreditor Agent, the Commercial Facility Agent, the KEXIM Facility Agent and the GIEK Facility Agent no later than the relevant Specified Time.
- (b) In respect of any proposed Utilisation, a Borrower must deliver an Advance Notice to the KEXIM Facility Agent no later than the relevant Specified Time. Each Advance Notice shall be revocable until such time as the Utilisation Request in respect of the relevant Utilisation referenced in such Advance Notice is delivered in accordance with Clause 4.1(a).

4.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and shall not be regarded as having been duly completed unless:
 - (i) it sets out:
 - (A) the aggregate amount requested by the Borrower under all Tranches of its Term Loan in respect of that Utilisation Request; and
 - (B) the individual amounts requested by the Borrower under each Tranche of its Term Loan in respect of that Utilisation Request, which amounts shall be calculated by such Borrower and be equal to the Tranche Proportion of each such Tranche;
 - (ii) the proposed Utilisation Date specified in such Utilisation Request is within the Availability Period of the relevant Term Loan;
 - (iii) the currency and amount of the proposed Utilisation comply with Clause 4.3;
 - (iv) the proposed Interest Period complies with Clause 7.1; and
 - (v) the Utilisation Request:
 - (A) except in respect of the final Utilisation of a Term Loan, confirms that following the proposed Utilisation, sufficient Available Commitments shall remain available in order for each Borrower that has not made its Final Payment to make its Final Payment as required by the Shipbuilding Contract to which it is a party; and
 - (B) confirms that the Proceeds of the proposed Utilisation shall be used for Permitted Uses only.
- (b) In respect of each Term Loan, only one Utilisation Request may be delivered each month; provided, however, that subject to Clause 4.2(d), a Borrower may deliver more than one Utilisation Request in any month, provided that the Proceeds of any such additional Utilisation shall be applied only to the payment of amounts due and payable under its Shipbuilding Contract.
- (c) Each Borrower has proposed a Utilisation Schedule for its Term Loan. Such Utilisation Schedule is indicative only. To the extent a Borrower reasonably anticipates any material deviation from the schedule of dates and/or amounts in its Utilisation Schedule at any time, such Borrower shall update its Utilisation Schedule and provide such updated Utilisation Schedule to the Intercreditor Agent. If Proceeds of the Loans are to be applied towards payments contemplated in the Construction Budget of a Borrower, the Utilisation Schedule for such Borrower (as updated from time to time in accordance with this Clause 4.2 (c)) shall provide for the Utilisation in respect of such Proceeds to be made prior to the date such Proceeds are to be applied as contemplated by such Construction Budget.
- (d) Each Alternative Arrangement Borrower may request only one further Utilisation of its Term Loan following the date on which an Alternative Charter or Acceptable Charter, as the case may be, is signed by all parties thereto.

4.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be Dollars.
- (b) The aggregate amount requested by a Borrower under all Tranches of its Term Loan in respect of a Utilisation Request must be a minimum of 5,000,000 Dollars and in an integral multiple of 1,000,000 Dollars.
- (c) The aggregate amount requested by a Borrower pursuant to all Utilisation Requests submitted by or on behalf of such Borrower under the Term Loan Facility shall not exceed the maximum aggregate amount available to such Borrower under the Term Loan Facility as specified in Clause 2.1 (and as such amount may be reduced in accordance with this Agreement (including pursuant to this Clause 4.3(c), Clause 5.6 and Clause 5.10)); provided, however, that if upon determination by the Intercreditor Agent in accordance with the terms of this Agreement, such Borrower's Borrower Maximum Amount is an amount less than the maximum aggregate amount available to such Borrower under the Term Loan Facility as specified in Clause 2.1 at the time such determination is made, then the maximum amount that such Borrower may request pursuant to all Utilisation Requests shall be reduced to an amount equal to that Borrower's Borrower Maximum Amount.
- (d) The aggregate amount requested by a Borrower under the Commercial Tranche, GIEK Tranche or KEXIM Tranche of such Borrower's Term Loan pursuant to a Utilisation Request, when aggregated with all amounts requested by all Borrowers from the Commercial Facility Lenders, GIEK Facility Lender or KEXIM Facility Lender (as applicable) pursuant to all Utilisation Requests made as at such date, shall not exceed the aggregate maximum amount made available by the Commercial Facility Lenders, GIEK Facility Lender or KEXIM Facility Lender (as applicable) to all Borrowers as specified in Clause 2.1(f) (as such amount may be reduced in accordance with this Agreement (including pursuant to Clause 5.6 and Clause 5.10)).
- (e) The aggregate amount requested by all Borrowers pursuant to all Utilisation Requests shall not exceed the Total Commitment (as such amount may be reduced in accordance with this Agreement (including pursuant to Clause 5.6 and Clause 5.10)).

4.4 Cost Certificate

Each Utilisation Request submitted by or on behalf of a Borrower shall be accompanied by a duly completed Cost Certificate.

4.5 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) Each Lender's participation in each Loan shall be proportionate to its respective share of the Available Commitments immediately prior to the making of the Loan.
- (c) Each Facility Agent shall notify each Lender for which it is the Relevant Facility Agent of the amount of each Loan and the amount of its participation in that Loan by the Specified Time.

5. REPAYMENT, PREPAYMENT AND CANCELLATION

5.1 General payment terms

- (a) All payments (including any payment of interest) due to the Secured Parties shall be made in Dollars and in accordance with the terms of the Finance Documents.
- (b) If any payment due under a Finance Document otherwise would fall due on a day that is not a Business Day, such payment shall be due on the next succeeding Business Day in that month (if there is one) or on the preceding Business Day (if there is not). Any such extension or reduction of time under this Clause 5.1(b) shall be included in the computation of interest or fees (as the case may be) on any such amount so due.
- (c) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

5.2 Repayment

Each Borrower shall make payments in accordance with Clause 26.6(b) in respect of outstanding Loans under its Term Loan to the designated account of the Intercreditor Agent (and the Intercreditor Agent shall allocate such payments to each relevant Facility Agent for the account of each Lender for which it is the Relevant Facility Agent), of the aggregate unpaid principal amount of such Loans in installments payable on each Repayment Date, commencing with the First Repayment Date for such Term Loan, in accordance with each Repayment Schedule for such Term Loan. Any remaining unpaid principal, interest, fees and costs as at the Final Repayment Date for such Term Loan shall be due and payable on such Final Repayment Date.

5.3 Reborrowing

- (a) No Borrower may reborrow all or any part of any Loan under its Term Loan that is repaid or prepaid by or on behalf of it.
- (b) No Borrower may reborrow all or any part of the Term Loan Facility that is repaid or prepaid by or on behalf of any Borrower.

5.4 Voluntary prepayments

- (a) Subject to Clause 5.14, on not less than ten Business Days' irrevocable prior written notice to the Intercreditor Agent and the Facility Agents, a Borrower may prepay the whole or any part of its Term Loan in a minimum amount of 10,000,000 Dollars or a multiple thereof.
- (b) For the avoidance of doubt, a Borrower may elect to prepay the whole or any part of its Term Loan whether or not any other Borrower also elects to prepay the whole or any part of its Term Loan.

5.5 Voluntary cancellation

- (a) Subject to Clause 5.14, on not less than ten Business Days' irrevocable prior written notice to the Intercreditor Agent and the Facility Agents, the Borrowers acting jointly may cancel the whole or any part of the Available Commitment in a minimum amount of 10,000,000 Dollars or any multiple thereof.

-
- (b) No Available Commitment cancelled under this Agreement subsequently may be reinstated.
 - (c) Any cancellation under this Clause 5.5 shall reduce the Available Commitments of the Lenders in respect of the Term Loan Facility in proportion to their respective shares of the aggregate Available Commitment immediately prior to such cancellation.

5.6 Availability Period, Acceptable Charters, Alternative Charters and automatic cancellation

- (a) All Commitments available to be drawn by a Borrower automatically shall cease to be available to such Borrower at the close of business in New York on the last day of the Availability Period of such Borrower's Term Loan. If on such date the aggregate of the remaining Commitments able to be drawn by all Borrowers in accordance with this Agreement whose Availability Periods have not ended is less than the total Available Commitments as at such date, the Available Commitments automatically shall be reduced to the amount that is equal to the aggregate of the remaining amounts available to be drawn on such date by such Borrowers. All undrawn Commitments automatically shall be cancelled at the close of business in New York on the last day of the Availability Period that is the last Availability Period to end in accordance with this Agreement.
- (b) If an Acceptable Charter or an Alternative Charter, as the case may be, has not been executed by all parties thereto in respect of a Vessel by the Delivery Date of such Vessel, subject to Clause 5.6(c), the Availability Period for the Term Loan of the Borrower that owns such Vessel shall be extended to the date falling 180 days after the Delivery Date of such Vessel provided that:
 - (i) the Delivered Cost of such Vessel shall have been funded only with Equity contributed to such Borrower and, if applicable, Cost Overrun Undertaking Proceeds or with any proceeds of a Waiver Utilisation; and
 - (ii) all Post-Completion Security (other than any Post-Completion Security relating to any Acceptable Charter) required to be granted by such Borrower has been provided to the satisfaction of the Intercreditor Agent.
- (c) If the Availability Period for any Term Loan is extended in accordance with Clause 5.6(b), then the maximum amount that otherwise would have been available to be drawn under such Term Loan in accordance with Clause 2.1 shall be reduced over time such that the maximum amount available to such Borrower, subject to Clause 2.1 and Clause 4, at any time during such extended Availability Period, is equal to the principal amount that would have been outstanding at such time calculated as if such Term Loan had been:
 - (i) utilised in full by such Borrower at the Delivery Date of its Vessel and at the applicable maximum amount stated in Clause 2.1 for such Term Loan; and
 - (ii) repaid in accordance with Clause 5.2 and each Repayment Schedule for such Term Loan had been prepared and delivered on that basis.

-
- (d) If at any time there is more than one Vessel for which the Delivery Date has occurred and in respect of which neither an Acceptable Charter nor an Alternative Charter has been executed by all parties thereto, then the Commitment of each Lender automatically shall be cancelled and the participation of each Lender in each outstanding Loan under each Term Loan, together with accrued interest, and all other amounts accrued under the Finance Documents immediately shall be due and payable by each of the Borrowers; provided, however, that no such cancellation shall occur and no such payment shall be required, provided that all Security (including all Post-Completion Security) required by this Agreement in respect of any Vessel that otherwise would have triggered such cancellation and payment obligations is and remains effective and perfected in accordance with this Agreement.

5.7 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Term Loan Facility or any Term Loan:

- (a) that Lender promptly shall notify the Relevant Facility Agent upon becoming aware of that event;
- (b) upon receipt of such notification, the Relevant Facility Agent promptly shall notify the Intercreditor Agent and the Borrowers;
- (c) upon the Relevant Facility Agent notifying the Borrowers, the Commitment of that Lender immediately shall be cancelled; and
- (d) each Borrower promptly shall repay that Lender's participation in the Loans made to that Borrower on either (i) the last day of the Interest Period for each such Loan occurring after the Relevant Facility Agent has notified the Borrowers in accordance with Clause 5.7(b) (but in no event less than seven Business Days after receipt by the Borrowers of such notification) or (ii) if earlier, the date specified by the Lender in the notice delivered to the Relevant Facility Agent in accordance with Clause 5.7 (a) (provided that such day falls at least seven Business Days after receipt by the Borrowers of the notification delivered in accordance with Clause 5.7(b) or if later, the last day of any grace period permitted by law).

5.8 Change of control

- (a) If any Person (or any group of Persons acting in concert) other than QPIL or any Affiliate of QPIL controls (directly or indirectly) the Guarantor (a “**Guarantor Change of Control**”), then unless the Guarantor Change of Control has been approved by the Intercreditor Agent, each Commitment of each Lender automatically shall be cancelled and the participation of each Lender in each outstanding Loan under each Term Loan, together with accrued interest, and all other amounts accrued under the Finance Documents immediately shall be due and payable by the Borrowers by the date required by Clause 5.14.
- (b) For the purpose of this Clause 5.8, “**controls**” means that any Person (or any group of Persons acting in concert) directly or indirectly owns or controls more than 30 per cent. of the equity share capital of the Guarantor or equity share capital having the right to cast more than 30 per cent. of the votes capable of being cast in a general meeting of the Guarantor.

- (c) For the purpose of this Clause 5.8, “ **acting in concert** ” means, a group of Persons who, in accordance with an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Guarantor by any of them, either directly or indirectly, to obtain or consolidate control of the Guarantor.

5.9 Exceptional events

If a Borrower’s Vessel:

- (a) suffers a Major Casualty Event and the Intercreditor Agent has not approved a Repair Plan submitted by the relevant Borrower for the repair of the relevant Vessel in accordance with Clause 19.34;
- (b) suffers a Total Loss; or
- (c) otherwise is lost, sold or otherwise disposed of by such Borrower,

then on the earlier to occur of:

- (i) the date on which such Borrower receives any insurance or other proceeds in respect of such Major Casualty Event, Total Loss or other loss, sale or other disposal by such Borrower; and
- (ii) the date falling 180 days after such Major Casualty Event, Total Loss or other loss, sale or other disposal by such Borrower,

the Available Commitments automatically shall be cancelled by an amount equal to the maximum amount stated in Clause 2.1 in respect of such Borrower’s Term Loan (as such amount may have been reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10)) minus the participation of each Lender in each outstanding Loan under such Term Loan. Upon such cancellation the participation of each Lender in each outstanding Loan under such Term Loan, together with accrued interest, and all other amounts accrued under the Finance Documents, immediately shall be due and payable by such Borrower.

For the avoidance of doubt, no cancellation of the Available Commitments will occur and no prepayment of the Relevant Borrower’s Term Loan will be required in accordance with this Clause 5.9 following a Major Casualty Event if the relevant Vessel affected by such Major Casualty Event has become a Released Vessel in accordance with Clause 5.16.

5.10 Reduction in Total Project Costs

- (a) If at any time the Total Project Costs are determined by any Obligor or Secured Party (and, in each case, confirmed by the Technical Consultant) (the “ **Reduced Total Project Costs** ”) to be less than the Total Project Costs as at the First Utilisation Date, and together the aggregate of the Available Commitments and the outstanding Loans is an amount that exceeds at such time 60 per cent. of such Reduced Total Project Costs (a “ **Project Cost Reduction** ”), then the relevant proportion of the Available Commitments shall be cancelled and, if applicable, the relevant proportion of the Loans shall be prepaid by the Borrowers in each case in accordance with Clause 5.10(b).

-
- (b) In the event of a Project Cost Reduction, the Borrowers shall:
- (i) cancel an amount equal to the lesser of either (x) all of the Available Commitments or (y) such portion of the Available Commitments as is necessary in order for the aggregate of the Available Commitments and the outstanding Loans to not exceed 60 per cent. of the Reduced Total Project Costs, and such that each Obligor otherwise continues to be in compliance with each of its obligations under this Agreement; and
 - (ii) if following the cancellation in accordance with Clause 5.10(b)(i) of all Available Commitments, the aggregate of all Available Commitments and outstanding Loans still exceeds 60 per cent. of the Reduced Total Project Costs, the Borrowers shall prepay such Term Loan or Term Loans as the Borrowers may elect to the extent necessary in order for the aggregate of all Available Commitments and outstanding Loans to not exceed 60 per cent. of the Reduced Total Project Costs such that each Obligor otherwise continues to be in compliance with each of its obligations under this Agreement.

5.11 Prepayment from TPDI Put Option Account

- (a) If the Guarantor receives any amount from the TPDI Put Option Account in accordance with clause 2.3(a) or 2.3(c) of the Put Option Undertaking Agreement, the Guarantor promptly shall apply any such amounts in voluntary prepayment of any Term Loan.
- (b) If QPML makes or proposes to make a distribution to QPIL from the TPDI Put Option Account in accordance with clause 2.3(c) of the Put Option Undertaking Agreement and requests that the Guarantor cancel the Commitments in accordance with clause 2.3(c)(iii) of the Put Option Undertaking Agreement, the Guarantor promptly shall cancel the Commitments in the amount required by clause 2.3(c)(iii) of the Put Option Undertaking Agreement.

5.12 Fair Market Value prepayments

If the Borrowers are required to make any cancellation and/or prepayment in accordance with Clause 19.29, the Borrowers shall cancel and/or prepay the Term Loan Facility in accordance with Clause 19.29.

5.13 GIEK/KEXIM put option

No later than 90 days prior to the Final Repayment Date of the Commercial Tranches, the Guarantor shall deliver written notice (the “**Commercial Tranche Refinancing Notice**”) to each of the GIEK Facility Lender and the KEXIM Facility Lender detailing the status and terms and conditions of any contemplated refinancing of the Commercial Tranches, together with a copy of an up to date Financial Model. Any such Lender that either:

- (a) does not timely receive a Commercial Tranche Refinancing Notice from the Guarantor; or

- (b) determines that the terms and conditions of the refinancing detailed in such Commercial Tranche Refinancing Notice is not satisfactory to it in such Lender's sole discretion,

shall have the option, but not the obligation, to request by written notice to the Guarantor (which notice shall be delivered no later than 30 days after such Lender's receipt of the Commercial Tranche Refinancing Notice or 60 days before the Final Repayment Date of the Commercial Tranches in the case that any such Lender does not timely receive a Commercial Tranche Refinancing Notice from the Guarantor), that each Borrower prepay in full the proportion of all Loans outstanding that relate to the GIEK Tranches or the KEXIM Tranches, as applicable, and following such request all such amounts shall be due and payable by the Borrowers on the Final Repayment Date of the Commercial Tranches without premium, penalty or additional fees of any kind.

5.14 Prepayment and cancellation – miscellaneous

- (a) Where any Loan made available to a Borrower becomes immediately due and payable or payable on a specified date in accordance with this Clause 5, such Borrower shall prepay such Loan within seven Business Days of such Loan becoming immediately due and payable in accordance with this Clause 5.14 or on such specified date (as applicable).
- (b) No repayment of any Loan is permitted except in accordance with the express terms of this Agreement.
- (c) Each prepayment shall be made:
 - (i) together with accrued interest on the amount prepaid and any applicable Break Costs; and
 - (ii) subject to Clause 5.14(d) and Clause 5.14(e), without any penalty or premium.
- (d) Any voluntary prepayment by a Borrower of any amount outstanding under a Commercial Tranche in accordance with Clause 5.4 and any voluntary cancellation of any Available Commitment of the Commercial Facility Lenders in accordance with Clause 5.5, if such voluntary prepayment or voluntary cancellation is made at any time prior to the date falling one year after the Vessel Completion Date, shall be subject to the payment to the Commercial Facility Agent (for the account of each Commercial Facility Lender) by that Borrower of the Commercial Facility Prepayment/Cancellation Fee, which such fee shall be distributed by the Commercial Facility Agent to each Commercial Facility Lender according to:
 - (i) in the case of a prepayment, the proportion of the total amount prepaid in respect of the Commercial Tranche Loan that was advanced by that Commercial Facility Lender; and
 - (ii) in the case of a cancellation, the proportion of the total Available Commitment to be cancelled that was committed by that Commercial Facility Lender.
- (e) Any mandatory or voluntary prepayment of any amount outstanding under a GIEK Tranche or a KEXIM Tranche (other than in accordance with Clause 5.13) and any mandatory or voluntary cancellation of any Available Commitment of the GIEK Facility Lender or the KEXIM Facility Lender shall be subject to the payment to the

GIEK Facility Agent (for the account of the GIEK Facility Lender) or the KEXIM Facility Agent (for the account of the KEXIM Facility Lender), as applicable, of the GIEK Prepayment/Cancellation Fee or the KEXIM Prepayment/Cancellation Fee, as applicable, which fee shall be distributed by the GIEK Facility Agent or the KEXIM Facility Agent, as applicable, to the GIEK Facility Lender or the KEXIM Facility Lender.

- (f) In the event of any prepayment made in accordance with this Clause 5, the funds from which such prepayment is to be made first shall be used to pay any amounts then due and payable to the Secured Parties (including any fees) and, thereafter, to make the relevant prepayment.
- (g) Each prepayment shall be made and applied, subject to Clause 5.14(f):
 - (i) other than any prepayment in accordance with Clause 5.7 (which such prepayment shall be made and applied in accordance with Clause 5.7), to each Tranche of the relevant Term Loan on a pro rata basis to the amounts outstanding under such Tranche under that Term Loan;
 - (ii) other than any prepayment in accordance with Clause 5.7 (which such prepayment shall be made and applied in accordance with Clause 5.7), to the principal amounts payable in respect of each Tranche of the relevant Term Loan in inverse order of maturity (including, for the avoidance of doubt, the final principal installment of the Commercial Tranche payable in accordance with the applicable Repayment Schedule); and
 - (iii) together with any interest payable in respect of that Term Loan and net scheduled payments due or termination costs payable in respect of any Interest Hedging Instrument relating to that Term Loan.
- (h) Each cancellation or reduction of any Commitment made or required in accordance with this Agreement shall reduce the Available Commitments of the Lenders on a pro rata basis.

5.15 Right of replacement or repayment and cancellation in relation to a single Lender

- (a) If:
 - (i) any sum payable to any Lender by a Borrower is required to be increased under Clause 10.2(c);
 - (ii) any Lender claims indemnification from a Borrower under Clause 10.3 or Clause 11.1; or
 - (iii) it becomes illegal for any Lender to perform any of its obligations under this Agreement or to fund or maintain its participation in any Term Loan,

whilst the circumstances giving rise to the requirement for that increase, indemnification or illegality continue, the Guarantor may give the Relevant Facility Agent notice of its intention to replace that Lender in accordance with Clause 5.15(c).

-
- (b) Where:
- (i) either:
- (A) a Borrower wishes to enter into an Acceptable Charter for its Vessel, the proposed charter satisfies each part of paragraph (a) of the definition of Acceptable Time Charter or Acceptable Bareboat Charter (as the case may be); or
- (B) an Alternative Arrangement Borrower wishes to enter into an Alternative Charter for its Vessel, the proposed charter satisfies each of paragraphs (a) to (e) of the definition of Alternative Charter,
- and in either case the Majority Lenders have confirmed to the Intercreditor Agent that they have approved such charter as an Acceptable Charter or an Alternative Charter (as the case may be); or
- (ii) a Borrower wishes to enter into an Acceptable Charter or an Alternative Charter for its Vessel with a Person who (or whose obligations under the relevant Acceptable Charter or Alternative Charter are guaranteed by an entity who):
- (A) satisfies the credit rating requirement set out in paragraph (a) of the definition of Acceptable Charterer and the Majority Lenders have confirmed to the Intercreditor Agent that they have approved such Person; or
- (B) does not satisfy the credit rating requirement set out in paragraph (a) of the definition of Acceptable Charterer and the Super Majority Lenders have confirmed to the Intercreditor Agent that they have approved such Person,

if any one or more Lenders has not approved such charter as an Acceptable Charter or Alternative Charter (as the case may be) or such Person as an Acceptable Charterer (as applicable) in accordance with this Agreement, the Guarantor may give the Relevant Facility Agent 15 Business Days' notice of its intention to:

- (x) replace any such Lender in accordance with Clause 5.15(c); or
- (y) provided that the Guarantor has demonstrated to the satisfaction of the Intercreditor Agent that, following any such cancellation and, if applicable, prepayment, the Obligors shall have sufficient funds available in order to meet in full their payment obligations under each Transaction Document and in respect of the Total Project Costs (as calculated at the time of any such cancellation), cancel in full the then Commitment of such Lender and procure the repayment or prepayment in full of that Lender's participation, if any, in the then outstanding Loans.

-
- (c) In the circumstances set out in Clause 5.15(a) and Clause 5.15(b), on the expiry of 15 Business Days' notice given in accordance with Clause 5.15(b), a Borrower may replace each such Lender by requiring each such Lender to (and, to the extent permitted by law, each such Lender shall) transfer in accordance with Clause 30 all of its rights and obligations in respect of the Term Loan Facility to a Lender or other bank, financial institution, trust, fund or other entity selected by the Relevant Borrower that confirms its willingness to assume and does assume all the obligations of the relevant transferring Lender in respect of the Term Loan Facility in accordance with Clause 30 for a purchase price in cash or other cash payment payable at the time of the transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loans and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents.
- (d) The replacement of any Lender in accordance with Clause 5.15(c) or the cancellation of the Commitment of a Lender and, if applicable, repayment of such Lender's participation in the outstanding Loans in accordance with Clauses 5.15(b)(ii)(y), 5.15(e) and 5.15(f), shall be subject to the following conditions:
- (i) no Obligor shall have any right to replace any Agent in its capacity as such Agent;
 - (ii) neither the Relevant Facility Agent nor any Lender shall have any obligation to find any replacement Lender;
 - (iii) in no event shall any Lender replaced under Clause 5.15(c) or that has its Commitment cancelled and, if applicable, its participation in the outstanding Loans repaid in accordance with Clauses 5.15(b)(ii)(y), 5.15(e) and 5.15(f) be required to pay or surrender any of the fees received by such Lender in accordance with the Finance Documents;
 - (iv) if any Lender to be replaced under Clause 5.15(c) or that has its Commitment cancelled and, if applicable, its participation in the outstanding Loans repaid in accordance with Clauses 5.15(b)(ii)(y), 5.15(e) and 5.15(f) also is a Hedging Party at that time, the Relevant Borrower, at the same time as it replaces such Person as a Lender in accordance with Clause 5.15(c) or cancels the Commitment of such Lender and, if applicable, repays such Lender in accordance with Clauses 5.15(b)(ii)(y), 5.15(e) and 5.15(f), also must replace it as a Hedging Party; and
 - (v) the payment of any required Prepayment/Cancellation Fee.
- (e) On the expiry of the 15 Business Days' notice given in accordance with Clause 5.15(b) in respect of any cancellation and, if applicable, prepayment, the Commitment of the relevant Lender in respect of the Term Loan Facility immediately shall be reduced to zero.
- (f) On the last day of the Interest Period for any Loan in which the relevant Lender participates and that ends after the expiry of the 15 Business Days' notice given in accordance with Clause 5.15(b) in respect of any cancellation and, if applicable, prepayment, (or, if earlier, the date specified by the Guarantor in that notice), the Borrowers shall repay the relevant Lender's participation in such Loan.

5.16 Release of one Vessel

- (a) If:
- (i) a Borrower has provided a form of charter for approval by the Intercreditor Agent as:
 - (A) the initial Acceptable Charter for its Vessel; or
 - (B) the initial Alternative Charter for its Vessel,and such form of charter is not approved as an Acceptable Charter or Alternative Charter (as the case may be) in accordance with this Agreement; or
 - (ii) following the occurrence of a Major Casualty Event the Intercreditor Agent has not approved a Repair Plan submitted by the relevant Borrower in accordance with Clause 19.34,
- then the Guarantor may elect that the relevant Vessel shall be released from the scope of the transactions contemplated by the Transaction Documents in accordance with this Clause 5.16 provided that: (x) the Guarantor previously has not made such an election in respect of any other Vessel; and (y) each Vessel other than the Vessel that is proposed to be released either shall be subject to: (1) an Acceptable Charter that has been signed by all parties thereto; or (2) an Alternative Charter that has been signed by all parties thereto and is fully effective or the effectiveness of which is subject only to the approval of the relevant local authority in the jurisdiction of operation of the Vessel as specified in such Alternative Charter. Such removed Vessel shall be the “**Released Vessel**”.
- (b) If in accordance with Clause 5.16(a) the Guarantor is entitled to elect a Vessel to be the Released Vessel and the Guarantor intends for such Vessel to become the Released Vessel, the Guarantor shall notify the Intercreditor Agent in writing of the same, which notice shall include:
- (i) the identity of the Vessel that the Guarantor proposes to become the Released Vessel;
 - (ii) the date on which the Guarantor proposes that such Vessel shall become the Released Vessel, which date shall be at least 30 days after the date on which the Intercreditor Agent receives such notification (the “Release Date”); and
 - (iii) any other information that relates to the release of the Vessel that the Intercreditor Agent shall have requested in writing from the Guarantor and that is necessary in order to give effect to the purposes of this Clause 5.16.
- (c) Upon receipt of any notice delivered in accordance with Clause 5.16(b), the Intercreditor Agent promptly shall notify each Facility Agent, each Hedging Party and the Security Trustee of receipt of such notice.
- (d) On the Release Date, the Available Commitments shall be cancelled in the amount of 450,000,000 Dollars (minus, in the case of any release of a Vessel in the circumstances described in Clause 5.16(a)(ii), the outstanding principal amount of

the Loans made available to the Relevant Borrower under its Term Loan) on a pro rata basis in respect of the Available Commitment of each Lender and the Relevant Borrower shall not be permitted to submit any further Utilisation Request.

- (e) On the Release Date, the Required Equity Amount shall be reduced by an amount equal to the proportion of the Allocable Equity Share of the Relevant Borrower (calculated assuming that such Relevant Borrower would have utilised 450,000,000 Dollars of the Term Loan Facility) as a percentage of the aggregate Allocable Equity Share of all Borrowers (based upon the same assumption with regard to the Relevant Borrower) immediately prior to the Release Date and as such calculation of the revised Required Equity Amount shall be notified by the Intercreditor Agent.
- (f) Prior to any Vessel becoming the Released Vessel, the Relevant Borrower shall pre-pay (in accordance with Clause 5.4) in full any outstanding principal amounts of its Term Loan and all other amounts owing by it to any Secured Party under the Finance Documents.
- (g) Promptly following the Release Date, the Security Trustee and the Intercreditor Agent, with the co-operation of the other Parties, will release the Vessel and the Relevant Borrower from any Security created in respect of the Released Vessel, the Borrower or any asset of the Borrower.
- (h) Immediately upon a Vessel becoming the Released Vessel, the Relevant Borrower shall cease to be an Obligor and a member of the Group.

6. INTEREST

6.1 Calculation of interest

- (a) Subject to Clause 6.2, the rate of interest on each Loan for each Interest Period is the percentage rate per annum that is the aggregate of:
 - (i) the Applicable Margin determined in accordance with Clause 6.6 as at the Quotation Day;
 - (ii) LIBOR applicable for such period; and
 - (iii) the applicable Mandatory Cost, if any.

6.2 CIRR Interest Rate

- (a) Upon ten Business Days' prior written notice to the GIEK Facility Agent and in any event not later than the date falling ten Business Days prior to the Delivery Date of such Borrower's Vessel, a Borrower that is not an Alternative Arrangement Borrower may select that the CIRR Interest Rate shall apply in respect of the GIEK Tranche of each Loan made under its Term Loan.
- (b) Any selection by a Borrower (other than an Alternative Arrangement Borrower) of the CIRR Interest Rate in accordance with Clause 6.2(a) is irrevocable and, following such a selection, the CIRR Interest Rate shall be the interest rate payable in respect of the GIEK Facility Lender's participation in each Loan made under the relevant Borrower's Term Loan either:
 - (i) if such Term Loan has not been Utilised prior to such selection, throughout the term of such Borrower's Term Loan;
 - or

- (ii) if such Borrower's Term Loan has been Utilised prior to such selection, from the expiry of any then existing Interest Period in respect of each Loan made under such Borrower's Term Loan and throughout the remaining term of such Borrower's Term Loan.

6.3 Payment of interest

The Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period (and other than in respect of any Interest Period ending no later than the date falling six months after the first Utilisation of its Term Loan, if the Interest Period is longer than three months, on the dates falling at three monthly intervals after the first day of such Interest Period). All computations of any rate of interest commission or fee under any Finance Document shall be based on a year of 360 days and the actual days elapsed.

6.4 Default interest

- (a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate, subject to Clause 6.4(b), that is two per cent. per annum higher than the rate that would have been payable if the overdue amount, during the period of non-payment, had constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Relevant Facility Agent (acting reasonably). Any interest accruing under this Clause 6.4 immediately shall be payable by the Obligor on demand by the Relevant Facility Agent.
- (b) If any overdue amount consists of all or part of a Loan that became due on a day that was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be two per cent. per annum higher than the rate that would have applied if the overdue amount had not become due.
- (c) Default interest (if unpaid) arising on an overdue amount shall be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but shall remain immediately due and payable.

6.5 Notification of rates of interest

The Intercreditor Agent promptly shall notify the Relevant Borrower and each Facility Agent of the determination of a rate of interest under this Agreement, which rate shall be determined no later than the Specified Time and provided that, for the avoidance of doubt and notwithstanding any other provision of this Agreement, any reduction to the Applicable Margin in accordance with paragraph (b)(ii) of the definition of Applicable Margin shall take effect immediately upon the relevant Extension Date. Each Facility Agent promptly shall notify the Lenders for which it is the Relevant Facility Agent of such interest rate.

6.6 Determination of Applicable Margin

- (a) On each receipt of the Financial Statements of the Guarantor in accordance with Clause 19.4, no later than the Specified Time the Intercreditor Agent shall calculate the Applicable Margin that shall apply for the fiscal quarter of the Guarantor that commences immediately following the fiscal quarter in respect of which such Financial Statements were provided and shall notify each Borrower and each Facility Agent of such determination.
- (b) Any Applicable Margin determined by the Intercreditor Agent in accordance with Clause 6.6(a) in respect of any fiscal quarter shall apply from the first day of the fiscal quarter commencing after the fiscal quarter in respect of which the Financial Statements were provided, and continuing for the duration of such fiscal quarter.

7. INTEREST PERIODS

7.1 Selection of Interest Periods

- (a) A Borrower may select an Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan has already been borrowed) in a Selection Notice.
- (b) Each Selection Notice for a Loan is irrevocable and must be delivered to the Facility Agents and the Intercreditor Agent by the Borrower to which that Loan was made not later than the Specified Time.
- (c) If a Borrower fails to deliver a Selection Notice to the Facility Agents and the Intercreditor Agent in accordance with Clause 7.1(b), the relevant Interest Period, subject to Clause 7.1(d), shall be three months.
- (d) Subject to this Clause 7.1, a Borrower may select an Interest Period of three or six months or any other period agreed between the Borrower and the Intercreditor Agent.
- (e) A Borrower may select an Interest Period of less than three months or six months, if necessary to ensure that there are Loans (with an aggregate outstanding amount equal to or greater than the repayment instalment) that have an Interest Period ending on a Repayment Date for such Borrower to make the repayment instalment due on that Repayment Date.
- (f) In the case of the first Interest Period of a Utilisation of a Term Loan, a Borrower shall select an Interest Period of less than three or six months if required to ensure that such first Interest Period ends on the same day as each Interest Period for any previous Utilisation of such Term Loan.
- (g) An Interest Period for a Loan shall not extend beyond the Final Repayment Date for the relevant Term Loan.
- (h) Each Interest Period for a Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period.

7.2 Non-Business Days

If an Interest Period otherwise would end on a day that is not a Business Day, such Interest Period shall end on the next succeeding Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

7.3 Consolidation of Loans

If two or more Interest Periods:

- (a) relate to Loans made by the same Lenders and to the same Borrower; and
- (b) end on the same date,

those Loans shall be consolidated into, and treated as, a single Loan on the last day of the Interest Period.

8. CHANGES TO THE CALCULATION OF INTEREST

8.1 Absence of quotations

Subject to Clause 8.2, if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by the Specified Time on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

8.2 Market disruption

If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on the share of each Lender (other than the share of the GIEK Facility Lender if the Borrower has selected the CIRR Interest Rate in accordance with Clause 6.2) in that Loan for the Interest Period shall be the percentage rate per annum that is the sum of:

- (a) the Applicable Margin;
- (b) the rate notified to the Relevant Facility Agent by such Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it reasonably may select; and
- (c) the Mandatory Cost, if any, applicable to such Lender's participation in the Loan.

For the avoidance of doubt, if a Lender participating in any Loan is not affected by the relevant Market Disruption Event, the rate notified to the Relevant Facility Agent in accordance with Clause 8.2(b), shall be LIBOR applicable to the relevant Interest Period.

8.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Intercreditor Agent or the relevant Borrower so requires, the Intercreditor Agent and the relevant Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis for determining the rate of interest agreed in accordance with Clause 8.3(a) shall be binding on all Parties and shall continue to be the basis for determining the rate of interest in respect of the relevant Loan or Loans (other than any part of that Loan that has been provided by the GIEK Facility Lender if the Borrower has selected the CIRR Interest Rate in accordance with Clause 6.2) until the Intercreditor Agent confirms to the relevant Borrower or Borrowers that the Market Disruption Event referred to in Clause 8.3(a) no longer is continuing and thereafter that interest shall be calculated in accordance with Clause 6.1.

8.4 Break Costs

- (a) Each Borrower, within three Business Days of demand by a Secured Party, shall pay to that Secured Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall provide, as soon as reasonably practicable after a demand by the Relevant Facility Agent, a certificate confirming the amount of its Break Costs (if any) for any Interest Period in which they accrue.

9. FEES

9.1 Commitment fee

- (a) Subject to Clause 9.1(b), the Borrowers shall pay to each Facility Agent (for the account of each Lender for which it is the Relevant Facility Agent) a commitment fee computed at the rate of 50 per cent. of the Applicable Margin per annum on the Available Commitment of each such Lender from the date of this Agreement until the end of the Availability Period of all Term Loans.
- (b) Following any selection by a Borrower of the CIRR Interest Rate for the GIEK Tranche of its Term Loan in accordance with Clause 6.2, such Borrower shall pay to the GIEK Facility Agent (for the account of the GIEK Facility Lender) a commitment fee computed at the rate of 50 per cent. of the CIRR Applicable Margin per annum on the Available Commitment of the GIEK Facility Lender (in place of the commitment fee otherwise required to be paid by such Borrower to the GIEK Facility Agent in accordance with Clause 9.1(a)).
- (c) The accrued commitment fee is payable by the Borrowers on the last day of each calendar quarter that ends during the Availability Period of any Term Loan, on the last day of the Availability Period of all Term Loans and, if cancelled in full, on the cancelled amount of the Commitment of each Lender in respect of the Term Loan Facility at the time the cancellation is effective.

9.2 Agency fee

The Borrowers shall pay to each Agent (for its own account) an agency fee in the amount and at the times agreed in the applicable Fee Letter.

10. TAX GROSS UP AND INDEMNITIES

10.1 Definitions

- (a) In this Agreement:
“**Protected Party**” means a Secured Party that is or shall be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means either the increase in a payment made by an Obligor to a Secured Party under Clause 10.2 or a payment under Clause 10.3.

- (b) Unless a contrary indication appears, in this Clause 10 a reference to “determines” or “determined” means a determination made in the absolute discretion of the Person making the determination.

10.2 Tax gross-up

- (a) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by any Legal Requirement.
- (b) Promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) the Guarantor shall notify the Intercreditor Agent accordingly. Similarly, a Lender shall notify the Intercreditor Agent on becoming so aware in respect of a payment payable to such Lender. If the Intercreditor Agent receives such notification from a Lender it promptly shall notify each Obligor.
- (c) If a Tax Deduction is required by any Legal Requirement to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount that (after making any Tax Deduction) leaves an amount equal to the payment that would have been due if no Tax Deduction had been required.
- (d) A payment shall not be increased under Clause 10.2(c) by reason of a Tax Deduction if on the date on which the payment falls due the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations under Clause 10.2(g).
- (e) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by any applicable Legal Requirement.
- (f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Secured Party entitled to the payment, evidence reasonably satisfactory to that Secured Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant Taxing Authority.
- (g) Each Lender and each Obligor shall co-operate in completing any procedural formalities necessary for that Obligor to obtain authorisation to make any payment without a Tax Deduction.

10.3 Tax indemnity

- (a) Within three Business Days of demand by the Intercreditor Agent (on behalf of a Protected Party) an Obligor shall pay to such Protected Party an amount equal to the loss, liability or cost that such Protected Party determines shall be or has been (directly or indirectly) suffered for or on account of Tax by such Protected Party in respect of a Finance Document.
- (b) Clause 10.3(a) shall not apply:
 - (i) with respect to any Tax assessed on a Secured Party:
 - (A) under the law of the jurisdiction in which such Secured Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Secured Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which such Secured Party's Facility Office is located in respect of amounts received or receivable in such jurisdiction,
if such Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by such Secured Party; or
 - (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 10.2; or
 - (B) would have been compensated for by an increased payment under Clause 10.2 but was not so compensated solely because the exclusion in Clause 10.2(d) applied.
- (c) A Protected Party making, or intending to make a claim under Clause 10.3(a) promptly shall notify the Intercreditor Agent of the event that shall give, or has given, rise to the claim, following which the Intercreditor Agent shall notify each Obligor.
- (d) On receiving a payment from an Obligor under this Clause 10.3, a Protected Party shall notify the Intercreditor Agent.

10.4 Tax Credit

If an Obligor makes a Tax Payment and the Secured Party that received such Tax Payment determines that:

- (a) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part, or to that Tax Payment; and
- (b) such Secured Party has obtained, utilised and retained that Tax Credit,

such Secured Party shall pay an amount to such Obligor that such Secured Party determines shall leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by such Obligor.

10.5 Stamp taxes

Each Borrower shall pay and, within three Business Days of demand, indemnify each Secured Party against any cost, loss or liability such Secured Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

10.6 VAT

- (a) All amounts set out or expressed in a Finance Document to be payable to a Secured Party that (in whole or in part) constitute the consideration for a supply or supplies for VAT purposes shall be deemed to be exclusive of any VAT that is chargeable on such supply or supplies, and accordingly, subject to Clause 10.6(b), if VAT is or becomes chargeable on any supply made by any Secured Party to any Person under a Finance Document, that Person shall pay to such Secured Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of such VAT (and such Secured Party shall promptly provide an appropriate VAT invoice to such Person).
- (b) If VAT is or becomes chargeable on any supply made by any Secured Party (the "Supplier") to any other Secured Party (the "Recipient") under a Finance Document, and any Person other than the Recipient (the "Subject Party") is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such Person shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient promptly shall pay to the Subject Party an amount equal to any credit or repayment obtained by the Recipient from the relevant tax authority that the Recipient reasonably determines is in respect of such VAT.
- (c) Where a Finance Document requires any Person to reimburse or indemnify a Secured Party for any cost or expense, that Person shall reimburse or indemnify (as the case may be) such Secured Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Secured Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant Taxing Authority.
- (d) Any reference in this Clause 10.6 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994).

11. INCREASED COSTS

11.1 Increased costs

- (a) Subject to Clause 11.3, within seven Business Days of a demand by the Intercreditor Agent, each Obligor shall pay for the account of a Secured Party the amount of any Increased Costs incurred by that Secured Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any Legal Requirement or (ii) compliance with any Legal Requirement made after the date of this Agreement.

-
- (b) In this Agreement “ **Increased Costs** ” means:
- (i) a reduction in the rate of return from the Term Loan Facility or on a Secured Party’s (or its Affiliate’s) overall capital;
 - (ii) an additional or increased cost; or
 - (iii) a reduction of any amount due and payable under any Finance Document,
- that is incurred or suffered by a Secured Party or any of its Affiliates to the extent that it is attributable to that Secured Party having entered into any Finance Document, its Commitment or funding or performing its obligations under any Finance Document.

11.2 Increased cost claims

- (a) A Secured Party intending to make a claim in accordance with Clause 11.1 shall notify the Intercreditor Agent of the event giving rise to the claim, following which the Intercreditor Agent promptly shall notify the relevant Obligor.
- (b) As soon as practicable after a demand by the Intercreditor Agent, each Secured Party shall provide a certificate confirming the amount of its Increased Costs.

11.3 Exceptions

Clause 11.1 does not apply to the extent any Increased Cost is:

- (a) attributable to a Tax Deduction required by any Legal Requirement to be made by an Obligor;
- (b) compensated for by Clause 10.3 (or would have been compensated for under Clause 10.3 but was not so compensated solely because any of the exclusions in Clause 10.3(b) applied);
- (c) compensated for by the payment of the Mandatory Cost; or
- (d) attributable to the wilful breach by the relevant Secured Party or its Affiliates of any Legal Requirement.

12. OTHER INDEMNITIES

12.1 Currency indemnity

- (a) If any sum due from an Obligor under the Finance Documents (a “ **Sum** ”), or any order, judgment or award given or made in relation to a Sum, must be converted from the currency (the “ **First Currency** ”) in which that Sum is payable into another currency (the “ **Second Currency** ”) for the purpose of:
 - (i) making or filing a claim or proof against that Obligor; or
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,that Obligor as an independent obligation, within three Business Days of demand, shall indemnify each Secured Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that Person at the time of its receipt of that Sum.

- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under any Finance Document in a currency or currency unit other than that in which it is expressed to be payable.

12.2 General indemnity

- (a) Each Borrower shall indemnify and hold harmless each Secured Party and such Secured Party's officers, directors, employees, representatives and agents (together with the Secured Parties, each an "**Indemnified Person**"), from and against all losses, liabilities, expenses, claims, and damages ("**Losses**") arising from claims of third parties against any Indemnified Person or otherwise incurred by reason of any Indemnified Person's participation in the transactions contemplated by any Finance Document including without limitation any and all such Losses arising in connection with the release or presence of any hazardous substance by any Vessel, including all costs of:
 - (i) removal and disposal of any such substance;
 - (ii) all reasonable and documented costs required to cause the Vessels to be in compliance with all applicable environmental standards and Legal Requirements; and
 - (iii) all reasonable and documented costs arising from such claims for damages to Persons or property as a result of the release or presence of any hazardous substances by a Vessel or as a result of a violation of applicable environmental standards or applicable Legal Requirements,and shall reimburse any Indemnified Person in respect of any such amount paid by such Indemnified Person to any such third party, except to the extent resulting from the gross negligence, wilful misconduct or fraud of such Indemnified Person or any of its officers, employees or agents.
- (b) The obligations of the Obligors set forth in Clause 12.1 and in Clause 12.2 shall survive the termination of the Finance Documents and any resignation or removal of any Agent.

12.3 Other indemnities

Within three Business Days' of demand, each Borrower shall indemnify each Secured Party against any cost, loss or liability incurred by that Secured Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by such Obligor to pay any amount due under a Finance Document on its due date;
- (c) funding, or making arrangements to fund, its participation in a Loan requested by such Obligor in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Secured Party alone); or

-
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given to such Obligor.

12.4 Indemnity of Agents

Each Borrower promptly shall indemnify each Agent against any cost, loss or liability incurred by it (acting reasonably) as a result of:

- (a) investigating any event that it reasonably believes is an Event of Default or Potential Event of Default; or
- (b) acting or relying on any notice, request or instruction that it reasonably believes to be genuine, correct and appropriately authorised.

13. MITIGATION BY THE LENDERS

13.1 Mitigation

- (a) Each Secured Party, in consultation with the relevant Obligor or Obligors, shall take all reasonable steps to mitigate any circumstances that arise and that would result in any amount becoming payable under or in accordance with, or cancelled in accordance with, any of Clause 5.7, Clause 10, Clause 11 or paragraph 3 of Schedule 7 including, in the case of any Lender, transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Clause 13.1(a) does not in any way limit the obligations of any Obligor under any Finance Document.

13.2 Limitation of liability

- (a) Each Obligor promptly shall indemnify each Secured Party for all costs and expenses reasonably incurred by such Secured Party as a result of steps taken by it under Clause 13.1.
- (b) A Secured Party is not obliged to take any steps under Clause 13.1 if, in the opinion of that Secured Party (acting reasonably), to do so might be prejudicial to it.

14. COSTS AND EXPENSES

14.1 Transaction expenses

The Borrowers within three Business Days of demand shall pay to each Secured Party the amount of all costs and expenses (including legal fees) reasonably incurred by such Secured Party in connection with the negotiation, preparation, printing, execution and syndication of:

- (a) this Agreement, the other Finance Documents and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

14.2 Amendment costs

If an Obligor requests an amendment, waiver or consent, within three Business Days of demand, the Borrowers shall reimburse each Secured Party for the amount of all costs and expenses (including legal fees) reasonably incurred by such Secured Party in responding to, evaluating, negotiating or complying with that request.

14.3 Enforcement costs

Within three Business Days of demand, the Borrowers shall pay to each Secured Party the amount of all costs and expenses (including legal fees) incurred by such Secured Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

15. GUARANTEE**15.1 Guarantee and indemnity**

The Guarantor irrevocably and unconditionally:

- (a) guarantees to each Secured Party punctual performance by each Borrower of all that Borrower's obligations under the Finance Documents;
- (b) undertakes with each Secured Party that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document, the Guarantor immediately on demand shall pay that amount as if it were the principal obligor; and
- (c) agrees with each Secured Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, as an independent and primary obligation, it shall indemnify that Secured Party immediately on demand against any cost, loss or liability it incurs as a result of a Borrower not paying any amount that, but for such unenforceability, invalidity or illegality, would have been payable by it under any Finance Document on the date when it would have been due. The amount payable by the Guarantor under this indemnity shall not exceed the amount it would have had to pay under this Clause 15 if the amount claimed had been recoverable on the basis of a guarantee.

15.2 Continuing guarantee

The guarantee of the Guarantor under this Clause 15 is a continuing guarantee and shall extend to the ultimate balance of each sum payable by each Borrower under each Finance Document, regardless of any intermediate payment or discharge in whole or in part.

15.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Borrower or any security for those obligations or otherwise) is made by a Secured Party in whole or in part on the basis of any payment, security or other disposition that is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Guarantor under this Clause 15 shall continue or be reinstated as if the discharge, release or arrangement had not occurred.

15.4 Waiver of defences

The obligations of the Guarantor under this Clause 15 shall not be affected by any act, omission, matter or thing that, but for this Clause 15, would reduce, release or prejudice any of its obligations under this Clause 15 (without limitation and whether or not known to it or any Secured Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Borrower or other Person;
- (b) the release of any Borrower or any other Person under the terms of any composition or arrangement with any creditor of any Obligor;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Borrower or other Person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of a Borrower or any other Person;
- (e) any amendment (however fundamental and whether or not more onerous) of any Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any Person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

15.5 Immediate recourse

The Guarantor waives any right it may have of first requiring any Secured Party (or any trustee or agent on its behalf) to proceed against or enforce any other right or security or claim payment from any Person before claiming from the Guarantor under this Clause 15. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

15.6 Appropriations

Until all amounts that may be or become payable by each Borrower under or in connection with each Finance Document irrevocably have been paid in full, each Secured Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Secured Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

-
- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 15.

15.7 Deferral of Guarantor's rights

Until all amounts that may be or become payable by each Borrower under or in connection with each Finance Document irrevocably have been paid in full and unless otherwise instructed by the Intercreditor Agent, the Guarantor shall not exercise any rights that it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 15:

- (a) to be indemnified by any Borrower;
- (b) to claim any contribution from any other guarantor of any Borrower's obligations under the Finance Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any right of any Secured Party under any Finance Document or of any other guarantee or security taken pursuant to, or in connection with, any Finance Document by any Secured Party;
- (d) to bring legal or other proceedings for an order requiring any Borrower to make any payment, or perform any obligation, in respect of which the Guarantor has given a guarantee, undertaking or indemnity;
- (e) to exercise any right of set-off against any Borrower; and/or
- (f) to claim or prove as a creditor of any Borrower in competition with any Secured Party.

If the Guarantor receives any benefit, payment or distribution in relation to any such right it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts that may be or become payable to the Secured Parties by the Borrowers under or in connection with the Finance Documents to be repaid in full on trust for the Secured Parties and promptly shall pay or transfer the same to the Intercreditor Agent or as otherwise instructed by the Intercreditor Agent for application in accordance with the Finance Documents.

15.8 Additional security

The guarantee of the Guarantor under this Clause 15 is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Secured Party.

16. EQUITY AND COST OVERRUNS

16.1 Equity Undertaking

If at any time after the First Utilisation Date, the aggregate amount of Equity contributed to the Borrowers prior to such time and that has not been refunded in accordance with Clause 16.3 (the “**Contributed Equity**”) is less than the Required Equity Amount, the Guarantor undertakes to each Borrower and each Secured Party promptly (and promptly on demand by any Secured Party) to contribute Equity to the Borrowers in the amount equal to the difference between the Required Equity Amount and the amount of Contributed Equity.

16.2 Cost Overrun Undertaking

- (a) If at any time the Total Project Costs exceeds the aggregate of:
- (i) the Estimated Delivered Cost of all Vessels; and
 - (ii) the amount of any prior Cost Overrun Undertaking Proceeds provided by the Guarantor in accordance with Clause 16.2(b),
- (a “**Vessel Cost Overrun**”), the Guarantor promptly shall notify the Security Trustee and the Intercreditor Agent of such Vessel Cost Overrun specifying the amount of such Vessel Cost Overrun.
- (b) Following the determination of a Vessel Cost Overrun in accordance with Clause 16.2(a), the Guarantor undertakes to each Borrower and to each Secured Party promptly to contribute to the Borrowers an amount equal to the amount of the relevant Vessel Cost Overrun, as and when the same is required in order to fund such Vessel Cost Overrun and any Borrower receiving such funds undertakes to apply such funds to Permitted Uses in connection with such Vessel Cost Overrun.

16.3 Refund of Equity following Vessel delivery and entry into Acceptable Charter or Alternative Charter

If (x) at any time after the Delivery Date of its Vessel and until and including the date of the final Utilisation of its Term Loan or, (y) in respect of an Alternative Arrangement Borrower, following the date on which any Excess Proceeds are paid into the Disbursement Account of such Alternative Arrangement Borrower in accordance with Clause 26.18(e):

- (a) a Borrower certifies in an Officer’s Certificate delivered to the Intercreditor Agent, at such time, that:
- (i) an Acceptable Charter or Alternative Charter is in place in respect of its Vessel;
 - (ii) the aggregate of Equity contributed (and that remains contributed) to such Borrower and any Excess Proceeds that have been transferred to such Disbursement Account is greater than such Borrower’s Allocable Equity Share (the amount of such excess being the “Permitted Equity Refund Amount”); and

- (iii) following any proposed distribution in accordance with this Clause 16.3, the Equity contributed (and that remains contributed) to such Borrower will not be less than such Borrower's Allocable Equity Share; and
- (b) the Guarantor certifies in an Officer's Certificate delivered to the Intercreditor Agent that the Contributed Equity at such time is no less than the Required Equity Amount (and following any proposed distribution in accordance with this Clause 16.3 the Contributed Equity will not be less than the Required Equity Amount) and that there is no Vessel Cost Overrun that has not been funded in accordance with Clause 16.2,

then such Borrower shall have the right, notwithstanding Clause 26.10, to use any Proceeds (other than Cost Overrun Undertaking Proceeds) or, in respect of an Alternative Arrangement Borrower, any Excess Proceeds that are paid into its Disbursement Account in accordance with Clause 26.18(e), to make a distribution to the Guarantor of an amount equal to no more than the Permitted Equity Refund Amount provided that:

- (i) no Event of Default or Potential Event of Default shall have occurred and be continuing or would result from such distribution; and
- (ii) each of the Obligor and QPML are in compliance with all of their obligations under each Finance Document as at the date of such distribution, both before and after giving effect to such distribution.

16.4 Reallocation of Equity

- (a) Subject to the requirement that the Contributed Equity always be at least equal to the Required Equity Amount and subject to Clause 16.2(b) and Clause 26.2, at any time and notwithstanding Clause 16.3 or Clause 26.10, a Borrower may transfer to the Guarantor Equity Account an amount up to the Permitted Equity Refund Amount in relation to such Borrower.
- (b) Subject to Clause 26.2, the Guarantor may withdraw funds from the Guarantor Equity Account and pay such funds to the Disbursement Account of any Borrower as a contribution of Equity or as Cost Overrun Undertaking Proceeds. The Guarantor shall give notice to the Intercreditor Agent at the time of making any such payment as to whether such funds are to be treated for the purposes of this Agreement as Equity or Cost Overrun Undertaking Proceeds.

16.5 Charterer Furnished Items

- (a) The Guarantor may contribute funds to a Borrower to cover any costs and expenses to be incurred by such Borrower in fulfilling such Borrower's obligations under any Acceptable Charter or Alternative Charter to provide any Charterer Furnished Items (a "**Guarantor Contribution**"). A Guarantor Contribution shall be made as and when such funds are required by such Borrower to pay the costs and expenses in respect of Charterer Furnished Items. Each Borrower undertakes to apply any Guarantor Contribution solely to the costs and expenses of Charterer Furnished Items.
- (b) If a Borrower has received and applied one or more Guarantor Contributions in accordance with Clause 16.5(a) and such Borrower receives from the relevant Acceptable Charterer (in accordance with the terms of the relevant Acceptable

Charter) or Alternative Charter reimbursement of any costs and expenses previously funded through one or more Guarantor Contributions, then such Borrower shall have the right, notwithstanding Clause 26.10, to use such reimbursement amount to make a distribution to the Guarantor in an amount not greater than the relevant Guarantor Contributions, provided that:

- (i) no Event of Default or Potential Event of Default shall have occurred and being continuing or would result from such distribution; and
 - (ii) each Obligor is in compliance with all of its obligations under each Finance Document as at the date of such distribution, both before and after giving effect to such distribution.
- (c) For the avoidance of doubt:
- (i) no Guarantor Contribution shall constitute Equity Undertaking Proceeds or Cost Overrun Undertaking Proceeds or be treated as Equity for any purpose; and
 - (ii) the amount of any costs and expenses incurred by the Borrower in respect of any Charterer Furnished Items shall not be counted towards, or be considered as part of, the Delivered Cost of any Vessel.

17. REPRESENTATIONS AND WARRANTIES

17.1 General

- (a) Each Obligor (other than the Guarantor in respect of those representations and warranties set out in Clauses 17.22, 17.24 and 17.26 to 17.29 and, in respect of Clause 17.8, only the Guarantor) makes each representation and warranty set out in this Clause 17 to and in favour of each Secured Party as of the date of this Agreement.
- (b) The Repeating Representations are deemed to be made by each Obligor (other than the Guarantor in respect of those representations and warranties set out in Clauses 17.22, 17.24 and 17.26 to 17.29 and, in respect of Clause 17.8, only the Guarantor) by reference to the facts and circumstances then existing on:
 - (i) the Financing Date; and
 - (ii) the date of each Utilisation Request, each Utilisation Date and the first day of each Interest Period.
- (c) Each representation and warranty set out in this Clause 17 shall survive the date of this Agreement, the Financing Date and each Utilisation.

17.2 Organisation

It:

- (a) is a corporation duly organised, validly existing and in good standing under the laws of Liberia;
- (b) other than as shown in the corporate structure chart on page 5 of the supplement to the Information Memorandum, dated 16 August 2010, in respect of the Guarantor only, does not have any Subsidiaries or own any shares, capital stock, equity or other interest in any other Person; and

-
- (c) has all requisite corporate power and authority to:
 - (i) own or hold under lease and operate the assets it purports to own or hold under lease;
 - (ii) carry on its business as currently being conducted and as currently proposed to be conducted; and
 - (iii) execute, deliver and perform its obligations under each Transaction Document to which it is a party.

17.3 Authorisation

It has or, upon execution of the same if the date for execution thereof has not yet occurred, will have duly authorised, executed and, if the same is in the form of a deed or its equivalent, delivered each Transaction Document to which it is a party.

17.4 Legality, validity and enforceability

Each Transaction Document to which it is a party is a legally valid and binding obligation of it enforceable against it in accordance with the terms of such document except:

- (a) as may be limited by bankruptcy, insolvency, moratorium or other similar Legal Requirements affecting the enforcement of creditors' rights generally; and
- (b) as enforceability thereof may be subject to general principles of equity, regardless of whether such enforceability is considered in a proceeding at law or in equity.

17.5 Compliance with Legal Requirements and Consents

It is in compliance:

- (a) in all material respects with:
 - (i) each Material Agreement to which it is party; and
 - (ii) each Consent applicable to it or any of its assets;
- (b) in all respects with each Legal Requirement applicable to it or any of its assets.

17.6 Consent

Subject to the Reservations, each Consent required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in each Transaction Document to which it is party; and
- (b) to make each Transaction Document to which it is party admissible in evidence in its jurisdiction of incorporation, has been obtained or effected and is in full force and effect.

17.7 No proceedings

There are no pending or, to its knowledge, threatened actions, suits, proceedings or investigations of any kind, including any arbitration proceedings or actions or proceedings of or before any Governmental Instrumentality, to which it is a party or to which any of its assets are subject, the claims of which, in the aggregate in respect of all such actions, suits, proceedings or investigations, exceed 5,000,000 Dollars (or the equivalent thereof in another currency or currencies) and, if adversely determined, that reasonably could be expected to have a Material Adverse Effect.

17.8 Financial Statements and Summary Financial Statements

- (a) In the case of the Guarantor, each set of its Financial Statements and Summary Financial Statements (as at the date at which such Financial Statements or Summary Financial Statements are prepared) delivered to the Intercreditor Agent prior to the date of this Agreement or in accordance with Clause 19.4, has been prepared in accordance with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP, in each case in good faith, and on a reasonable basis, and presents fairly:
 - (i) in the case of the Financial Statements, the financial condition and operations of the Guarantor Group (on a consolidated basis) as at the date of such Financial Statements; and
 - (ii) in the case of the Summary Financial Statements, each Obligor's financial condition and operations as at the date of such Summary Financial Statements.
- (b) There has been no material adverse change in the business or financial condition of the Group since the date of its most recent Financial Statements provided in connection with the Information Memorandum being 31 December 2009.
- (c) There has been no material adverse change in the business or financial condition of the Group since the date of its most recent Financial Statements and Summary Financial Statements delivered in accordance with Clause 19.4.

17.9 Security Interests

Subject only to the Reservations and to the applicable qualifications set out in the legal opinions delivered to the Intercreditor Agent in accordance with this Agreement:

- (a) each Security Document to which it is party creates legally valid, binding and enforceable Security Interests (that such Security Document purports to create) over the assets that are the subject of such Security Document;
- (b) to the extent applicable, each action that reasonably is necessary to perfect the Secured Parties' rights in and to the Secured Collateral and that can be taken by the relevant Obligor has been taken;
- (c) other than in respect of any Permitted Security, the Security granted under each Security Document to which it is party has or shall have first ranking priority and is not subject to any prior ranking or pari passu ranking; and

-
- (d) it is the sole legal and beneficial owner of each asset over which it purports to grant any Security Interest in accordance with any Security Document to which it is party.

17.10 Existing defaults

- (a) It is not in breach or default of any material obligation under any Material Agreement to which it is party.
- (b) To the best of its knowledge and belief, no Person (other than any Obligor) party to any Material Agreement is in breach or default of any material obligation under such Material Agreement.

17.11 Governing law and enforcement

- (a) The choice of English law as the governing law of any Finance Document stated to be governed by such law and to which it is a party is valid and binding on it.
- (b) Any judgment obtained in England in relation to any Finance Document governed by English law and to which it is a party is valid and binding on it.
- (c) The choice of the law of the State of New York as the governing law of any Finance Document stated to be governed by such law and to which it is a party is valid and binding on it.
- (d) Any judgment obtained in the State of New York in relation to any Finance Document governed by the law of the State of New York and to which it is a party is valid and binding on it.
- (e) The choice of the law of the Federal Republic of Nigeria as the governing law of any Finance Document stated to be governed by such law and to which it is a party is valid and binding on it.
- (f) Any judgment obtained in the Federal Republic of Nigeria in relation to any Finance Document governed by the law of the Federal Republic of Nigeria and to which it is a party is valid and binding on it.
- (g) The choice of Norwegian law as the governing law of any Finance Document stated to be governed by such law and to which it is a party is valid and binding on it.
- (h) Any judgment obtained in Norway in relation to any Finance Document governed by Norwegian law and to which it is a party is valid and binding on it.

17.12 Deduction of Tax

It is not required to make any deduction for or on account of Tax from any payment it is required to make under any Finance Document.

17.13 No filing or stamp taxes

Under the Legal Requirements of Liberia it is not necessary that any Finance Document be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to any Finance Document or any transaction contemplated by any Finance Document.

17.14 Taxes

It:

- (a) has filed, or caused to be filed, all Tax returns that are required to have been filed by it in any jurisdiction; and
- (b) has paid all Taxes and other assessments due and payable by it (other than those Taxes and other assessments that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP).

17.15 No other business

It has not conducted and presently does not conduct any business other than:

- (a) in the case of a Borrower, its entry into and performance of its obligations under each Transaction Document to which it is party, the ownership and chartering of its Vessel and all business ancillary to such activities; and
- (b) in the case of the Guarantor, the ownership of the common stock of its Subsidiaries and all business ancillary to such ownership.

17.16 Capital stock

The description of its authorised, issued and outstanding capital stock set out in Schedule 8 is true and correct.

17.17 Representations and warranties

Each representation and warranty of it contained in any Transaction Document to which it is party and in any instrument, agreement or certificate delivered with respect thereto or in connection therewith is true and correct in all material respects as of the last date on which it was required to be repeated thereunder (other than any representation or warranty in any Material Agreement that in accordance with the terms thereof does not repeat, in which case such representation or warranty shall only be required to be true and correct as of the date it was made in such Material Agreement).

17.18 Information Memorandum

- (a) Any factual information provided by any Obligor for the purposes of the Information Memorandum was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it was stated.
- (b) The financial projections contained in the Information Memorandum have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Nothing has occurred or been omitted from the Information Memorandum and no information has been given or withheld that results in the information contained in the Information Memorandum being untrue or misleading in any material respect.

- (d) Since the date of the Information Memorandum, no event or circumstance has occurred that would render any information given in the Information Memorandum inaccurate, untrue or incomplete in any material respect.
- (e) The corporate structure chart on page 5 of the supplement to the Information Memorandum, dated 16 August 2010, is true, complete and accurate in all respects.
- (f) Notwithstanding the foregoing Clauses 17.18(a) to 17.18(e), no Obligor shall be deemed to give any representation or warranty with respect to any information or projection contained in the Information Memorandum that is indicated in the Information Memorandum as having been provided by or prepared by any third party.

17.19 Pari passu ranking

Its payment obligations under each Finance Document to which it is party shall rank at least pari passu in right of payment with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by any Legal Requirement applying to companies generally.

17.20 No default

No Event of Default or Potential Event of Default has occurred and is continuing or reasonably might be expected to result from the making of any Utilisation.

17.21 No conflict

Neither the execution nor delivery of any Transaction Document to which it is a party nor its performance of the transactions contemplated thereby does or shall:

- (a) contravene any provision of its constitutional documents or any other Legal Requirement then applicable to, or binding on, it;
- (b) conflict with, or is or shall be inconsistent with, or has resulted or shall result in any breach or termination event of, or has constituted or shall constitute any default under, or has resulted or shall result in or requires or shall require the creation of any Security Interest upon any of its assets under, any agreement or instrument to which it is a party or by which it or any of its assets are or will be bound or to which it is subject (other than Permitted Security);
- (c) contravene any of its contractual obligations; or
- (d) other than with respect to any Consent that is or will be required with respect to itself or any of its assets, require the consent or approval of any Person that has not already been obtained or shall be obtained by the time it is required.

17.22 Environment

- (a) It has complied with the provisions of each environmental Legal Requirement applicable to its Vessel.
- (b) It has obtained all requisite environmental Consents applicable to its Vessel and is in compliance with each such environmental Consent.

-
- (c) There is no pending or, to its knowledge, threatened action, suit, proceeding or investigation of any kind in respect of its Vessel, relating to the environment, including any arbitration proceeding or actions or proceeding of or before any Governmental Instrumentality, to which it is a party or is subject.
 - (d) There has been no material release of Hazardous Materials in connection with the operation of its Vessel.

17.23 Immunity

- (a) The execution by it of each Transaction Document to which it is a party constitutes, and the exercise by it of its respective rights and performance of its respective obligations under each such document shall constitute, private and commercial acts performed for private and commercial purposes.
- (b) It is not entitled to claim sovereign immunity from suit, execution, attachment or other legal process in any proceedings taken in Liberia or any other jurisdiction in relation to any Transaction Document.

17.24 No sharing of earnings

There is not, nor shall there be, an agreement or arrangement whereby an amount received, currently or at any time in the future, by it under any Acceptable Charter or any Alternative Charter to which it is party may be shared with any Person except in accordance with Clause 26.17.

17.25 Insolvency

It is not bankrupt, insolvent nor unable (nor admits, nor has admitted its inability) to pay its debts, by reason of actual or anticipated financial difficulties, nor has it commenced, nor does it intend to commence, negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness or to make any declaration of moratorium in respect of its Financial Indebtedness.

17.26 No amendment

No amendment has been made to any Shipbuilding Contract since the date of such Shipbuilding Contract (other than any such amendment that has been given to the Intercreditor Agent and is either referred to in Schedule 21 or, if made after the date of this Agreement, is made in accordance with the terms of this Agreement).

17.27 No Termination

No Acceptable Charterer has given any notice to it to terminate any Shipbuilding Contract or any Acceptable Charter or Alternative Charter, in each case to which it is party and it is not aware of any circumstance that would give rise to such Acceptable Charterer's right to terminate any such Shipbuilding Contract or any such Acceptable Charter or Alternative Charter.

17.28 No Assignment

To the best of its knowledge and belief having made due enquiry, no Acceptable Charterer has assigned such Acceptable Charterer's rights under the Acceptable

Charter or Alternative Charter to which such Borrower is party other than to a security trustee (for the benefit of any Person providing financing to such Acceptable Charterer) and has not sublet any Vessel to any Person other than in accordance with the relevant Acceptable Charter or Alternative Charter.

17.29 No Force Majeure Notice

No Acceptable Charterer has given to it or received from it any notice of force majeure under any Acceptable Charter or Alternative Charter, in each case to which such Acceptable Charterer is party where the event of force majeure in respect of which such notice is given reasonably could be expected to have a Material Adverse Effect.

18. FINANCIAL COVENANTS

The Guarantor covenants and agrees that until the Final Discharge Date:

18.1 Projected DSCR

The Projected DSCR for the following four fiscal quarters shall be not less than:

- (a) up to and including 30 June 2012, 1.1:1.0; and
- (b) after 30 June 2012, 1.2:1.0.

18.2 Historical DSCR

The Historical DSCR for the immediately preceding four fiscal quarters shall be not less than:

- (a) up to and including 31 December 2013, 1.1:1.0; and
- (b) after 31 December 2013, 1.2:1.0.

18.3 Maximum leverage

It shall ensure at all times that its Leverage Ratio does not exceed 65 per cent.

18.4 Minimum liquidity

It shall maintain at all times Guarantor Liquidity equal to at least the then applicable Required Guarantor Liquidity Amount.

18.5 Times for testing covenants

On the last Business Day of each fiscal quarter of the Guarantor commencing on:

- (a) in the case of the Projected DSCR covenant in Clause 18.1, the last Business Day of the fiscal quarter starting after the Vessel Completion Date;
- (b) in the case of the Historical DSCR covenant in Clause 18.2, the earlier to occur of (a) 31 December 2012 (or if not a Business Day, the immediately preceding Business Day); and (b) the last Business Day of the fiscal quarter during which the first anniversary of the Vessel Completion Date occurs;

-
- (c) in the case of the Leverage Ratio in Clause 18.3, the last Business Day of the fiscal quarter in which this Agreement is executed; and
 - (d) in the case of the minimum liquidity covenant in Clause 18.4, the last Business Day of the fiscal quarter in which the Delivery Date of the first Vessel to be delivered occurs,

the financial covenants set out in this Clause 18 shall be tested and in respect of such dates the Guarantor shall provide an Officer's Certificate demonstrating compliance with such covenants in accordance with Clause 19.4(c).

18.6 Calculation of Projected DSCR

If any Acceptable Charter or Alternative Charter is due to expire or terminate during a specified period in respect of which the Projected DSCR is calculated, the calculation of the Projected DSCR for the purposes of Clause 18.1 only may be based upon the assumption that such Acceptable Charter or Alternative Charter shall be renewed immediately upon the expiry or termination thereof and on the same terms and conditions as the then existing terms and conditions (other than with respect to the applicable charter day rate) and such calculation therefore may include revenue under such assumed Acceptable Charter or Alternative Charter provided that:

- (a) the assumed applicable charter day rate under any such assumed Acceptable Charter or Alternative Charter taken into account for the purposes of such calculation shall be the rate advised by an Approved Broker during the fiscal quarter of the Guarantor in which the Projected DSCR is tested and with reference to applicable charter day rates in the geographic region in which the relevant Vessel then is operating;
- (b) upon the actual expiration or termination of any such Acceptable Charter or Alternative Charter, assumed applicable charter day rates under such Acceptable Charter shall no longer be taken into account for the purposes of calculating the Projected DSCR;
- (c) if a replacement Acceptable Charter or Alternative Charter is entered into or the existing Acceptable Charter or Alternative Charter is renewed or extended, any calculation of the Projected DSCR shall be based upon such actual replacement or renewed or extended Acceptable Charter or Alternative Charter and not upon any assumptions as to the renewal of an Acceptable Charter or Alternative Charter as set out in this Clause 18.6;
- (d) such calculation shall take into account a maximum of 360 days of assumed applicable charter day rates in aggregate in respect of all Vessels; and
- (e) such calculation shall take into account a maximum of 270 days of assumed applicable charter day rates in aggregate in respect of any one Vessel.

19. AFFIRMATIVE COVENANTS

Each Borrower (and the Guarantor in respect of Clauses 19.2, 19.3, 19.4, 19.7, 19.8, 19.9(e), 19.11, 19.12, 19.13, 19.14 and 19.26 and, in respect of Clause 19.3(b), 19.4 and 19.11(b)(iv), only the Guarantor) covenants and agrees that until the Final Discharge Date it shall:

19.1 Use of Proceeds

Subject to the eligibility requirements under the Restricted Tranches, use the Proceeds solely for Permitted Uses.

19.2 Existence, conduct of business

Maintain and preserve:

- (a) its existence as a Liberian corporation; and
- (b) all rights, privileges and franchises necessary in connection with the operation of its business in the ordinary course.

19.3 Accounts and operation of Accounts and other bank accounts of the Guarantor

- (a) Maintain its Accounts (other than any Operating Account, which it shall maintain with the Operating Accounts Bank) with the New York branch of the Accounts Bank and deposit, transfer or cause the transfer of any funds (including the Proceeds) received by it, in each case, in accordance with Clause 26.
- (b) In respect of the Guarantor only:
 - (i) open and maintain with the New York branch of the Accounts Bank each bank account (other than its Accounts) that it opens or maintains; and
 - (ii) except in respect of any account opened and maintained solely for the purpose of complying with Clause 18.4, if any such account is required under or otherwise opened in connection with the transactions contemplated by any Transaction Document (or the performance of any obligation under any Transaction Document) execute, record and perfect in favour of the Security Trustee, a first priority accounts pledge and an accounts control agreement, each substantially in the form set out in Schedule 29. For the avoidance of doubt, if any such account is opened by the Guarantor other than in connection with any such transaction or the performance of any such obligation, the Guarantor shall not be required to execute any accounts pledge or any accounts control agreement in respect of such account in favour of the Security Trustee and shall be permitted to deposit and withdraw funds from any such account without any restriction.

19.4 Annual and interim Financial Statements and compliance certificates

- (a) Provide the Intercreditor Agent as soon as the same are available, and in any event within 120 days after the close of each of the Guarantor's fiscal years ending after the date of this Agreement, the Guarantor's consolidated annual audited (by independent public accountants of recognised international standing appointed by it) Financial Statements for such fiscal year prepared on a basis consistent with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP.

-
- (b) Provide the Intercreditor Agent as soon as the same are available, and in any event within 60 days after the close of each of the Guarantor's fiscal quarters of each of the Guarantor's fiscal years from the date of this Agreement, the Guarantor's unaudited consolidated Financial Statements for such fiscal quarter prepared on a basis consistent with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP.
 - (c) Provide to the Intercreditor Agent together with each set of annual or quarterly Financial Statements delivered in accordance with this Clause 19.4, Summary Financial Statements detailing the financial condition of each Obligor in respect of the period to which such Summary Financial Statements relate.
 - (d) Provide to the Intercreditor Agent together with each set of annual or quarterly Financial Statements and Summary Financial Statements delivered in accordance with this Clause 19.4, an Officer's Certificate of the Guarantor certifying that:
 - (i) the relevant Financial Statements fairly represent its consolidated financial condition as at the date that such Financial Statements were drawn up and the Summary Financial Statements fairly represent the financial condition of each Obligor as at the date that such Summary Financial Statements were drawn up;
 - (ii) it is in compliance (providing reasonably detailed supporting evidence as applicable thereof) with all of its covenants under:
 - (A) Clause 18 that are required to be tested as at the last Business Day of the fiscal quarter to which such Financial Statements relate; and
 - (B) Clause 16; and
 - (iii) it and each of the Borrowers, QPML and Pacific Gibco is in compliance with all of its or their other obligations under the Finance Documents as at the date of such Officer's Certificate.

19.5 Security assurance

Give such assurances and do all such things from time to time and at its own cost and expense as required by any applicable Legal Requirement or as the Security Trustee, acting reasonably, considers necessary to enable the Security Trustee to perfect, preserve, or protect any Security or to exercise any of the rights conferred on the Security Trustee.

19.6 Legal Requirements

Comply with all Legal Requirements (including Legal Requirements pertaining to the environment) applicable to it or any of its assets.

19.7 Consents

- (a) Promptly:
 - (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(ii) provide certified copies to the Intercreditor Agent of, any Consent required to enable it to perform its obligations under each Transaction Document to which it is party and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of each such Transaction Document.

(b) Obtain and comply with all Consents applicable to it or any of its assets.

19.8 Books, accounts and records

Maintain proper books, accounts and records with respect to itself and its business in compliance with each applicable Legal Requirement and, in respect of the Guarantor only, with respect to its Financial Statements and Summary Financial Statements, prepare and maintain the same in accordance with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP (consistently applied).

19.9 Construction Budgets, Annual Operating Budgets and associated Technical Consultant's reports

(a) Provide to the Intercreditor Agent no later than the Financing Date:

- (i) a Construction Budget in respect of its Vessel prepared in accordance with its customary accounting practices and with due care; and
- (ii) a report from the Technical Consultant in respect of such Construction Budget (which may be addressed in the report of the Technical Consultant in respect of such Borrower's Vessel and as required to be delivered in accordance with paragraph 1.11 of Schedule 2) and commenting on such Construction Budget (including the reasonableness of the expected expenditures proposed in such Construction Budget),

in each case in form and substance satisfactory to the Intercreditor Agent.

(b) If:

- (i) a Borrower or the Guarantor incurs or expects to incur expenditures that exceed by ten per cent. in the aggregate the amounts set forth in the Borrower's Construction Budget (other than any amounts relating to Financing Costs or incurred in respect of the turn-key, fixed sum set forth in any Shipbuilding Contract); or
- (ii) the actual Delivered Cost of a Vessel exceeds or is expected by the relevant Borrower or the Guarantor to exceed the Estimated Delivered Cost in respect of the relevant Vessel as set out in the Construction Budget delivered in respect of such Vessel by more than ten per cent,

in each case the Borrower promptly shall provide to the Intercreditor Agent an updated Construction Budget prepared in accordance with its customary accounting practices and with due care, together with an updated report from the Technical Consultant, in each case in form and substance satisfactory to the Intercreditor Agent.

-
- (c) Provide to the Intercreditor Agent at the same time as it submits to the Intercreditor Agent for the first time in relation to its Vessel a form of charter for approval as an Acceptable Charter or an Alternative Charter, an Initial Operating Budget in respect of its Vessel covering the period from the delivery of such Initial Operating Budget until 31 December 2011. Such Initial Operating Budget shall be prepared in accordance with the Relevant Borrower's customary accounting practices and with due care, together with a report from the Technical Consultant in respect of such Initial Operating Budget (which may be addressed in the report of the Technical Consultant in respect of such Borrower's Vessel and as required to be delivered in accordance with paragraph 2.12 of Schedule 2) and commenting on such Initial Operating Budget (including the reasonableness of the expected expenditures proposed in such Initial Operating Budget), in each case in form and substance satisfactory to the Intercreditor Agent.
 - (d) Provide to the Intercreditor Agent not less than 60 days and not more than 90 days prior to the first day of each year (commencing in 2011 in respect of an Annual Operating Budget for 2012), an Annual Operating Budget in respect of its Vessel prepared in accordance with the Relevant Borrower's customary accounting practices and with due care, and, only if such Borrower's Vessel commences operations in a new jurisdiction or pursuant to a new Acceptable Charter or a new Alternative Charter, together with an updated Technical Consultant's report commenting on such Annual Operating Budget (including the reasonableness of the expected expenditures proposed in such Annual Operating Budget), in each case in form and substance satisfactory to the Intercreditor Agent.
 - (e) If a Borrower or the Guarantor incurs or expects to incur any expenditure that exceeds the relevant line item or total expenditure as budgeted in the Initial Operating Budget or any Annual Operating Budget (as applicable) by more than five per cent., the Borrower promptly shall provide to the Intercreditor Agent written notification of the same together with a reasonably detailed explanation of any such anticipated or actual expenditure and a copy of any relevant supporting documentation in respect of the same.
 - (f) Each Construction Budget, each Initial Operating Budget, each Annual Operating Budget and each update to any of the foregoing required by the terms of Clause 19.4 shall be delivered to the Intercreditor Agent in accordance with this Clause 19.9 together with an Officer's Certificate of the relevant Borrower certifying the accuracy of the same.
 - (g) Each Construction Budget, each Initial Operating Budget, each Annual Operating Budget, each Technical Consultant's report and each update to any of the foregoing delivered in accordance with this Clause 19.9 shall be deemed approved to the extent that Majority Lenders have not objected to the form and substance of such document within 15 Business Days from the date of delivery of such document.

19.10 Insurances

Maintain Insurance Policies evidencing each Required Insurance required to be maintained by it.

19.11 Notices and other information

- (a) Promptly, upon acquiring or giving notice, or obtaining actual knowledge thereof (as the case may be) provide the Intercreditor Agent and the Security Trustee with notice of:
 - (i) the occurrence of any Event of Default or Potential Event of Default describing in reasonable detail such Event of Default or Potential Event of Default and the steps being taken to remedy or avoid (respectively) such default;
 - (ii) the occurrence of any litigation, claim, investigation, dispute (other than any dispute in respect of any invoice) or proceeding (including arbitration proceedings) in respect of claims in excess of 5,000,000 Dollars (or the equivalent thereof in another currency or currencies) pending, involving or affecting it and describing in reasonable detail such litigation, claim, investigation, dispute or proceeding;
 - (iii) the occurrence of any dispute in respect of any invoice if such dispute is not resolved within 30 days of the date on which notice of the dispute first was issued by or to the relevant Obligor, describing in reasonable details such dispute;
 - (iv) the occurrence of any arrest, Major Casualty Event or Total Loss of its Vessel or any other casualty event resulting in damage to its Vessel or loss of hire or charter payments in excess of 10,000,000 Dollars (or the equivalent thereof in another currency or currencies), and in each case describing in reasonable detail the circumstances thereof; and
 - (v) the occurrence of the Delivery Date of its Vessel.
- (b) Promptly provide to the Intercreditor Agent:
 - (i) upon request by the Intercreditor Agent, an Officer's Certificate confirming that no Event of Default or Potential Event of Default is continuing;
 - (ii) a copy of:
 - (A) each document dispatched by it to its shareholders (or any class of them) or its creditors generally at the same time as such document is dispatched; and
 - (B) any notice in respect of any force majeure given by it to, or received by it from, an Acceptable Charterer under any Acceptable Charter or any Alternative Charter;
 - (iii) such further information regarding its financial condition, business and operations as any Secured Party (through the Intercreditor Agent) reasonably may request and that can be delivered without causing the relevant Obligor to be in breach of any confidentiality undertaking by which it is bound; and
 - (iv) together with any Financial Statements delivered in accordance with Clause 19.4, an updated corporate organisation chart of the Guarantor Group if any additional Subsidiary of the Guarantor has been created since the date of the last Financial Statements to have been delivered by the Guarantor in accordance with Clause 19.4.

19.12 Taxes

Pay and discharge, before the same shall become delinquent, after giving effect to any applicable extensions, all Taxes assessed on it or its assets (including interest and penalties) (other than those Taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP).

19.13 Material Agreements

Unless any such non-compliance or failure to enforce otherwise is approved by the Intercreditor Agent, comply with all of its material obligations under each Material Agreement to which it is a party and enforce all of its material rights (other than any right to receive any de minimis sum of money) under each such Material Agreement.

19.14 Proper legal form

Take all action within its control necessary to ensure that each Material Agreement to which it is a party is in proper legal form for the enforcement thereof.

19.15 Management of interest rate risk

Ensure that within 60 days of the later to occur of the first Utilisation Date in respect of its Term Loan and the signing of the first Acceptable Charter or first Alternative Charter in respect of its Vessel and at all times thereafter at least 75 per cent. of the maximum aggregate principal amount available and available to be drawn by it under the Term Loan Facility in accordance with Clause 2.1 (as such amount may be reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10)) shall:

- (a) accrue interest at a fixed rate; or
- (b) benefit from interest rate hedging in accordance with Interest Hedging Instruments that in aggregate have the effect of fixing the interest rate payable on such percentage of such Term Loan.

19.16 Registration of Vessel

- (a) Procure and maintain the valid and effective provisional registration of its Vessel under the flag of Liberia.
- (b) Effect (or cause to be effected) the permanent registration of its Vessel under the flag of Liberia, within six months from the Delivery Date of such Vessel or such earlier date on which the provisional registration ceases to be valid and provide to the Intercreditor Agent:
 - (i) a copy certified in an Officer's Certificate of the relevant Obligor of the provisional certificate of registry; and

-
- (ii) a copy certified in an Officer's Certificate of the relevant Obligor of the permanent certificate of registry, for such Vessel in each case once issued by the Deputy Commissioner of Maritime Affairs of Liberia.

19.17 Customary Industry Practice

Operate and maintain its Vessel safely and in accordance with Customary Industry Practice and the requirements of the relevant Acceptable Charters and, in respect of any Alternative Arrangement Borrower, any Alternative Charters.

19.18 Maintenance of classification

Maintain the classification of its Vessel with one of Det Norske Veritas, the American Bureau of Shipping, or any other reputable classification society with the highest class for vessels of the same type as its Vessel and that is approved by the Intercreditor Agent.

19.19 Vessel Management

Ensure that (unless any Vessel is being chartered pursuant to an Acceptable Bareboat Charter) its Vessel is managed, technically and commercially, by the Manager.

19.20 ISM Code

Ensure that on and from the Delivery Date of its Vessel it and its Vessel is in full compliance with the ISM Code in respect of such Vessel.

19.21 ISPS Code

Ensure that on and from the Delivery Date of its Vessel, it and its Vessel remains at all times in full compliance with the ISPS Code in respect of such Vessel.

19.22 Safety and compliance documentation

- (a) Furnish the Intercreditor Agent from time to time promptly on request with a copy of the Manager's "Document of Compliance", any Vessel's "Safety Management Certificate" or "International Ship Security Certificate" issued under the ISPS Code and any other documents necessary to evidence compliance with the ISM Code.
- (b) Comply with the Hurricane/Emergency Preparedness Plan in respect of its Vessel as delivered in accordance with Part 2 of Schedule 16 and promptly provide the Intercreditor Agent with any proposed amendment to such Hurricane/Emergency Preparedness Plan.

19.23 Acceptable Charter Direct Agreements

- (a) Procure that, in respect of:
 - (i) each Acceptable Charter for its Vessel; and/or
 - (ii) each Alternative Charter for its Vessel either:

-
- (x) with an initial term greater than 18 months; or
 - (y) that is extended or renewed with the same Acceptable Charterer either in accordance with its express terms through the exercise of any extension option or with the approval of the Intercreditor Agent in accordance with this Agreement such that the period from the date on which any such extension option is exercised or the parties to such Acceptable Charter each have signed any such extension or renewal until the termination of such Alternative Charter (as extended or renewed) is greater than 18 months (including, for the avoidance of doubt: (1) any remaining term thereof that has not expired as at the date of such extension or renewal; and (2) the period for which such Alternative Charter has been extended or renewed beyond such initial term and, for the avoidance of doubt, excluding any period between the last day of the term of such Alternative Charter (prior to any such extension or renewal) and the first day of any extension or renewal period),

the Approved Charterer party to such Acceptable Charter or Alternative Charter enters into an Acceptable Charter Direct Agreement substantially in the form set out in Schedule 26 or such other form as may be satisfactory to the Intercreditor Agent.

- (b) In respect of any Alternative Charter in respect of which an Acceptable Charter Direct Agreement is not required to be obtained in accordance with Clause 19.23(a), the relevant Alternative Arrangement Borrower shall be required to deliver to the Intercreditor Agent a notice of the assignment by way of security of such Alternative Charter acknowledged by the relevant Acceptable Charterer and in form and substance satisfactory to the Intercreditor Agent.

19.24 Payment instructions

Irrevocably instruct the Acceptable Charterer under each Acceptable Charter for its Vessel and, in respect of any Alternative Arrangement Borrower, each Alternative Charter for its Vessel to make all payments under such Acceptable Charter or Alternative Charter into its Collection Account or, to the extent required by the relevant Acceptable Charter or Alternative Charter and permitted in accordance with this Agreement, the relevant Local Account.

19.25 Obligation to rebuild or repair

If any proceeds of insurance are made available to it to rebuild or repair its Vessel and, following a Major Casualty Event, in accordance with an approved Repair Plan, to proceed diligently and in good faith with the reconstruction or repair of such Vessel.

19.26 “Know your customer” checks

If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any Legal Requirement made after the date of this Agreement;
- (b) any change in the status of an Obligor after the date of this Agreement; or
- (c) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges any Secured Party (or, in the case of Clause 19.26(c), any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, promptly upon the request of such Secured Party or prospective new Lender use its reasonable endeavours to supply, or procure the supply of, such documentation and other evidence as is requested by such Secured Party (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in Clause 19.26(c), on behalf of any prospective new Lender) in order for such Secured Party or, in the case of the event described in Clause 19.26(c), any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable Legal Requirements in accordance with the transactions contemplated in the Finance Documents.

19.27 Notice under Acceptable Charter Direct Agreement

If requested by the Security Trustee at any time in respect of its Vessel and to the extent that such Borrower is required to enter into an Acceptable Charter Direct Agreement in accordance with Clause 19.23, deliver to the Security Trustee a notice addressed to the Acceptable Charterer that is party to the Acceptable Charter or Alternative Charter for such Vessel, stating that it has no claim, and has no intention of making any claim against such Vessel, and/or such Acceptable Charterer in respect of any transfer or novation of such Acceptable Charter or Alternative Charter to the Security Trustee or any Substitute Owner (as defined in the relevant Acceptable Charter Direct Agreement to which it is party) or the entry into a new agreement by such Acceptable Charterer with a Replacement Owner (as defined in the relevant Acceptable Charter Direct Agreement) in accordance with such Acceptable Charter Direct Agreement.

19.28 Delivery Date obligations

- (a) On the Delivery Date of its Vessel:
 - (i) execute and record in favour of the Security Trustee a first preferred mortgage substantially in the form set out in Schedule 9 and completed in accordance with Clause 19.28(b); and

-
- (ii) deliver to the Intercreditor Agent:
 - (A) a copy certified in an Officer's Certificate of the relevant Obligor of each of the Delivery Documents in the form required by the relevant Shipbuilding Contract; and
 - (B) a legal opinion from counsel satisfactory to the Intercreditor Agent in form and substance satisfactory to the Intercreditor Agent and confirming, among other things, the enforceability, and due execution by such Borrower, of the mortgage referred to in Clause 19.28(a)(i).
 - (b) In respect of each mortgage required to be executed in accordance with Clause 19.28(a), the:
 - (i) maximum amount stated in such mortgage shall be equal to the total amount of the Senior Debt Obligations at the date of execution of such Mortgage by such Borrower; and
 - (ii) the maturity date stated in such mortgage, at the time such mortgage is executed, shall be the latest date on which the principal or notional (as the case may be) amount of any Senior Debt Obligations is due and payable.

Any amount or date required to complete any mortgage shall be determined by the Intercreditor Agent on the basis of information supplied to it by the Secured Parties.
 - (c) If at any time following the execution of any mortgage in accordance with Clause 19.28(a), any Secured Party in its reasonable discretion considers that:
 - (i) the maximum amount stated in the mortgage; or
 - (ii) the maturity date stated in such mortgage,

no longer may be adequate to secure the total amount of Senior Debt Obligations or if a Borrower enters into any Hedging Instrument, then such Secured Party or the Borrower, as applicable, shall notify the Intercreditor Agent and the Intercreditor Agent shall determine the then current maximum amount and maturity date in accordance with the principles set out in Clause 19.28(b).
 - (d) If any such maximum amount or maturity date determined by the Intercreditor Agent in accordance with Clause 19.28(c) differs from the then stated maximum amount and/or maturity date stated in such mortgage, then the relevant Borrower shall deliver an amendment to such mortgage to reflect the maximum amount and/or maturity date determined by the Intercreditor Agent in accordance with Clause 19.28(c) and such Borrower promptly shall authenticate, execute and deliver all instruments and documents, and take all further action, that may be necessary or desirable or that the Security Trustee reasonably may request in order to give effect to such amendment and to maintain the validity, perfection and priority of, or protect any Security Interest granted or purported to be granted by such mortgage.
 - (e) At least seven days prior to the Delivery Date of its Vessel, provide to the Intercreditor Agent a duly completed copy of the New Vessel Notice.

19.29 Fair Market Value

- (a) As at the later to occur of the Delivery Date of its Vessel and the first Utilisation of the Term Loan made available to a Borrower, if the Fair Market Value of such Vessel is not at least equal to 125 per cent. of the aggregate of (x) the maximum amount stated in Clause 2.1 in respect of such Borrower's Term Loan (as such amount may have been reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10)) minus the aggregate amount of all Loans made under such Term Loan as at such date and (y) the principal amount outstanding under such Term Loan at such time (the "**Required Fair Market Value**") the Intercreditor Agent may instruct the relevant Borrower to, and if so instructed such Borrower, as instructed, either shall:
- (i) provide an Acceptable Letter of Credit or other security satisfactory to the Intercreditor Agent in respect of the amount by which the Fair Market Value of the relevant Vessel is less than the Required Fair Market Value for such Vessel; or
 - (ii) cancel the Available Commitments and/or prepay its Term Loan in accordance with Clause 5.12 in the amount by which the Fair Market Value of the relevant Vessel is less than the Required Fair Market Value for such Vessel.
- (b) On the Vessel Completion Date and as determined once a year thereafter on or about the anniversary of the Vessel Completion Date, if the aggregate Fair Market Value of all Vessels is not at least equal to:
- (i) until and excluding the date falling three years from the Delivery Date of the first Vessel to be delivered, 125 per cent. of the aggregate Available Commitments and all Loans outstanding in respect of all Term Loans;
 - (ii) from and including the date falling three years from the Delivery Date of the first Vessel to be delivered and until and excluding the date falling four years from the Delivery Date of the first Vessel to be delivered, 135 per cent. of the aggregate Available Commitments and Loans outstanding in respect of all Term Loans; and
 - (iii) from and including the date falling four years from the Delivery Date of the first Vessel to be delivered, 140 per cent. of the aggregate Available Commitments and Loans outstanding in respect of all Term Loans,
- the Intercreditor Agent may instruct a Borrower to and, if so instructed, such Borrower, as instructed, either shall:
- (A) provide an Acceptable Letter of Credit or other security satisfactory to the Intercreditor Agent in respect of its Fair Market Proportion of the total amount by which the aggregate Fair Market Value of all Vessels is less than the requisite percentage as set out in this Clause 19.29(b) of the aggregate Available Commitments and Loans outstanding in respect of all Term Loans; or
 - (B) cancel the Available Commitments and/or prepay its Term Loan in accordance with Clause 5.12 in an amount equal to its Fair Market Proportion of the total amount by which the aggregate Fair Market Value of all Vessels is less than the requisite percentage as set out in this Clause 19.29(b) of the aggregate Available Commitments and Loans outstanding in respect of all Term Loans.

-
- (c) On the Vessel Completion Date and as determined once a year thereafter on or about the anniversary of the Vessel Completion Date, if the aggregate Fair Market Value of all Vessels is not at least equal to 105 per cent. of the aggregate of:
- (i) all Available Commitments and all Loans outstanding in respect of all Term Loans; and
 - (ii) the maximum net amount payable by all Borrowers under the Hedging Instruments, such amount to be calculated on the basis that all Hedging Instruments will be terminated or closed out as at the date of such calculation,
- the Intercreditor Agent may instruct each Borrower to and, if so instructed, each Borrower, as instructed, either shall:
- (A) provide an Acceptable Letter of Credit or other security satisfactory to the Intercreditor Agent in respect of its Fair Market Proportion of the total amount by which the aggregate Fair Market Value of all Vessels is less than 105 per cent. of the aggregate of all Available Commitments and all Loans outstanding in respect of all Term Loans plus the maximum net amount payable by all Borrowers under the Hedging Instruments (calculated on the basis that all Hedging Instruments will be terminated or closed out as at the date of such calculation); or
 - (B) cancel the Available Commitments and/or prepay its Term Loan in accordance with Clause 5.12 in an amount equal to its Fair Market Proportion of the total amount by which the aggregate Fair Market Value of all Vessels is less than 105 per cent. of the aggregate of all Available Commitments and all Loans outstanding in respect of all Term Loans plus the maximum net amount payable by all Borrowers under the Hedging Instruments (calculated on the basis that all Hedging Instruments will be terminated or closed out as at the date of such calculation).

19.30 Acceptable Letter of Credit

If its Vessel has been delivered and the Effective Date of any Acceptable Charter or Alternative Charter for such Vessel has not occurred or will not occur within a period of 90 days following the Delivery Date of such Vessel or the end of any previous Acceptable Charter (as applicable), ensure that an Acceptable Letter of Credit or Acceptable Guarantee is provided in an amount at least equal to the expected aggregate Senior Debt Service and net scheduled payments due in respect of any Hedging Instrument payable by it other than during any such 90 day period until the Effective Date of such Acceptable Charter or Alternative Charter.

19.31 Delivery Obligations

Ensure that on or prior to the Delivery Date in respect of its Vessel, each Delivery Obligation has been satisfied or waived by the Intercreditor Agent in respect of its Vessel.

19.32 Cost overrun letter of credit

Until the date falling 30 days after the Delivery Date of its Vessel, maintain the Acceptable Letter of Credit that it is required to provide in accordance with paragraph 2.17(b) of Part 1 of Schedule 2 in the amount specified therein.

19.33 Access to Vessel

Provide to the Intercreditor Agent and the Technical Consultant reasonable notice of all completion and acceptance tests carried out in respect of its Vessel and the work with respect to its Vessel and, subject to compliance with the terms of the relevant Shipbuilding Contract:

- (a) use reasonable efforts to procure that the Intercreditor Agent or its authorised representative and the Technical Consultant (the “**Representatives**”) are given such access to such Vessel as they may require whilst acceptance tests are carried out, on reasonable notice and at reasonable times and for the purposes only of observing such acceptance tests;
- (b) allow any Representative to inspect the results of the acceptance tests; and
- (c) allow any Representative to inspect and take copies of any records (including all drawings and specifications), contracts and documents relating to such Vessel,

subject to the Representatives complying with health and safety rules and procedures and any reasonable conditions (including, without limitation, the Representatives agreeing to keep confidential any proprietary information).

19.34 Major Casualty Event

- (a) Within 21 days of the occurrence of any Major Casualty Event in respect of its Vessel, submit to the Intercreditor Agent for approval by the Intercreditor Agent a reasonably detailed written proposal in respect of the repair of its Vessel following such Major Casualty Event (a “**Repair Plan**”). In determining whether to approve such plan the Intercreditor Agent shall give due regard to any off-hire or loss of earnings insurance that may be payable in respect of the relevant Major Casualty Event.
- (b) If the Intercreditor Agent notifies a Borrower that it has approved any Repair Plan delivered by such Borrower in accordance with Clause 19.34(a), such Borrower promptly shall apply any insurance proceeds or other proceeds received by it in respect of such Major Casualty Event to the repair of its Vessel in accordance with such Repair Plan and Clause 26.5 and promptly following such application shall provide to the Intercreditor Agent reasonably detailed documentation satisfactory to the Intercreditor Agent demonstrating that such insurance proceeds or other proceeds have been applied by it in accordance with such approved Repair Plan.
- (c) If the Intercreditor Agent notifies a Borrower that it has not approved any Repair Plan delivered by such Borrower in accordance with Clause 19.34(a), such Borrower shall apply any insurance proceeds or other proceeds received by it in respect of such Major Casualty Event towards the prepayment of its Term Loan in accordance with Clause 5.9 and Clause 26.5.

20. NEGATIVE COVENANTS

Each Borrower (and the Guarantor in respect of Clauses 20.1 (other than Clause 20.1(a)(i), Clause 20.1(c) (as it relates to the corporate structure of the Group) and Clauses 20.1(d)), 20.3, 20.4, 20.5, 20.6 and 20.11 only) covenants and agrees that until the Final Discharge Date it shall not:

20.1 Business and constitutional documents

- (a) Change the nature of its business:
 - (i) in the case of a Borrower, from its entry into and performance of its obligations under each Transaction Document to which it is party, the ownership and chartering of its Vessel and all business ancillary to such activities; and
 - (ii) in the case of the Guarantor, the ownership of the common stock of its Subsidiaries and all business ancillary to such ownership.
- (b) Engage in any business or undertaking that is not permitted by its constitutional documents.
- (c) Amend its fiscal year, its constitutional documents or the rights attaching to any share issued by it or the corporate structure of the Group (or any Subsidiary of any Obligor) as set out on page 5 of the supplement to the Information Memorandum, dated 16 August 2010, without the prior written consent of the Intercreditor Agent.
- (d) Hold any share, capital stock, equity or other interest in any other Person or to form, incorporate or hold any interest in any Subsidiary.

20.2 Additional obligations

Other than as expressly permitted or contemplated by any Transaction Document to which it is party, enter into any material agreement, contract or commitment (other than a charter agreement or a commitment to enter into a charter agreement, in each case, in respect of a Vessel that it plans to submit to the Intercreditor Agent for approval as an Acceptable Charter or an Alternative Charter by the Lenders) or incur any additional obligation without the prior written consent of the Intercreditor Agent.

20.3 Other accounts

Open or maintain any bank account other than its Accounts or any Local Accounts except, in the case of the Guarantor, in accordance with Clause 19.3(b).

20.4 Affiliate transaction

Except as expressly provided for or contemplated in any Finance Document, enter into any transaction or series of related transactions with an Affiliate except on terms (when all documents and agreements relating to such transaction or series of related transactions are considered as a whole) not less favourable to it than as may be available on an arm's length basis with an unaffiliated third party.

20.5 Merger

Enter into any amalgamation, demerger, merger or corporate reconstruction.

20.6 Limitations on Security

Create, assume, incur, permit or suffer to exist any Security Interest upon or in any of its assets, whether now owned or hereafter acquired, except for Permitted Security.

20.7 Material Agreements and Hurricane/Emergency Preparedness Plan

- (a) Other than as expressly contemplated by any Finance Document or pursuant to any change order in respect of expenditure that does not require any Borrower to provide an updated Construction Budget in accordance with Clause 19.9(b), amend or terminate a Material Agreement.
- (b) Amend the Hurricane/Emergency Preparedness Plan in respect of its Vessel as delivered in accordance with Part 2 of Schedule 16, without the prior written consent of the Intercreditor Agent.

20.8 Incurrence of Financial Indebtedness and investments

Incur Financial Indebtedness other than Permitted Indebtedness or make any investment other than:

- (a) the use of the Proceeds for Permitted Uses;
- (b) in respect of any Interest Hedging Instrument or Other Hedging Instrument if permitted by this Agreement; or
- (c) in respect of funds on deposit in its Collection Account, Permitted Investments.

20.9 Asset sales

Except as otherwise expressly contemplated by this Agreement in respect of the charter of its Vessel in accordance with an Acceptable Charter or Alternative Charter, enter into a single transaction or series of transactions (whether related or not) and whether voluntary or involuntary to sell, assign, lease, transfer or otherwise dispose of any asset, including its Vessel unless (a) the value of the asset disposed of does not exceed 5,000,000 Dollars and (b) the aggregate value of all assets disposed of by all of the Borrowers in the year of any such disposal does not exceed 15,000,000 Dollars.

20.10 Distributions and loans

- (a) Make any Distribution except as permitted expressly under Clause 16.3, Clause 16.4, Clause 16.5(b) or Clause 26.10.
- (b) Make any loan or provide any other form of credit (including in the form of guarantees or indemnities) to any Person other than an intercompany loan contemplated by Clause 26.17. For the avoidance of doubt, the payment of any costs and expenses by any Borrower in respect of any Charterer Furnished Items as permitted by this Agreement shall not constitute the making of any loan or the provision of any other form of credit for the purposes of this Clause 20.10(b).

20.11 Sovereign immunity

In any proceedings in Liberia or elsewhere in connection with any of the Finance Documents, claim for itself or any of its assets sovereign immunity from suit, execution, attachment or other legal process.

20.12 Change of flag, registry or class certification

Change the flag, registry or class certification of its Vessel without the prior written consent of the Intercreditor Agent.

20.13 Transfer of shares

Cause, suffer, permit or consent to any transfer of its shares or common stock or issue additional shares or common stock.

20.14 Replacement of Manager

Replace the Manager with a substitute manager without the prior written consent of the Intercreditor Agent.

20.15 Interest Hedging Instruments and Other Hedging Instruments

- (a) Notwithstanding any provision of this Agreement or any other Finance Document to the contrary, enter into any Interest Hedging Instrument with any Person, unless:
 - (i) the Hedging Party under such Interest Hedging Instrument:
 - (A) is a Permitted Hedge Provider;
 - (B) has a credit rating of at least A3 from Moody's or A- from S&P or Fitch, except in respect of NIBC Bank N.V. which shall be required to maintain a credit rating of at least Baa from Moody's or BBB from S&P or Fitch; and
 - (C) has delivered a duly executed Accession Deed;
 - (ii) such Interest Hedging Instrument is a 2002 ISDA Master Agreement with accompanying schedule and confirmation and provides for the payment of scheduled payments only on dates on which interest is payable under the Relevant Borrower's Term Loan; and
 - (iii) the purpose of such Interest Hedging Instrument is to effect the conversion of a floating rate of interest to a fixed rate of interest only.
- (b) Notwithstanding any provision of this Agreement or any other Finance Document to the contrary, enter into any Other Hedging Instrument with any Person, unless:
 - (i) the purpose of such Other Hedging Instrument is to hedge risks associated with foreign currency exchange in connection with any Acceptable Charter or Alternative Charter and such Other Hedging Instrument (if the same benefits from the Security) provides for the payment of scheduled payments only on dates on which interest is payable under the Relevant Borrower's Term Loan;

- (ii) the Guarantor shall have submitted to the Intercreditor Agent at the same time as it submitted the relevant proposed Acceptable Charter or Alternative Charter to the Intercreditor Agent for approval in accordance with this Agreement, a proposal in respect of such Other Hedging Instrument that it proposes be entered into, such proposal to include:
 - (A) copies of any documents that have been or are intended to be entered into with respect to such Other Hedging Instrument;
 - (B) details of the identity of each proposed party to such Other Hedging Instrument including the provider of such Other Hedging Instrument (the “ **Other Hedge Provider** ”) and the proposed counterparty to such Other Hedging Instrument;
 - (C) details as to whether it is intended that the Other Hedge Provider shall benefit from all or part of the Security and, if so, whether the Other Hedge Provider’s rights in respect of the Security shall be subordinated to the rights of the Secured Parties and, if so, the terms of any such subordination; and
 - (D) any other information relating to such Other Hedging Instrument that the Secured Parties reasonably could request, including a copy of any supporting documentation;
- (iii) the Other Hedge Provider is a Permitted Hedge Provider; and
- (iv) the Intercreditor Agent shall have confirmed to the Guarantor that the execution of such Other Hedging Instrument shall be permitted under the Finance Documents and such Other Hedging Instrument shall be in form and substance acceptable to the Intercreditor Agent.

20.16 New waters and Insurance Policies

Permit its Vessel to enter into the waters of any country or jurisdiction where to do so would, or reasonably could be expected to, result in all or any part of any Insurance Policy in respect of its Vessel being governed by the Legal Requirements of such country or jurisdiction where previously it was not or by any Legal Requirements that are not the same as those Legal Requirements governing any applicable Security Documents that have been entered into in respect of such Insurance Policy (in each case, the “ **New Legal Requirements** ”) unless and until the Intercreditor Agent shall have confirmed to the relevant Borrower that:

- (a) additional Security Interests satisfactory to it have been created and perfected by or on behalf of the relevant Borrower and any other relevant Person in respect of the relevant Insurance Policy and under the New Legal Requirements (the “ **Additional Insurance Security** ”); and
- (b) it has received one or more legal opinions in form and substance satisfactory to the Intercreditor Agent in respect of such Additional Insurance Security.

21. ADDITIONAL COVENANTS OF GUARANTOR

The Guarantor covenants and agrees that until the Final Discharge Date:

21.1 Shareholding in each Borrower and shareholding in, and control of, PDSI and PDOL

It shall:

- (a) maintain a 100 per cent. ownership interest in the common stock of each Borrower;
- (b) maintain more than a 50 per cent. ownership interest in the common stock of PDSI and shall at all times control PDSI. For the purpose of this Clause 21.1(b) “ **control** ” means that the Guarantor directly or indirectly controls more than 50 per cent. of the equity share capital of PDSI or equity share capital having the right to cast more than 50 per cent. of the votes capable of being cast in a general meeting of PDSI;
- (c) maintain more than a 50 per cent. ownership interest in the common stock of PDOL and shall at all times control PDOL. For the purpose of this Clause 21.1(c) “ **control** ” means that the Guarantor directly or indirectly controls more than 50 per cent. of the equity share capital of PDOL or equity share capital having the right to cast more than 50 per cent. of the votes capable of being cast in a general meeting of PDOL; and
- (d) at all times maintain the right (directly or indirectly) to appoint a majority of the directors to the board of directors of PIDWAL and at all times ensure that the majority of directors appointed to such board is comprised of representatives appointed by it (directly or indirectly).

21.2 Guarantor Equity Account

It shall establish, maintain and make payments to and from the Guarantor Equity Account in accordance with Clause 26.12.

21.3 Incurrence of Financial Indebtedness and investments

It shall not incur Financial Indebtedness other than as permitted expressly by this Agreement (including in accordance with Clause 15) or make any investment with the proceeds of any funds otherwise required to be on deposit in any Account.

21.4 Guarantor Distributions

It shall not make any Guarantor Distribution unless:

- (a) no Event of Default or Potential Event of Default is continuing or would result from such Guarantor Distribution; and
- (b) each Obligor is in compliance with all of its obligations under each Finance Document as at the date of such Guarantor Distribution, both before and after giving effect to such Guarantor Distribution.

21.5 Released Vessel and set off rights

Where:

- (a) an entity that formerly was a Borrower (“ **the Released Vessel Owner** ”) is party to or proposes to enter into a drilling contract, charter agreement or other agreement for the employment of a Released Vessel (“ **a Released Vessel Agreement** ”) with a Person that is (or that is an Affiliate (as defined below) of) an Acceptable Charterer under any Acceptable Charter or Alternative Charter then in effect with another Borrower (the “ **Existing Agreement** ”); and

(b) the Existing Agreement contains provisions that allow such Acceptable Charterer to set off amounts payable under its Acceptable Charter or Alternative Charter against amounts owing under such Released Vessel Agreement;

it shall procure that such Released Vessel Owner shall not either:

- (i) amend the terms of the Released Vessel Agreement in any manner that reasonably would be expected to result in such Acceptable Charterer having the right to set off any materially greater amounts under the Existing Agreement or have the effect of materially increasing the likelihood or circumstances in which any such set off rights could be exercised under the Existing Agreement; or
- (ii) enter into a Released Vessel Agreement that is not substantially in the form presented for approval as an Acceptable Charter or Alternative Charter in accordance with this Agreement (save for changes that a prudent operator in accordance with Customary Industry Practice reasonably would not expect to have either of the effects specified in Clause 21.5(b)(i)),

in each case without the consent of the Intercreditor Agent (such consent not to be unreasonably withheld).

For the purposes of Clause 21.5(a) “ **Affiliate** ” shall have the meaning given to it in the relevant Existing Agreement to which the relevant Acceptable Charterer and a Borrower are a party.

22. EVENTS OF DEFAULT

Each event set out in Clauses 22.1 to 22.23 shall be an “ **Event of Default** ”:

22.1 Non-payment

An Obligor or QPML does not pay on the due date any amount payable in accordance with a Finance Document at the place and in the currency in which it is expressed to be payable unless payment is made within three Business Days of its due date.

22.2 Insurance covenants

Any requirement of Clause 19.10 or Clause 25 is not satisfied.

22.3 Financial covenants

Any requirement of Clause 18 is not satisfied.

22.4 Acceptable Letters of Credit

Any requirement of Clause 19.30 is not satisfied.

22.5 Guarantor and QPML Undertakings and covenants

Any requirement of Clause 16.1, Clause 16.2, Clause 21 or the Put Option Undertaking Agreement is not satisfied.

22.6 Use of Proceeds

Any requirement of Clause 19.1 is not satisfied.

22.7 Negative covenants

Any requirement of Clause 20 is not satisfied or any Person grants any Security Interest where it is prohibited from doing so in any Security Document.

22.8 Breach of other provisions of Finance Documents

Any Obligor, PIDWAL, QPML or Pacific Gibco shall breach or default under any term, condition, provision, covenant, representation or warranty contained in any Finance Document (other than those referred to in Clauses 22.1 to 22.7) that is not capable of being cured or, if capable of being cured, is not cured within 14 days of the earlier of:

- (a) notice by the Intercreditor Agent to the Guarantor; and
- (b) any Obligor, PIDWAL, QPML or Pacific Gibco becoming aware of such failure to comply.

22.9 Acceptable Charterers, Acceptable Charters and Alternative Charters

- (a) Any (x) Charterer shall cease to be an Acceptable Charterer, (y) Person that is party to any Acceptable Charter or Alternative Charter shall breach or default under any material term, condition, provision or covenant contained in such Acceptable Charter or Alternative Charter or (z) Acceptable Charter or Alternative Charter shall have terminated, been revoked, been subject to assertion of invalidity or repudiation, or otherwise shall cease to be in full force and effect, in each case other than following the occurrence, in relation to the Vessel the subject of that Acceptable Charter or Alternative Charter, of any exceptional event contemplated by Clause 5.9(b) and provided that no Event of Default shall occur or be continuing as a result of the foregoing if (and in the case of the 22.9(a)(i)(B) only for so long as):
 - (i) the relevant Borrower party to such Acceptable Charter or Alternative Charter shall have, in the case of (x) and (z) above:
 - (A) both:
 - (I) entered into a replacement Acceptable Charter or, in the case of an Alternative Arrangement Borrower, an Alternative Charter in accordance with this Agreement, in each case within 90 days of such event; and
 - (II) provided an Acceptable Letter of Credit or Acceptable Guarantee to cover all Senior Debt Service and amounts due under any Interest Hedging Instruments of such Borrower until the Effective Date of any replacement Acceptable Charter or Alternative Charter; or

- (B) received, or will upon the expiry of any notice to terminate receive, payment of compensation into its Collection Account or any relevant Local Account in an amount satisfactory to the Intercreditor Agent in respect of such termination, revocation, assertion of invalidity, repudiation, or other cessation of the relevant Acceptable Charter or Alternative Charter to be in full force and effect; or
- (ii) the Guarantor remains in compliance with Clause 18 and each Obligor otherwise is in compliance with each of its obligations under the Finance Documents.
- (b) More than one Acceptable Charter or Alternative Charter shall have terminated, been revoked, been subject to assertion of invalidity or repudiation, or otherwise shall cease to be in full force and effect, provided that any such Acceptable Charter or Alternative Charter that has been replaced by the relevant Borrower in accordance with Clause 22.9(a)(i)(A) prior to the date on which an Event of Default otherwise would arise under this Clause 22.9(b) shall not be considered for the purposes of this Clause 22.9(b).

22.10 Cross default

- (a) Any Financial Indebtedness of any Obligor is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any Obligor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any Financial Indebtedness of any Obligor is cancelled or suspended by a creditor of any such Obligor as a result of an event of default (however described).
- (d) Any creditor of any Obligor becomes entitled to declare any Financial Indebtedness of such Obligor due and payable prior to its specified maturity as a result of an event of default (however described).

No Event of Default shall occur under this Clause 22.10 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) is less than 5,000,000 Dollars (or the equivalent thereof in another currency or currencies).

22.11 Judgments

A final judgment or arbitral award shall be entered against any Obligor by a court or other competent tribunal, in an aggregate amount of 5,000,000 Dollars (or the equivalent thereof in another currency or currencies) or more, is not subject to appeal and such final judgment or award is not paid within 30 days of the date when it is due and payable.

22.12 Finance Documents

Any Finance Document is terminated, ceases to be in full force and effect or is incapable of enforcement, and such circumstances are not capable of being cured or, if capable of being cured, are not cured within 10 Business Days following the earlier of notice by the Intercreditor Agent to the Guarantor or any Obligor becoming aware of such event; provided that in respect of any termination, cessation to be in full force and effect or incapability of enforcement of any GIEK Guarantee such 10 Business Day period will be extended to 15 Business Days if such relevant circumstances are capable of being cured and such circumstances have not been caused by any action, inaction of, or any breach or default by, any Obligor or by any other Event of Default.

22.13 Unlawfulness

It is or becomes unlawful for an Obligor, PIDWAL or QPML to perform any of its obligations under any Finance Document to which it is party.

22.14 Repudiation

An Obligor, PIDWAL or QPML repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

22.15 Security Documents

Any Security Interest in respect of any Secured Collateral created pursuant to any Security Document is not effective or the priority of any such Security Interest is not maintained in accordance with the terms thereof or any Security Interest required to be created in accordance with any Finance Document is not created and perfected in accordance with such Finance Document on and from the time required in accordance with such Finance Document.

22.16 Insolvency

- (a) Any Obligor is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of any Obligor.

22.17 Insolvency proceedings

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, cessation of business, dissolution, administration or reorganisation of any Obligor (by way of voluntary arrangement, scheme of arrangement or otherwise but not including any voluntary reorganisation that is previously agreed in writing by the Intercreditor Agent and that does not involve the insolvency of any Obligor);

-
- (b) a composition, compromise, assignment or arrangement with any creditor of any Obligor;
 - (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any Obligor or any of its material assets;
 - (d) enforcement of any Security Interest over any assets of any Borrower; or
 - (e) enforcement of any Security Interest over any assets of the Guarantor that are subject to any Security, or any analogous procedure or step is taken in any jurisdiction.

This Clause 22.17 shall not apply to any winding-up petition that is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement.

22.18 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Obligor having an aggregate value of 5,000,000 Dollars (or the equivalent thereof in another currency or currencies) or more and is not discharged within 14 days.

22.19 Misrepresentation

Any representation or warranty made or deemed repeated by any Obligor, PIDWAL or QPML in any Finance Document or any other document delivered by or on behalf of any Obligor, PIDWAL or QPML under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made or repeated.

22.20 Breach of Material Agreements

Unless otherwise approved by the Intercreditor Agent, any Person that is party to any Material Agreement shall breach or default under any material term, condition, provision or covenant contained in any Material Agreement (other than any Acceptable Charter, Alternative Charter or any Insurance Policy) or any Material Agreement (other than any Acceptable Charter, Alternative Charter or any Insurance Policy) shall have terminated (other than by expiry through the effluxion of time in accordance with its terms and on the date scheduled for such expiry), been revoked, been subject to assertion of invalidity or repudiation, or otherwise shall cease to be in full force and effect and such event:

- (a) is not capable of being cured; or
- (b) if capable of being cured, is not cured within the longer of (i) 14 days following the earlier of notice by the Intercreditor Agent to each Obligor or any Obligor becoming aware of such event or (ii) in respect of any breach or default, any applicable cure period under such Material Agreement (if any such cure period is provided for in such Material Agreement).

22.21 Material adverse change

Any event or circumstance (or combination of events or circumstances) occurs the effect of which has, or could reasonably be expected to have, a Material Adverse Effect (other than a Material Adverse Effect of the type described in paragraph (d) or paragraph (f) of the definition of Material Adverse Effect) in respect of any Obligor or the Group.

22.22 Change of control

Any Guarantor Change of Control occurs or the Guarantor ceases to own 100 per cent. of the common stock of each Borrower.

22.23 Delayed Vessel delivery

The Delivery Date for any Vessel does not occur by the Final Permitted Delivery Date for such Vessel.

23. REMEDIES

Upon the occurrence and during the continuation of an Event of Default, the Intercreditor Agent and/or the Security Trustee may take any one or more of the following actions:

- (a) the Intercreditor Agent and the Security Trustee may refuse to make any Utilisation or any payment from any Account or other funds held by the Security Trustee by or on behalf of any Obligor or suspend or terminate any Commitment;
- (b) subject to Clause 28.2(e), the Intercreditor Agent may declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents including any costs, losses and expenses, immediately be due and payable or be payable on demand, whereupon they shall become immediately due and payable or payable on demand by the Intercreditor Agent (respectively);
- (c) the Intercreditor Agent and the Security Trustee may cure any breach or event of default under any Material Agreement by or relating to an Obligor or any other member of the Guarantor Group;
- (d) subject to Clause 28.2(e), the Intercreditor Agent may deliver to the Security Trustee a notice identified as an enforcement direction specifying the Event of Default giving rise to such enforcement direction, together with a certification that such notice is given in accordance with this Agreement (an “**Enforcement Direction**”) confirming that the Security Trustee shall be authorised to commence the taking of Enforcement Action with respect to the Secured Collateral in accordance with the Intercreditor Agreement; and
- (e) following receipt of an Enforcement Direction, the Security Trustee may take Enforcement Action in accordance with the Intercreditor Agreement.

24. CONSULTANTS AND REPORTS

- (a) An Insurance Consultant and a Technical Consultant (together, the “**Independent Consultants**”) have been appointed on behalf of all of the Lenders to prepare certain reports prior to the Financing Date. Each Independent Consultant shall be available to consult from time to time with the Lenders until the Final Discharge Date.
- (b) The Intercreditor Agent may remove from time to time any Independent Consultant and may appoint such replacement Independent Consultants as the Intercreditor Agent may choose.
- (c) All fees and expenses of each Independent Consultant shall be paid by the Borrowers in accordance with any letter or agreement in accordance with which such Independent Consultant was appointed.
- (d) Each Obligor shall co-operate with the Independent Consultants and shall use commercially reasonable endeavours to procure that each other party to a Material Agreement co-operates with each Independent Consultant.

25. INSURANCE

25.1 Scope of Required Insurances for each Vessel

- (a) Subject to Clause 25.4, each Borrower shall effect and maintain at all times (at its own cost and expense and at no cost or expense to any Secured Party) from and including the Delivery Date of its Vessel and in the joint names of such Borrower, the Manager and the Security Trustee (but as between the relevant Borrower and the Security Trustee, without the Security Trustee having any liability for any premium call):
 - (i) insurance against:
 - (A) fire and usual marine risks (including Excess Risks), which such insurance shall include cover against Named Wind Storm risks to the extent such Vessel is located outside the Gulf of Mexico (and Clause 25.1 (b) and Clause 25.1(c) shall apply with respect to Vessels located in the Gulf of Mexico), in an amount (on an agreed value basis) not less than the applicable Required Insurance Amount and with a deductible of no more than 5,000,000 Dollars; and
 - (B) loss of hire following fire and usual marine risks, in an amount equal to not less than 180 days hire and with a deductible of no more than 45 days,
with underwriters or insurance companies satisfactory to the Intercreditor Agent and (if applicable) through brokers satisfactory to the Intercreditor Agent, and by policies in form and content satisfactory to the Intercreditor Agent;
 - (ii) insurance against war risks as covered by the “English Institute War and Strikes Clauses” current from time to time, or their equivalent, extended as the “Marine Risks” policies and to include protection and indemnity war and terrorism risks either:
 - (A) with underwriters or insurance companies satisfactory to the Intercreditor Agent and (if applicable) through brokers satisfactory to the Intercreditor Agent, and by policies in form and content satisfactory to the Intercreditor Agent; or

-
- (B) by entering such Vessel in an approved war risks association, and including protection and indemnity liability up to at least the applicable Required Insurance Amount, excluding from such calculation in respect of such Required Insurance Amount any liability in respect of death, injury or damage to crew; and
- (iii) insurance for such Vessel's full tonnage against protection and indemnity risks (including pollution liability risks), in an amount equal to the maximum limit of cover generally available from a protection and indemnity association that is a member of the International Group of P&I Clubs or excess liability insurers with underwriters or insurance companies satisfactory to the Intercreditor Agent and (if applicable) through brokers satisfactory to the Intercreditor Agent, and by policies in form and content satisfactory to the Intercreditor Agent for such aggregate amount of cover as shall be available on the open market for the Vessel (the "**Maximum P&I Limit**").
- (b) With respect to the insurance required pursuant to Clause 25.1(a)(i)(A), and subject to Clause 25.1(c) and Clause 25.4, if two or more Uncovered Vessels are located at the same time in the Gulf of Mexico and/or any other region prone to Named Wind Storms (collectively, the "**Relevant Regions**"), the Obligors shall procure (at their own cost and expense and at no cost or expense to any Secured Party) that there is effected and maintained in respect of each Uncovered Vessel located in the Relevant Regions, from the date on which more than one Vessel is located in the Relevant Regions and, in each case, in the joint names of the Relevant Borrowers, the Manager and the Security Trustee (but as between the Relevant Borrowers and the Security Trustee, without the Security Trustee having any liability for any premium call), fleet policy insurance for Named Wind Storm risks in an amount not less than the applicable Required Named Wind Storm Insurance Amount and with a deductible of no more than 5,000,000 Dollars with underwriters or insurance companies satisfactory to the Intercreditor Agent and (if applicable) through brokers satisfactory to the Intercreditor Agent, and by policies in form and content satisfactory to the Intercreditor Agent. The insurance taken out pursuant to this Clause 25.1(b) in respect of the Uncovered Vessels in the Relevant Regions shall be applied to cover all such Uncovered Vessels located in the Relevant Regions at that time on a first loss basis.
- (c) With respect to the insurance required pursuant to Clause 25.1(a)(i)(A), and subject to Clause 25.4, from and including the Release Date, the Obligors shall procure (at their own cost and expense and at no cost or expense to any Secured Party) that there is effected and maintained in respect of each Uncovered Vessel in the Relevant Regions, in the joint names of the Relevant Borrowers, the Manager and the Security Trustee (but as between the Relevant Borrowers and the Security Trustee, without the Security Trustee having any liability for any premium call), fleet policy insurance for Named Wind Storm risks in an amount not less than the applicable Required Named Wind Storm Insurance Amount and with a deductible of no more than 5,000,000 Dollars with underwriters or insurance companies satisfactory to the Intercreditor Agent and (if applicable) through brokers satisfactory to the Intercreditor Agent, and by policies in form and content satisfactory to the Intercreditor Agent. The insurance taken out pursuant to this Clause 25.1(c) in respect of the Uncovered Vessels in the Relevant Regions shall be applied to cover all such Uncovered Vessels located in the Relevant Regions at that time on a first loss basis.

25.2 Permitted insurers

- (a) Required Insurance shall be effected and maintained with one or more insurers provided that each such insurer has a long-term credit rating of at least A3 from Moody's or A- from S&P or Fitch.
- (b) Any insurer meeting the requirements of Clause 25.2(a) shall be deemed to be an insurance company or insurer satisfactory to the Intercreditor Agent for the purposes of Clause 25.1.
- (c) For the avoidance of doubt, captive insurance companies and mutual insurance schemes may be insurers under Clause 25, provided that:
 - (i) any such captive insurance company or mutual insurance scheme satisfies the requirements of Clause 25.2(a);
 - (ii) the relevant Insurance Policy issued by any such captive insurance company or mutual insurance scheme satisfies the requirements of Clause 25 in all respects; and
 - (iii) all of the Relevant Borrower's rights, title and interest in any Insurance Policy issued by any such captive insurance company or mutual insurance scheme are assigned by way of first priority, perfected security to the Security Trustee (on behalf of the Secured Parties).

25.3 Undertakings regarding Required Insurances

Without prejudice to its obligations under Clause 25.1 and Clause 25.2, in respect of the Vessel owned by it, each Borrower shall:

- (a) without the prior written consent of the Intercreditor Agent, not limit or reduce the scope of or sums recoverable from any Required Insurance below those required under this Clause 25, nor make, do, consent or agree to any act or omission that would or might render any Required Insurance invalid, void, voidable or unenforceable or render any sum paid out under any Required Insurance repayable in whole or in part;
- (b) not cause or permit such Vessel to be operated in any way inconsistent with the provisions or warranties of, or implied in, or outside the cover provided by, any Required Insurance or to be engaged in any voyage or to carry any cargo not permitted by any Required Insurance;
- (c) duly and punctually pay all premiums, calls, contributions or other sums of money from time to time payable in respect of any Required Insurance, and on request of the Intercreditor Agent produce the receipts for each sum paid by it;
- (d) at least 15 days before any Insurance Policy expires, notify the Intercreditor Agent of:
 - (i) the renewal plan for such Insurance Policy, including the names of the insurers and/or the war risks and protection and indemnity associations proposed to be employed for the purposes of the renewal of such Required Insurance; and

-
- (ii) the amount in which such Required Insurance is proposed to be renewed and the risks to be covered, and procure that appropriate instructions for the renewal of such Required Insurance on the terms so specified are given to the brokers (if applicable) and associations in each case satisfactory (or deemed to be satisfactory) in accordance with Clause 25.1 or Clause 25.2 and, at least 5 days before such expiry (or within such shorter period as the Intercreditor Agent may from time to time agree), confirm in writing to the Intercreditor Agent that such renewals have been effected in accordance with the instructions so given and this Clause 25;
- (e) forthwith upon the effecting of any Required Insurance, ensure that each satisfactory broker (if applicable) or insurer and/or the war risk and protection and indemnity association provides the Intercreditor Agent with pro forma copies of:
- (i) each Insurance Policy that is to be effected or renewed; and
 - (ii) a letter or letters of undertaking in the standard form customarily available from each such entity, in each case, stating the full particulars (including the dates and amounts) of the Required Insurance, including undertakings that:
 - (A) it shall have endorsed on each Insurance Policy, when issued, a loss payee provision and notice of assignment, in form satisfactory to the Intercreditor Agent;
 - (B) it shall not exercise any Security Interest in respect of any of the Insurance Policies on account of monies owing to it in priority to the Security Interest of the Security Trustee in any such Insurance Policy;
 - (C) it shall advise the Intercreditor Agent forthwith of any material change to any term of the Required Insurance;
 - (D) it shall notify the Intercreditor Agent, not less than 15 days before the expiry of the Required Insurance, in the event of it not having received notice of renewal instructions from the relevant Borrower in accordance with Clause 25.3(d), and, in the event of it receiving instructions to renew, it promptly shall notify the Intercreditor Agent of the terms of the instructions;
 - (E) if the insurances required under Clauses 25.1(a)(i) and 25.1(a)(ii) are placed on a fleet basis, it shall procure the Insurance Policies on terms that shall not permit the relevant insurer to exercise any Security Interest for outstanding premiums or other amounts on any vessel not subject to the Security against any proceeds payable in respect of any of the Vessels, or cancel cover on any of the Vessels for lack of payment of any premium for a vessel that is not subject to the Security and, to the extent that any such Insurance Policy cannot be procured on such terms, it shall arrange for the issue of a separate Insurance Policy or Insurance Policies for any of the Vessels;

- (f) not settle, release, compromise or abandon any claim in respect of any Total Loss or a Major Casualty Event for which the Intercreditor Agent has not approved a Repair Plan submitted by the Borrower in accordance with Clause 19.34 unless the Intercreditor Agent has given written notice that it is satisfied that such release, settlement, compromise or abandonment shall not prejudice the interests of the Secured Parties under or in relation to any Finance Document;
- (g) arrange for the execution and delivery of such guarantees as may from time to time be required by any protection and indemnity or war risks club or association in accordance with the rules of such club or association;
- (h) procure that the first priority Security Interest of the Security Trustee is noted on all Insurance Policies; and
- (i) in the event that the Guarantor or any Borrower receives payment of any moneys from any Required Insurances, save as provided in the loss payable clauses scheduled to the Insurance Policies, forthwith pay over the same to the Security Trustee and, until paid over, such moneys shall be held in trust for the Security Trustee by the Guarantor or such Borrower (as applicable).

25.4 Market Availability

- (a) Notwithstanding anything to the contrary in this Clause 25, no Borrower shall be required to maintain:
 - (i) the insurance required in accordance with Clause 25.1(a)(iii) in an amount equal to the Maximum P&I Limit if such insurance (including the limits or deductibles or any other terms thereof) in an amount equal to the Maximum P&I Limit is not available on reasonable commercial terms (including cost), in which case the relevant Borrower may effect and maintain such insurance in an amount that represents the maximum amount available at that time on reasonable commercial terms, provided that such amount is not less than 50% of the Fair Market Value of its Vessel and provided that such Borrower (at its own cost and expense and at no cost or expense to any Secured Party) also shall have procured and have in full force and effect the Minimum Primary Insurance; and
 - (ii) any insurance otherwise required to be maintained under this Clause 25 or obtain any policy endorsements on any such insurance, in each case, if such insurance (including the limits or deductibles or any other terms thereunder) or policy endorsements is not available in the commercial insurance market.
- (b) If at any time a Borrower is not required to maintain any insurance prescribed by this Clause 25 or in the amount prescribed in Clause 25.1, the relevant Borrower and the Intercreditor Agent shall confer at the end of every quarter from the date upon which the relevant Borrower's obligations are so limited and in any event prior to renewal of the relevant policies to assess whether cover has become available on reasonable commercial terms or in the commercial insurance market, as the case may be, and such Borrower shall keep the Intercreditor Agent informed of the availability of such cover.

-
- (c) If the Intercreditor Agent disagrees with any Borrower as to whether
- (i) the insurance required in accordance with Clause 25.1(a)(iii) is available in an amount equal to the Maximum P&I Limit on reasonable commercial terms or, if it is not so available, whether the amount proposed to be put in place by the relevant Borrower represents the maximum amount of such insurance that is available at that time on reasonable commercial terms; or
 - (ii) any relevant insurance and/or policy endorsements are available in the commercial insurance market,
- and the Intercreditor Agent and such Borrower fail to reach agreement on such matter within 30 days of the commencement of negotiations on such matter, they jointly shall refer the matter to an independent insurance expert (the “ **Insurance Expert** ”) (whose identity and terms of reference shall be agreed upon by such Borrower and the Intercreditor Agent or, in the absence of such agreement within 30 days of the commencement of negotiations on such matter, as specified by the Chairman of the Association of British Insurers) who shall make a determination within 30 days as to the availability of the available insurance. In making such determination, the Insurance Expert shall act as an expert and not as an arbitrator.
- (d) The determination by the Insurance Expert shall be binding on the Parties. If the Insurance Expert determines that the insurance required in accordance with Clause 25.1(a)(iii) is available in an amount equal to the Maximum P&I Limit on reasonable commercial terms (or, if not so available, the Insurance Expert otherwise determines the amount that represents the maximum amount of such insurance that is available at that time on reasonable commercial terms), or, as the case may be, that the relevant insurance or applicable policy endorsements are available in the commercial insurance market, or if the insurance required in accordance with Clause 25.1(a)(iii) subsequently becomes available in an amount equal to the Maximum P&I Limit on reasonable commercial terms or, as the case may be, the relevant insurance or policy endorsements that were not previously available subsequently become available in the commercial insurance market, the relevant Borrower promptly shall procure such insurance or policy endorsements, as the case may be.
- (e) The costs of the Insurance Expert shall be borne by the Borrowers, and the Borrowers shall bear their own costs in relation to the expert determination.

25.5 Mortgagee’s interest insurance

- (a) In respect of each Vessel, the Security Trustee, acting on the instructions of the Intercreditor Agent, shall be entitled from time to time with effect from the Delivery Date of such Vessel (at the cost and expense of the relevant Borrower and at no cost or expense to any Secured Party, hereunder in respect of all premiums and other expenses that are incurred in connection with or with a view to effect, maintain or renew any such insurance or dealing with, or considering, any matter arising out of any such insurance) to effect, maintain and renew any one or more of the following insurances, in such manner as the Security Trustee may from time to time consider appropriate, in the Required Insurance Amount for such insurance through insurers as may be available to the Security Trustee:
- (i) a mortgagee’s interest marine insurance providing for the indemnification of the Secured Parties for any losses under or in connection with any Finance Document that directly or indirectly result from loss, of or damage to, a Vessel or a liability of a Vessel, the Guarantor or a Borrower, being a loss or damage that is prima facie covered by a Required Insurance but in respect of which there is a non-payment (or reduced payment) by the underwriters by reason of, or on the basis of any allegation concerning:
 - (A) any act or omission on the part of the Guarantor or a Borrower, of the Manager or of any officer, employee or agent of any such Person, including any breach of warranty or condition or any non-disclosure relating to such Required Insurance;

- (B) any act or omission, whether deliberate, negligent or accidental, or any knowledge or privity of the Guarantor or a Borrower, of the Manager or of any officer, employee or agent of any such Person, including the casting away or damaging of any Vessel and/or any Vessel being unseaworthy; or
 - (C) any other matter that is insured against under a mortgagee's interest marine insurance policy from time to time generally available, whether or not similar to the foregoing; and
- (ii) a mortgagee's interest additional perils policy providing for the indemnification of the Secured Parties against, amongst other things, any losses or other consequences of any environmental claim, including the risk of any expropriation, arrest or any form of detention of any Vessel, or the imposition of any Security Interest over any Vessel and/or any other matter insured against under a mortgagee's interest additional perils (pollution) policy.
- (b) To the extent reasonably practicable, the Security Trustee shall give notice to the relevant Borrower before effecting any policy of insurance in accordance with this Clause 25.5 and, with any such notice, shall give details of the costs and expenses associated with such policy. Neither the Security Trustee's rights nor the Borrowers' obligations under this Clause 25.5 (including the Borrowers' obligation to bear any costs and expenses associated with effecting, maintaining and renewing any insurances taken out in accordance with this Clause 25.5) shall be impaired or otherwise affected by any delay or failure by the Security Trustee to give notice in accordance with this Clause 25.5(b).

26. ACCOUNTS

26.1 Establishment of Accounts

- (a) Each Borrower has established and shall maintain the following Dollar denominated segregated interest bearing deposit accounts (the details of which are set out in Schedule 25 for each Borrower) in its own name with the Accounts Bank:
- (i) the "Collection Account";
 - (ii) the "Disbursement Account";
 - (iii) the "Debt Service Account"; and
 - (iv) the "Debt Service Reserve Account".
- (b) In no event shall the Accounts Bank be required or obliged to accept any deposit of funds into any Account in a currency other than Dollars.

26.2 Control of Accounts

- (a) At all times, unless an Accounts Control Event shall have occurred and be continuing:
 - (i) each Borrower and, in the case of the Guarantor Equity Account, the Guarantor, subject to Clause 26.8(b), shall be free to deposit, invest (and to vary or redeem such investment) and withdraw moneys from its Accounts in each case, in accordance with this Agreement;
 - (ii) neither the Security Trustee, the Accounts Bank or, if applicable, the Operating Accounts Bank, except as expressly provided in this Agreement, shall:
 - (A) have any duty to monitor any such deposit, investment or withdrawal;
 - (B) be required to consider whether any such deposit, investment or withdrawal was made in accordance with this Agreement;
 - (C) have any right to take any action (including initiating or joining in any proceeding) to disburse the amount standing to the credit of any Account from any Account or to approve, limit, impede, prohibit, restrict, dispute or condition any such withdrawal, transfer, application or payment of any amount to or from any Account or other exercise by any Obligor of its rights under this Agreement (and shall decline to pursue or use any right it may have to do so), unless, in each such case, it is subject to a binding order issued by a court in the jurisdiction where the Accounts are established and maintained, requiring it to do so; or
 - (D) be under any duty to give any Account and any fund held thereby any greater degree of care than it gives its own similar assets.
- (b) Upon the occurrence and the continuance of an Accounts Control Event, each Obligor no longer shall be entitled to make any withdrawals, payments or transfers from any of their Accounts and the Security Trustee shall assume exclusive control of all such Accounts.
- (c) If the Security Trustee assumes exclusive control of any Accounts as provided in this Clause 26.2, it shall deliver a notice (the “**Account Control Notice**”) to the relevant Borrower or, in the case of the Guarantor Equity Account, the Guarantor and, in each case, the Accounts Bank and/or, if applicable, the Operating Accounts Bank, stating its intention to so assume exclusive control of the relevant Accounts, the date and time from which it shall assume such control and the Accounts Control Event that has given it the right to take such control.
- (d) If the Security Trustee assumes exclusive control of any Account in accordance with this Clause 26.2, it shall from the date specified in the Account Control Notice:
 - (i) make payments from the relevant Borrower’s Collection Account to give effect to the priority established in the Cash Waterfall for such Borrower; and

- (ii) if there are insufficient funds in the relevant Borrower's Collection Account to make any payment required in accordance with such Borrower's Cash Waterfall or otherwise by such Borrower, be permitted to liquidate any Permitted Investment (without regard to maturity) and to draw on any Acceptable Letter of Credit in order to make any application required in accordance with such Cash Waterfall or to make any such other payment of such Borrower.
- (e) In furtherance, and not in limitation, of any other indemnity or limitation of liability with respect to the Security Trustee contained in this Agreement or in any other Finance Document, the Security Trustee shall not be liable for the selection of any Permitted Investments or any losses suffered by any Obligor, including losses due to early liquidation or market risk, that are a result of the Security Trustee's exercise of its authority under Clause 26.2(d).

26.3 Deposit of funds

- (a) Each Borrower shall ensure that:
 - (i) all Proceeds received by it are deposited in its Disbursement Account or otherwise applied in accordance with the requirements of any Restricted Tranche, that any Excess Proceeds shall be applied in accordance with Clause 16.3, Clause 26.18 and Clause 26.4; and
 - (ii) all Revenues received by it are deposited in its Collection Account or, to the extent required by any Acceptable Charter or Alternative Charter, in its relevant Local Account before being swept into the Collection Account to the extent possible and in accordance with Schedule 35 and any approved Local Account Proposal.
- (b) Each Borrower, by no later than the date any Revenues required to be deposited into its Collection Account or any Local Account in accordance with Clause 26.3(a) are required to be paid by any Person, shall give each such Person, or the Person making payment on behalf of such Person (including banks making payments under letters of credit), irrevocable instructions to make all such payments (and any other payments of any Revenues to be made by such Person) directly to its Collection Account or Local Account (as applicable).
- (c) If any Borrower receives any Revenues required to be deposited into its Collection Account or any Local Account in accordance with Clause 26.3(a) other than by deposit into its Collection Account or Local Account (as applicable), then such amounts shall be received and held on trust for the Security Trustee (on behalf of the Secured Parties) and segregated from other funds of such Borrower and such Borrower promptly shall deposit, or cause to be deposited, such amounts in its Collection Account.

26.4 Disbursement Account

- (a) Funds shall be deposited in each Borrower's Disbursement Account in accordance with Clause 26.3(a), Clause 16.4(b) and Clause 26.18(e).
- (b) Subject to Clause 26.2, funds on deposit in a Borrower's Disbursement Account (other than any Excess Proceeds deposited in accordance with Clause 26.18(e)) may be withdrawn by such Borrower at any time and used for Permitted Uses (other than O&M Expenses prior to the delivery of such Borrower's Vessel) in accordance with Clause 19.1 or paid to the Guarantor Equity Account in accordance with Clause 16.4(a).

- (c) Any Excess Proceeds deposited into an Alternative Arrangement Borrower's Disbursement Account in accordance with Clause 26.18(e) may be paid to the Guarantor only in accordance with Clause 16.3.

26.5 Collection Account

- (a) Funds shall be deposited in each Borrower's Collection Account in accordance with Clause 26.3(a).
- (b) Subject to Clause 26.2, from and including the date on which funds are first deposited in its Collection Account, at any time (and no less frequently than once every 30 days following the first date on which funds in the Collection Account are applied in accordance with this Clause 26.5(b)) each Borrower shall apply the amount standing to the credit of its Collection Account in the following order of priority for payments and deposits (such Borrower's "**Cash Waterfall**"), provided that, no amount may be withdrawn from such Borrower's Collection Account in accordance with Clauses 26.5(b)(i) to (iv) unless all amounts then required to be paid or transferred under any preceding such Clause have been paid or transferred in accordance with the terms of this Agreement:
- (i) first, to O&M Expenses then due and payable by such Borrower in accordance with Clause 19.1 or, following the Delivery Date of its Vessel and otherwise in accordance with Clause 26.8, to transfer to such Borrower's Operating Account an amount up to the amount of O&M Expenses that will be due and payable by such Borrower within ten Business Days from the date of such transfer;
 - (ii) second, to transfer to such Borrower's Debt Service Account, the amount necessary to ensure that the balance standing to the credit of its Debt Service Account is equal to the then applicable Debt Service Amount;
 - (iii) third, to transfer to such Borrower's Debt Service Reserve Account the amount necessary to ensure that the balance standing to the credit of its Debt Service Reserve Account is equal to the then applicable Debt Service Reserve Account Required Balance;
 - (iv) fourth, to:
 - (A) in respect of any funds that are not to be used for Distributions in accordance with Clause 26.5(b)(iv)(B), at such Borrower's sole discretion, apply such funds to:
 - (I) make prepayments of such Borrower's Term Loan in accordance with the terms of this Agreement;
 - (II) pay for costs and expenses incurred by such Borrower in fulfilling such Borrower's obligations under any Acceptable Charter or Alternative Charter to provide any Charterer Furnished Items;
 - (III) make distributions in accordance with Clause 16.5(b);
 - (IV) other Permitted Uses;

- (V) cash collateralise any letter of credit or similar support letter that constitutes Permitted Indebtedness in accordance with paragraph (c) of the definition of Permitted Indebtedness; or
 - (VI) make any payment to the Guarantor Equity Account in accordance with Clause 16.4(a); or
 - (B) subject to the conditions in Clause 26.10 being met, to make Distributions.
- (c) The amounts to be withdrawn from its Collection Account and paid or transferred in accordance with Clause 26.5(b) shall be determined by the relevant Borrower.

26.6 Debt Service Account

- (a) Funds shall be deposited in each Borrower's Debt Service Account in accordance with Clause 26.5(b)(ii).
- (b) Subject to Clause 26.2, on each date on which Senior Debt Service is due and payable (including each Repayment Date), the Accounts Bank shall, and each Borrower hereby irrevocably gives the Accounts Bank permission to, debit the relevant Borrower's Debt Service Account and credit the designated account of the Intercreditor Agent in accordance with Clause 5.2 in order to pay Senior Debt Service then due and payable plus amounts then due and payable under the Interest Hedging Instruments applicable to such Borrower's Senior Debt or Other Hedging Instruments approved by the Lenders in accordance with this Agreement (together the "**Senior Debt Payments**"), such payments to be made in the following order:
 - (i) first, in or towards payment of any accrued fees and premiums comprised in such Senior Debt Payments;
 - (ii) second, in or towards payment of any interest comprised in such Senior Debt Payments and net scheduled payments due in respect of any Interest Hedging Instrument or Other Hedging Instruments approved by the Lenders in accordance with this Agreement (excluding any liquidation or breakage costs and any termination costs in respect of any such Interest Hedging Instrument or Other Hedging Instruments approved by the Lenders in accordance with this Agreement);
 - (iii) third, in or towards payment of any principal (excluding mandatory prepayments) and termination costs in respect of any Interest Hedging Instrument or Other Hedging Instruments approved by the Lenders in accordance with this Agreement comprised in such Senior Debt Payments to the extent payment thereof is permitted in accordance with the Intercreditor Agreement; and
 - (iv) fourth, in or towards payment of any other sums (excluding mandatory prepayments) comprised in such Senior Debt Payments.
- (c) If, on a date on which Senior Debt Service is due and payable by any Borrower (including each Repayment Date), following payment in accordance with Clause 26.6(b), there remain any funds standing to the credit of such Borrower's Debt Service Account, such Borrower shall transfer such funds to its Collection Account.

26.7 Debt Service Reserve Account

- (a) Funds shall be deposited in each Borrower's Debt Service Reserve Account in accordance with Clause 26.5(b)(iii) or, in respect of any Equity Undertaking Proceeds or other Equity contributed to the Borrowers in accordance with this Agreement, in accordance with Clause 26.4(b).
- (b) Subject to Clause 26.2, on each date on which Senior Debt Service is due and payable (including each Repayment Date), if there are insufficient funds standing to the credit of a Borrower's Debt Service Account to permit such Borrower to make all Senior Debt Payments required to be made in accordance with Clause 26.6(b) on such date by such Borrower, then such Borrower may request that the Accounts Bank withdraw the funds on deposit in such Borrower's Debt Service Reserve Account (in the amount required for such Borrower to pay such unpaid Senior Debt Payments) and use such amounts to pay such unpaid Senior Debt Payments. Such payments shall be applied in accordance with the requirements of Clause 26.6.

26.8 Operating Accounts

- (a) Subject to Clauses 26.8(b) to 26.8(f), each Borrower may open and maintain with the Operating Accounts Bank a Dollar denominated segregated deposit account in its own name as its “ **Operating Account** ”.
- (b) Promptly upon opening an Operating Account and in any event no later than ten Business Days before it first deposits any funds into such Operating Account, the relevant Borrower shall:
 - (i) execute and record in favour of the Security Trustee a first priority accounts pledge and an accounts control agreement, each substantially in the form set out in Schedule 29 and which such agreements shall have been executed by all parties thereto including the Operating Accounts Bank (as relevant); and
 - (ii) deliver to the Intercreditor Agent a legal opinion or legal opinions in respect of each such accounts pledge and accounts control agreement in each case in form and substance satisfactory to the Intercreditor Agent.
- (c) A Borrower shall deposit funds into its Operating Account only:
 - (i) after the Delivery Date of its Vessel and provided that no Potential Event of Default or Event of Default is continuing;
 - (ii) from its Collection Account in accordance with Clause 26.5(b)(i); and
 - (iii) no more frequently than once per week.
- (d) A Borrower shall withdraw funds on deposit in its Operating Account only to pay O&M Expenses then due and payable by such Borrower.
- (e) Prior to the date on which any Borrower first deposits any funds into an Operating Account, the Borrower shall procure that the Operating Accounts Bank shall accede to this Agreement and the Intercreditor Agreement by executing an Accession Deed in substantially the form as set out in Part D of Schedule 28 and, from the date of such accession, the Operating Accounts Bank shall be bound as Operating Accounts Bank by the terms and conditions, and shall be entitled to the rights afforded to the Operating Accounts Bank, in each case as set out in this Agreement and the Intercreditor Agreement.

-
- (f) Upon the occurrence of an Event of Default or a Potential Event of Default, the Security Trustee, by written notice to the Operating Accounts Bank, may instruct the Operating Accounts Bank to transfer all funds at that time on deposit in any Operating Account specified in such notice into the Collection Account of the same Borrower as specified in such notice and, as soon as possible following receipt of any such notice, the Operating Accounts Bank shall transfer all such funds in such manner.

26.9 Required balances

- (a) Following the payment in full of the amounts required to be paid in accordance with Clauses 26.6(b) and 26.7 on each Repayment Date, each Borrower shall:
- (i) recalculate the then applicable Debt Service Reserve Account Required Balance; and
 - (ii) calculate the amount of the payment expected to be made in accordance with Clause 26.6(b) on the next Repayment Date,
- and notify the Intercreditor Agent thereof (providing together with such notification any supporting information that may have been requested by such Borrower and received from any Secured Party and used to prepare any such recalculation or calculation (as the case may be)). The Intercreditor Agent promptly shall notify such Borrower of any dispute relating to the revised Debt Service Reserve Account Required Balance or the amount of any such payment expected to be made in accordance with Clause 26.6(b) on the next Repayment Date.
- (b) If, following the recalculation of the Debt Service Reserve Account Required Balance, the balance standing to the credit of the Debt Service Reserve Account of any Borrower is in excess of the Debt Service Reserve Account Required Balance for such Borrower then any such excess balance shall be transferred by such Borrower to its Collection Account or applied in accordance with Clause 26.17, provided that such Borrower shall not make any such transfer with respect to, and to the extent of, any disputed portion of the Debt Service Reserve Account Required Balance, as notified by the Intercreditor Agent to such Borrower in accordance with Clause 26.9(a).

26.10 Distributions

A Borrower may make a Distribution only:

- (a) using the funds on deposit in its Collection Account;
- (b) if:
 - (i) the date of such Distribution falls no earlier than the later to occur of:
 - (A) 1 January 2014;
 - (B) the date falling three years after the occurrence of the Delivery Date of the first Vessel to be delivered; and

- (C) where an Alternative Charter has been executed by any Alternative Arrangement Borrower, the date on which the Alternative Arrangement Period Expiry Date for each such Alternative Arrangement Borrower has occurred;
 - (ii) no Event of Default or Potential Event of Default is continuing or would result from the making of such Distribution;
 - (iii) each Obligor is in compliance with all of its obligations under each Finance Document as at the date of such Distribution, both before and after giving effect to such Distribution;
 - (iv) a fully effective Acceptable Charter or Alternative Charter is in place for each Vessel;
 - (v) each Borrower's Debt Service Reserve Account is funded with the Debt Service Reserve Account Required Balance;
 - (vi) the aggregate amount of all Distributions made by all Borrowers in that year does not exceed 40 per cent. of the aggregate net income of all Borrowers in the previous year (as demonstrated by the audited consolidated Financial Statements of the Guarantor and the Summary Financial Statements in each case delivered in accordance with this Agreement in respect of such previous year and excluding for the purposes of such calculation of net income any non-cash tax expenses and any unrealised gains or losses on any financial instruments (including any equity securities));
 - (vii) the most recent calculation of the Projected DSCR is based only on revenues under effective Acceptable Charters or Alternative Charters and does not include any assumption as to the renewal of any Acceptable Charter or Alternative Charter that is due to expire or terminate or as to any charter day rate; and
- (c) if such Borrower has delivered an Officer's Certificate to the Intercreditor Agent certifying as to compliance with each item in Clause 26.10(b).

If: (x) the Guarantor has made a contribution of funds to a Borrower in order for such Borrower to make any prepayment in accordance with Clause 5.9; and (y) following the application of such funds to make such prepayment, such Borrower receives insurance or other proceeds in respect of the exceptional event that gave rise to the requirement to make such prepayment, then, at the request of such Borrower, the Intercreditor Agent shall enter into discussions in good faith regarding the possibility of securing any requisite consents that may be required for such Borrower to make a distribution of such proceeds to the Guarantor (in an amount no greater than the amount so contributed by the Guarantor).

26.11 Payments from Accounts

- (a) The Accounts Bank and, if applicable, the Operating Accounts Bank each agree that it shall make such payments out of the funds on deposit in any Account maintained with it as may from time to time be required in accordance with the terms of this Agreement.
- (b) For the avoidance of doubt, funds on deposit in any Account must represent cleared funds and payments may only be made in relation to funds on deposit in any Account as at the close of business on the immediately preceding Business Day unless stated otherwise in this Agreement.

- (c) If there are insufficient cleared funds in any Account to make a payment in accordance with a Payment Instruction then the Accounts Bank or, if applicable, the Operating Accounts Bank shall attempt to inform the relevant Obligor of the shortfall as soon as practicable. Until the Accounts Bank or, if applicable, the Operating Accounts Bank is able to contact such Obligor and receive instructions, the Accounts Bank or, if applicable, the Operating Accounts Bank shall be under no obligation to make any payment in accordance with a Payment Instruction. The Accounts Bank or, if applicable, the Operating Accounts Bank shall be under no obligation to inform any other Person (including, but not limited to, any Person that is to receive the payment) if there are insufficient cleared funds credited to any Account to make a payment in accordance with a Payment Instruction.
- (d) Each instruction to:
- (i) the Accounts Bank in respect of a payment to be made from an Account shall be substantially in the form of Schedule 24 or in such other form as the relevant Parties may agree, shall be executed by an Authorised Representative of the relevant Obligor and shall be copied at the same time, if sent by:
 - (A) an Obligor, to the Security Trustee and the Intercreditor Agent; or
 - (B) the Security Trustee, to the relevant Borrower, the Guarantor and the Intercreditor Agent; and
 - (ii) the Operating Accounts Bank in respect of a payment to be made from an Operating Account shall be in such form (and which may be given electronically) as the relevant Parties may agree provided that, if at any time the Accounts Bank and the Intercreditor Agent shall not have secured electronic access such that each such Agent may monitor all transactions that occur in respect of each Operating Account, including details of each payment into and each payment out of each Operating Account, such instruction shall be:
 - (A) substantially in the form of Schedule 24; and
 - (B) at the same time as it is sent by an Obligor, copied to the Accounts Bank, the Security Trustee and the Intercreditor Agent,
- each such instruction, a “ **Payment Instruction** ”.
- (e) Unless a longer period is otherwise stated in this Agreement, all Payment Instructions must have been received by the Accounts Bank or, if applicable, the Operating Accounts Bank:
- (i) in the case of payments to be made from an Account held with the Accounts Bank to another Account held with the Accounts Bank, by 5.00 pm (New York time) on the Business Day prior to the date of the intended payment; and
 - (ii) in all other cases, at least three clear Business Days before the date on which the payment is to be made.

-
- (f) The Accounts Bank and, if applicable the Operating Accounts Bank, shall not be obliged to make any payment or otherwise to act on a Payment Instruction if it is unable:
- (i) to verify any signature on the Payment Instruction against the specimen signature provided for the relevant Party;
 - (ii) (in the case of any Payment Instruction received by fax) to validate the authenticity of the request for the relevant Party, if so desired;
 - (iii) to comply with the Payment Instruction because it is in any way incomplete or contains insufficient information; or
 - (iv) to validate the authenticity of the request by telephoning a callback contact who is not the relevant Authorised Representative for the relevant Party,
 - (v) and thereafter the Accounts Bank and, if applicable, the Operating Accounts Bank, may request any further information, clarification or verification (without liability for any resulting loss or delay) and refrain from taking any action pending receipt of such further information, clarification or verification to its satisfaction.
- (g) The Accounts Bank and, if applicable, the Operating Accounts Bank, shall be entitled to assume that:
- (i) no Account Control Notice has been issued in respect of any payment or transfer; and
 - (ii) no Enforcement Direction has been issued in respect of any Account,
- unless and until a Responsible Officer of the Accounts Bank or, if applicable the Operating Accounts Bank, has received any such notice or direction in accordance with this Agreement.
- (h) None of the restrictions contained in this Agreement on the withdrawal and transfer of funds from the Accounts shall affect any obligations of any Borrower, including, without limitation, any obligation to make any payment of any nature on the due date for payment thereof in accordance with any Finance Document.
- (i) The Accounts Bank and, if applicable, the Operating Accounts Bank, shall be entitled to treat each Payment Instruction as conclusive evidence of the same without any further investigation or enquiry. Each Obligor shall hold the Accounts Bank and, if applicable, the Operating Accounts Bank, harmless and no claim or dispute shall be raised by any Person for lack of conformity of the respective Payment Instruction. If any dispute or claim is raised, each Obligor shall indemnify and keep indemnified the Accounts Bank and, if applicable, the Operating Accounts Bank, for any loss, liability or claim, action, damages and expenses.
- (j) Each Obligor shall give the Accounts Bank and, if applicable, the Operating Accounts Bank, five clear Business Days' notice in writing of any amendment to its Authorised Representatives or callback contacts giving the name, position, specimen signature (in the case of an Authorised Representative only) and telephone number of any new Authorised Representative or callback contacts. Any amendment of Authorised Representatives or callback contacts of any Borrower shall take effect upon the expiry of such five clear Business Days' notice.

- (k) Any payment by the Accounts Bank or, if applicable, the Operating Accounts Bank under this Agreement shall be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by any applicable Legal Requirement.
- (l) If the Accounts Bank or, if applicable, the Operating Accounts Bank, is required by any applicable Legal Requirement to make a deduction or withholding, it promptly shall inform the relevant Obligor and shall not pay an additional amount in respect of that deduction or withholding.

26.12 Guarantor Equity Account

- (a) The Guarantor shall establish and maintain a Dollar denominated segregated deposit account in its own name with the Accounts Bank as the “Guarantor Equity Account”.
- (b) Funds may be deposited into the Guarantor Equity Account in accordance with Clause 16.4(a).
- (c) Funds on deposit in the Guarantor Equity Account may be withdrawn by the Guarantor in accordance with Clause 16.4(b).

26.13 Funds standing to credit of Accounts

- (a) For the purposes of this Agreement, the amount standing to the credit of any Account at any time shall be deemed to be the sum of:
 - (i) the aggregate amount of funds on deposit in such Account;
 - (ii) in respect of any Collection Account, the aggregate amount of Permitted Investments in which all or part of the funds from such Collection Account are then being invested in accordance with Clause 26.14; and
 - (iii) in respect of any Debt Service Reserve Account, the aggregate amount of any Acceptable Letter of Credit with which funds otherwise required to be on deposit in any Debt Service Reserve Account have been replaced in accordance with Clause 26.15.
- (b) For the purposes of Clause 26.13(a), the aggregate amount of Permitted Investments shall equal the sum of all payments of principal and interest owing on such Permitted Investments until the next Repayment Date, net of applicable withholding or other similar deductions, or, if greater, the amount for which such Permitted Investments may be sold or liquidated.
- (c) If an Obligor is required to pay any amount from an Account, it must first use the funds then on deposit in such Account. If such funds are insufficient to pay the amount that the Obligor is required to pay, then the Obligor, in such amounts so that the required funds are available in such Account to make the relevant payment, shall (as applicable):
 - (i) in respect of any Collection Account, liquidate the Permitted Investments in which all or part of the funds from such Account are then being invested; or

- (ii) in respect of any Debt Service Reserve Account, draw down under the Acceptable Letter of Credit with which funds otherwise required to be on deposit in such Account have been replaced.
- (d) Amounts standing to the credit of each Account shall remain the property of the relevant Obligor and shall be subject to the Security.

26.14 Permitted Investments

- (a) Subject to Clause 26.2, a Borrower, by written notice substantially in the form of Schedule 30 and executed by an Authorised Representative of such Borrower (an “ **Investment Notification** ”) (with a copy to the Security Trustee and the Intercreditor Agent), may notify the Accounts Bank of its intention to invest any funds on deposit in its Collection Account in Permitted Investments selected by such Borrower.
- (b) Funds on deposit in any Collection Account may not be invested in any investment other than a Permitted Investment. Funds on deposit in any Account other than a Collection Account may not be invested in any investment, including Permitted Investments. In the absence of an Investment Notification, funds in any Collection Account shall remain in such Collection Account uninvested.
- (c) Unless and until the Accounts Bank has confirmed that it is satisfied that:
 - (i) it has been given sufficiently detailed information in relation to a Permitted Investment in which a Borrower wishes to invest; and
 - (ii) the Intercreditor Agent has confirmed to the Accounts Bank and the Security Trustee that the Intercreditor Agent is satisfied that the Secured Parties shall have a first ranking security interest in such Permitted Investment,the Borrower shall refrain from purchasing or instructing any other Person to purchase such Permitted Investment.
- (d) All Permitted Investments shall be made by the Borrower or any other Person selected by the Borrower in the name of the relevant Borrower and each Borrower shall place or instruct such other Person to place each Permitted Investment in the name of such Borrower.
- (e) If any Permitted Investment terminates or ceases to be a Permitted Investment, the relevant Borrower shall liquidate or procure the liquidation of the Permitted Investment or shall reinvest or procure the reinvestment of the Permitted Investment in replacement Permitted Investments.
- (f) No Secured Party shall be responsible for monitoring whether or not any investment is a Permitted Investment.
- (g) A Borrower’s right to instruct the manner of investment of funds on deposit in its Collection Account in Permitted Investments includes, but is not limited to the right:
 - (i) to sell or instruct any Person to sell any Permitted Investment or hold it until maturity; and

- (ii) upon any sale at maturity of any Permitted Investment, to reinvest or procure the reinvestment of the proceeds thereof, in Permitted Investments or to hold such proceeds for application in accordance with the terms of this Agreement.
- (h) Each Borrower shall notify the Accounts Bank of its intention to liquidate or procure the liquidation of any Permitted Investment by written notice in substantially the form as set out in Schedule 31 (a “ **Liquidation Notification** ”).
- (i) Whenever a Borrower purchases or instructs a Person to purchase a Permitted Investment, not represented or evidenced by certificates or instruments capable of possession, the Borrower shall take or procure that such other Person takes all necessary action, including giving confirmations and notices to record the relevant Borrower’s interest therein.
- (j) Upon the disposal or maturity of any Permitted Investment (other than any Permitted Investment that a Borrower reinvests or instructs another Person to reinvest in a replacement Permitted Investment), the proceeds of such disposal (including any income or interest earned) shall be credited to the relevant Borrower’s Collection Account from which the Permitted Investment was originally made.
- (k) In no event shall the Accounts Bank incur any liability in respect of any Permitted Investment or for any investment losses incurred thereon.
- (l) Each Borrower shall be solely responsible for all its own filings, tax returns and reports on any transactions in respect of any Permitted Investments or relating to any Permitted Investment as may be required by any relevant authority, governmental or otherwise.

26.15 Acceptable Letters of Credit

- (a) Subject to this Clause 26.15 and Clause 26.2 and provided that no Event of Default has occurred and is continuing and each Obligor is in compliance with all of its obligations under each Finance Document as at the date of such replacement of funds, both before and after giving effect to such replacement of funds, a Borrower at any time may elect to provide an Acceptable Letter of Credit in place of any funds that would otherwise be required to be deposited in its Debt Service Reserve Account.
- (b) The amount of any Acceptable Letter of Credit that a Borrower may elect to provide in accordance with Clause 26.15(a) shall equal the amount of funds otherwise required to be deposited in its relevant Debt Service Reserve Account (with no imputed interest) at the time such Acceptable Letter of Credit is put in place.
- (c) If a Borrower wishes to provide an Acceptable Letter of Credit in accordance with Clause 26.15(a) it shall give notice (an “ **Acceptable Letter of Credit Notice** ”) to the Intercreditor Agent.
- (d) Each Acceptable Letter of Credit Notice shall include:
 - (i) the name of the entity that is to provide such Acceptable Letter of Credit;
 - (ii) the expiration date of such Acceptable Letter of Credit;

- (iii) a confirmation by the relevant Borrower that such entity is an Acceptable Bank;
 - (iv) a draft of the proposed form of the Acceptable Letter of Credit and related exhibits and drawing certificates; and
 - (v) details of the amount of the Acceptable Letter of Credit proposed to be provided by the relevant Borrower in respect of its Debt Service Reserve Account.
- (e) If the Intercreditor Agent has not given notice objecting to any Acceptable Letter of Credit proposed in an Acceptable Letter of Credit Notice within five Business Days of receipt of an Acceptable Letter of Credit Notice, then the relevant Borrower may put in place the Acceptable Letter of Credit in the form described in such Acceptable Letter of Credit Notice provided that such Borrower has delivered to the Intercreditor Agent and the Security Trustee all documents comprising such Acceptable Letter of Credit (in the form attached to the Acceptable Letter of Credit Notice). If the Intercreditor Agent gives notice that it does not consider the terms of any Acceptable Letter of Credit proposed in an Acceptable Letter of Credit Notice compliant with the definition of “Acceptable Letter of Credit” then the Borrower may not put in place such Acceptable Letter of Credit.
- (f) Any funds standing to the credit of a Debt Service Reserve Account that are replaced with an Acceptable Letter of Credit shall be paid as Distributions, notwithstanding any restriction contained in the Finance Documents regarding the payment of Distributions.
- (g) If a Borrower has not either (x) proposed (in an Acceptable Letter of Credit Notice to which the Intercreditor Agent has not objected within five Business Days of receipt) a new or replacement Acceptable Letter of Credit or (y) deposited into its Debt Service Reserve Account an amount of funds equal to the amount of the then existing Acceptable Letter of Credit that is due to expire or in respect of which the issuer no longer satisfies the criteria for an Acceptable Bank (as applicable):
- (i) at least 30 days prior to the expiration of any Acceptable Letter of Credit; or
 - (ii) within 15 days after the issuer of an Acceptable Letter of Credit no longer satisfies the criteria for an Acceptable Bank,
- then the Security Trustee, on giving the relevant Borrower at least one Business Day’s advance notice (a “ **Draw Notice** ”), shall draw upon such Acceptable Letter of Credit and deposit the amount drawn into that Borrower’s Debt Service Reserve Account (in each case, in the amount of funds in such Debt Service Reserve Account that were replaced or substituted with an Acceptable Letter of Credit).
- (h) A Borrower may release any Acceptable Letter of Credit that has been provided in accordance with Clause 26.15(a) at any time provided that such Borrower shall have deposited funds into its Debt Service Reserve Account in an amount at least equal to the then applicable Debt Service Reserve Account Required Balance.
- (i) At any time a Borrower may reduce the amount of any Acceptable Letter of Credit that replaced or substituted any funds in its Debt Service Reserve Account to the extent that the then applicable Debt Service Reserve Account Required Balance is less than the amount of such Acceptable Letter of Credit.

26.16 Local Accounts

- (a) If in connection with any proposed Acceptable Charter or Alternative Charter, a Borrower requires any bank account for the purposes of receiving or making payment of amounts in a currency other than Dollars or otherwise requires any modification to any Account of such Borrower (or to the manner in which payments are required or permitted to be made to or from any such Account), at the same time that it submits the proposed Acceptable Charter or Alternative Charter to the Intercreditor Agent for approval in accordance with this Agreement, such Borrower shall submit to the Intercreditor Agent a reasonably detailed description of any such proposed Local Account or other modification to its Accounts (or to the manner in which payments are required or permitted to be made to or from any such Account), that it proposes be opened or made in relation to the entry by it into the proposed Acceptable Charter or Alternative Charter. Any such proposal as it relates to any Local Account shall be in accordance with the requirements set out in Schedule 35 (a “**Local Account Proposal**”).
- (b) If the Intercreditor Agent approves any Local Account Proposal made in accordance with Clause 26.16(a), and the relevant proposed Acceptable Charter or Alternative Charter also is approved as an Acceptable Charter or Alternative Charter (as the case may be), the Relevant Borrower shall be permitted to open and maintain the Local Accounts in accordance with the Local Account Proposal, the requirements set out in Schedule 35, any other instructions of the Intercreditor Agent in respect of such Local Account Proposal and otherwise in accordance with this Agreement.
- (c) If the Intercreditor Agent approves any modification to the Accounts or to the manner in which payments are required or permitted to be made to or from any Account, in each case in accordance with Clause 26.15(a), and the relevant proposed Acceptable Charter or Alternative Charter also is approved as an Acceptable Charter or Alternative Charter (as the case may be), then such modifications shall be made to this Agreement and any other Finance Document as may be necessary to effect such modifications.

26.17 Intercompany loans

Subject to Clause 26.9(b), if at any time:

- (a) the funds on deposit in the Collection Account, Debt Service Account or Debt Service Reserve Account of a Borrower (the “**First Borrower**”) exceeds (i) the amount required to make payment in full of all amounts in accordance with Clauses 26.5(b)(i) to (iii) of such Borrower’s Cash Waterfall, (ii) the Debt Service Amount applicable to such Debt Service Account, or (iii) the Debt Service Reserve Account Required Balance applicable to such Debt Service Reserve Account (as the case may be) in accordance with this Agreement; and
- (b) the funds on deposit in the Collection Account, Debt Service Account or Debt Service Reserve Account of another Borrower (the “**Second Borrower**”) are less than (i) the amount required to make payment in full of all amounts in accordance with Clauses 26.5(b)(i) to (iii) of such second Borrower’s Cash Waterfall, (ii) the Debt Service Amount applicable to such Debt Service Account, or (iii) the Debt Service Reserve Account Required Balance applicable to such Debt Service Reserve Account (as the case may be) in accordance with this Agreement,

then the First Borrower may transfer from its relevant Account all or part of such excess amount to the relevant corresponding Account of the Second Borrower provided that:

- (i) the Guarantor has notified the Intercreditor Agent in writing of the intention to transfer such amounts between such Borrowers' Accounts; and
- (ii) an intercompany loan agreement shall be entered into between the First Borrower and the Second Borrower not later than the date of such proposed transfer, a draft of which such agreement shall be provided to the Intercreditor Agent at least five Business Days prior to the intended date of such transfer and which such agreement shall be in form and substance satisfactory to the Intercreditor Agent.

26.18 Proceeds Retention Accounts

- (a) Each Alternative Arrangement Borrower shall establish and maintain a Dollar denominated segregated interest bearing deposit account in its own name with the Accounts Bank, each such account being designated a "**Proceeds Retention Account**".
- (b) Each Alternative Arrangement Borrower shall:
 - (i) execute and record in favour of the Security Trustee, an amendment to each of the Account Control Agreement and the Account Pledge Agreement to which such Alternative Arrangement Borrower is a party in order to create a first priority security interest in favour of the Security Trustee in respect of the Proceeds Retention Account of such Alternative Arrangement Borrower, which such amendments shall have been executed by all parties thereto including the Accounts Bank; and
 - (ii) deliver to the Intercreditor Agent a legal opinion or legal opinions in respect of each such amendment to the Account Control Agreement and the Account Pledge Agreement of each such Alternative Arrangement Borrower in each case in form and substance satisfactory to the Intercreditor Agent.
- (c) Each Alternative Arrangement Borrower shall request in the relevant Utilisation Request, and shall procure that, any proceeds of a Utilisation of its Term Loan (including the proceeds of any Waiver Utilisation of such Alternative Arrangement Borrower) that exceed the applicable Alternative Charter Term Loan Maximum Amount (the "**Excess Proceeds**") immediately are paid into and retained, subject to Clauses 26.18(d) and (e), in its Proceeds Retention Account. To the extent that any Excess Proceeds in a Proceeds Retention Account at any time exceed the minimum amount of Excess Proceeds that otherwise would be required by this Clause 26.18(c) either: (a) as a result of any change to the applicable Alternative Charter Term Loan Maximum Amount; or (b) following the expiry of an applicable Waiver Period (as such term is defined in the Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter) where the relevant Borrower has entered into either an Acceptable Charter or an Alternative Charter (in each case that has been signed by all parties thereto and approved by the Intercreditor Agent in accordance with the Project Facilities Agreement) prior to the expiry of such Waiver Period, such excess amount of Excess Proceeds may be transferred to the Disbursement Account of the relevant Alternative Arrangement Borrower and, thereafter may be applied in accordance with Clause 16.3.
- (d) During the relevant Alternative Arrangement Period or Waiver Period or upon the expiry of a Waiver Period where the relevant Borrower has not entered into an Acceptable Charter or an Alternative Charter (in each case that has been signed by all parties thereto and approved by the Intercreditor Agent in accordance with the

Project Facilities Agreement) prior to the expiry of such Waiver Period, any amount on deposit in the Proceeds Retention Account of an Alternative Arrangement Borrower may be applied by such Alternative Arrangement Borrower only in prepayment of the principal amount of its Term Loan (without limiting such Borrower's obligations under Clause 5.14 (c)(i)) and the payment of any amount of interest or Break Costs required with such prepayment shall, for the avoidance of doubt, be required to be paid using available funds other than those in such Proceeds Retention Account).

- (e) If any amounts remain on deposit in a Proceeds Retention Account on the applicable Alternative Arrangement Period Expiry Date, such amounts shall be transferred to the Disbursement Account of the relevant Alternative Arrangement Borrower and may, thereafter be applied in accordance with Clause 16.3.

27. SECURITY TRUST AND ENFORCEMENT OF SECURITY

27.1 Appointment of Security Trustee and power of attorney

- (a) Each Secured Party (other than the Security Trustee) appoints and authorises the Security Trustee in accordance with Clause 31.1(d) and the Security Trustee accepts such appointment in accordance with Clause 31.1(f).
- (b) Each Secured Party that is the beneficiary of any Security hereby gives a power of attorney, coupled with an interest, to, and appoints, makes, constitutes and designates the Security Trustee its true and lawful attorney-in-fact, to, in all cases in accordance with this Agreement and the other Finance Documents, execute and deliver in the name of and on behalf of, or individually, as the case may be, all documents required to be executed by such Secured Party in connection with the Security and to do, take and perform all and every act and thing whatsoever requisite, proper or necessary to be done, in the exercise of any of the rights and powers granted in this Clause 27.1(b), as fully to all intents and purposes as each Secured Party might or could do, with full power of substitution or revocation, hereby ratifying and confirming all that said attorney-in-fact, or its substitute or substitutes, shall lawfully do or cause to be done by virtue of the power of attorney and the rights and powers granted in this Clause 27.1(b). This Clause 27.1(b) is to be construed and interpreted as a general power of attorney coupled with an interest. The enumeration of specific items, rights, acts or powers in this Clause 27.1(b) is not intended to, nor does it limit or restrict, and is not to be construed or interpreted as limiting or restricting, the general powers granted in this Clause 27.1(b) to said attorney-in-fact. The rights, power and authority of said attorney-in-fact granted in this Clause 27.1(b) shall commence and be in full force and effect on the date of this Agreement, and such rights, powers and authority shall remain in full force and effect thereafter until the Final Discharge Date.
- (c) The rights, powers and discretions conferred on the Security Trustee by this Agreement shall be supplemental to the Trustee Act 1925 and the Trustee Act 2000 and in addition to any that may be vested in the Security Trustee by any Legal Requirement or otherwise.
- (d) Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Trustee in relation to the trusts constituted by this Agreement. Where there are any inconsistencies between the Trustee Act 1925 and the Trustee Act 2000 and the provisions of this Agreement, to the extent allowed by any Legal Requirement, the provisions of this Agreement shall prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of this Agreement shall constitute a restriction or exclusion for the purposes of the Trustee Act 2000.

27.2 Security interests held in trust

All Security granted and rights assigned to the Security Trustee in accordance with the Security Documents and all benefits, rights and powers granted to the Security Trustee in accordance with the Finance Documents shall be held in trust by the Security Trustee for the benefit of the Secured Parties and the Security Trustee shall exercise such rights and shall apply the proceeds therefrom in accordance with clause 12 of the Intercreditor Agreement.

27.3 Liability of the Obligors

Notwithstanding any other provision of this Agreement or the Security Documents:

- (a) the Obligors shall remain liable under all agreements and contracts included in the Secured Collateral to the extent provided therein;
- (b) the exercise by the Security Trustee or any Secured Party of any of their respective rights under this Agreement or the other Finance Documents shall not release any Obligor from any of its duties or obligations under any contracts or agreements included in the Secured Collateral except to the extent provided therein; and
- (c) neither the Security Trustee nor any other Secured Party shall have any obligation or liability under any such contracts or agreements included in the Secured Collateral by reason of this Agreement or any other Finance Documents, nor shall the Security Trustee or any other Secured Party be obliged to perform any of the obligations or duties of any Obligor thereunder or to take any action or collect or enforce any claim for payment assigned hereunder. The Security Trustee shall in any event not be obliged to take any action hereunder unless indemnified to its full satisfaction.

27.4 Release of Security

Except as otherwise provided in this Agreement or the Intercreditor Agreement, the release of any Security created under the Security Documents requires the consent of the Security Trustee.

27.5 Indemnity; limitations on enforcement

Notwithstanding any other provision of this Agreement or any other Finance Document, neither the Security Trustee nor any other Agent shall be required to take any action with respect to an Enforcement Direction, Enforcement Action or any other action contemplated by this Agreement or any other Finance Document that conflicts with the requirements of any Legal Requirement, exposes the Security Trustee or any other Agent to any liability or otherwise is inconsistent with the terms of any Finance Document, and the Security Trustee and each other Agent may require an indemnity satisfactory to it prior to taking any action hereunder.

27.6 Security Trustee may file proofs of claim

In case of the continuation of any receivership, insolvency, liquidation, bankruptcy, reorganisation, arrangement, adjustment, composition or other similar judicial proceeding in relation to any Obligor or the Secured Collateral in any jurisdiction, the Security Trustee (irrespective of whether the principal of the Senior Debt Obligations shall then be due and payable) shall be entitled and empowered, by intervention in such proceeding or otherwise:

- (a) to file and/or otherwise prove a claim for the whole amount of the Senior Debt Obligations owing and unpaid and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Security Trustee (including any claim for the reasonable compensation, disbursements and advances of the Security Trustee, in its individual or trust capacity, its agents and counsel) and of the Secured Parties allowed in such judicial proceeding; and
- (b) to collect and receive any moneys or other property payable or deliverable on any such claims and to apply such amounts towards the Senior Debt Obligations; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorised by each Secured Party to make such payments to the Security Trustee.

27.7 Security Trustee may enforce claims

All rights of action and claims under this Agreement and the other Finance Documents may be prosecuted and enforced by the Security Trustee in its own name as trustee of an express trust; provided, however, that the Security Trustee is also hereby appointed as agent for the Secured Parties for this and the other purposes of this Agreement and the other Finance Documents, and the Security Trustee may, if necessary under any Legal Requirement, take such action solely as agent for the Secured Parties.

27.8 Acceptable Letters of Credit and Acceptable Guarantees

If any Obligor fails to make any payment in the amount or at the time required in accordance with this Agreement or any other Finance Document (taking account of any applicable cure period), the Security Trustee immediately shall be permitted to draw upon any Acceptable Letter of Credit or enforce any Acceptable Guarantee in relation to such defaulted payment obligation.

27.9 Enforcement expenses

- (a) When the Security Trustee incurs expenses or renders services in connection with an Event of Default, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under applicable bankruptcy, insolvency or other similar Legal Requirements in any jurisdiction.
- (b) The provisions of this Clause 27.9 shall survive the termination of this Agreement and the resignation and removal of the Security Trustee.

27.10 Insurance by Security Trustee

The Security Trustee shall not be under any obligation to insure any of the Secured Collateral, to require any other Person to maintain any insurance or to verify any obligation to arrange or maintain insurance contained in the Finance Documents. The Security Trustee shall not be responsible for any loss that may be suffered by any Person as a result of the lack of or inadequacy of any such insurance.

27.11 Custodians and nominees

The Security Trustee may appoint and pay any Person to act as a custodian or nominee on any terms in relation to any assets of the trust as the Security Trustee may determine, including for the purpose of depositing with a custodian this Agreement or any document relating to the trust created under this Agreement and the Security Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any Person appointed by it under this Agreement or any other Finance Document or be bound to supervise the proceedings or acts of any Person.

27.12 Limitation on Security Trustee's duties in respect of Secured Collateral

Beyond its express duties set forth in this Agreement or in the other Finance Documents as to the accounting to the Obligors and the Secured Parties for moneys received under this Agreement or any other Finance Document, neither the Security Trustee nor any other Agent shall have any duty to the Obligors or any Secured Party with respect to any Secured Collateral in its possession or control or in the possession or control of its agent or nominee, any income thereon, or the priority or preservation of rights against prior parties or any other rights pertaining thereto. To the extent, however, that the Security Trustee or an agent or nominee of the Security Trustee maintains possession or control of any of the Secured Collateral at any office of the Security Trustee, the Security Trustee shall, or shall instruct such agent or nominee to, grant the Obligors and the Secured Parties the access to such of the Secured Collateral that they require for the conduct of their businesses to the extent contemplated by the Finance Documents, except, in the case of the Obligors, if and to the extent an Event of Default is continuing.

27.13 Right to initiate judicial proceedings, etc.

- (a) If the Security Trustee shall have received an Enforcement Direction:
- (i) the Security Trustee shall have the right and power to institute and maintain such suits and proceedings as (subject to receipt of the Requisite Approval and to limitations on commencing bankruptcy proceedings as set forth in this Agreement) it may deem appropriate to protect and enforce the rights vested in it in the Finance Documents; and
 - (ii) the Security Trustee, either after entry or without entry, may proceed (subject to receipt of the Requisite Approval and to limitations on commencing bankruptcy proceedings as set forth in this Agreement) by suit or suits at law or in equity to enforce such rights and to foreclose upon the Secured Collateral assigned for the benefit and to the extent of the interest therein of such Secured Parties and to realise as permitted under any Finance Document upon all or, from time to time, any of the property of the trust established under any Finance Document for the benefit of such Secured Parties under the judgment or decree of a court of competent jurisdiction.

-
- (b) If the Security Trustee receives an Enforcement Direction, it is entitled to assume that all applicable conditions under the Finance Documents for taking any action specified therein have been satisfied.

27.14 Exculpatory provisions

The Security Trustee makes no representations as to the value or condition of the trust created under this Agreement or any part thereof, or as to the title of the Obligors thereto or as to the rights and interests granted or any Security Interest afforded in this Agreement or any other Finance Document or as to the validity, execution (except by itself), enforceability, legality or sufficiency of this Agreement, any other Finance Document or the Senior Debt Obligations, and none of the Security Trustee or any other Agent shall incur any liability or responsibility in respect of any such matters.

27.15 Power of attorney

Each Obligor by way of security for its obligations under this Agreement and the other Finance Documents irrevocably appoints the Security Trustee to be its attorney and to do anything while an Event of Default has occurred and is continuing that the Obligors have authorised the Security Trustee to do under this Agreement or are themselves required to do under this Agreement but have failed to do (and the Security Trustee may delegate that power on such terms as it sees fit, acting reasonably).

27.16 Miscellaneous

- (a) The Security Trustee, acting reasonably, shall have the right at any time to seek instructions concerning the administration of the trust established under this Agreement from any court of competent jurisdiction in England at the expense of the Obligors. In the event of any disagreement between the other Parties resulting in adverse claims being made in connection with any asset held by the Security Trustee, where the terms of this Agreement or the other Finance Documents do not unambiguously mandate the action the Security Trustee is to take or not to take in connection therewith under the circumstance then existing, or the Security Trustee is in doubt as to what action it is required to take or not to take, the Security Trustee shall be entitled to request instructions, or clarifications of any directions, from any Secured Party entitled to give such instructions or confirmation as to whether, and in what manner, it should exercise or refrain from exercising any rights, powers, authorities and discretions and the Security Trustee may refrain from taking any action unless and until instructed otherwise in writing by a request signed jointly by the Parties entitled to give such instruction, or by order of a court of competent jurisdiction in England, and the Security Trustee shall not incur any liability in acting or refraining from acting on such ambiguous instructions.
- (b) No Agent shall be liable for liabilities or damages incurred in the management or operations of the trusts established under this Agreement or in accordance with any Finance Document, except for those contracted or incurred as a result of its gross negligence, wilful misconduct or fraud.

28. INSTRUCTIONS AND VOTING

28.1 General

- (a) Each Facility Agent shall act upon the instructions of the Lenders that it represents.
- (b) The Intercreditor Agent shall act upon the instructions of:
 - (i) the Facility Agents; and
 - (ii) in respect of Clauses 28.2(a) and 28.2(b), the Hedging Parties that are not Defaulting Hedging Parties, in each case in accordance with Clause 28.2.
- (c) The Security Trustee shall act upon the instructions of the Intercreditor Agent in accordance with Clause 28.2 and the Intercreditor Agreement.
- (d) Each instruction given in accordance with this Agreement shall be binding on the Secured Parties and each Secured Party shall cooperate in effecting each such instruction.
- (e) In respect of each of the matters listed in Clause 28.2, the Intercreditor Agent or the Security Trustee (as applicable) shall act on the basis of a Requisite Approval from the applicable Secured Parties.
- (f) If an Obligor or any Secured Party has requested that the Intercreditor Agent or the Security Trustee take any action in respect of which Requisite Approval is required but has not yet been obtained, the Intercreditor Agent shall be entitled to request instructions from the relevant Facility Agents and Hedging Parties entitled to vote and such Facility Agents shall request instructions from the Lenders entitled to vote. Each such request delivered by the Intercreditor Agent shall specify:
 - (i) the subject of the vote;
 - (ii) the decision period within which the vote (if any) of the Secured Parties must be received (which period may be extended by the Intercreditor Agent at any time in its sole discretion); and
 - (iii) the Requisite Approval required for such matter to be approved.
- (g) If a vote is required in accordance with Clause 28.1(f), each of the relevant Facility Agents shall obtain instructions from the Lenders for which it is Facility Agent and that are entitled to vote and, within the decision period specified in the notice delivered by the Intercreditor Agent in accordance with Clause 28.1(f), shall provide a certificate to the Intercreditor Agent setting forth the decision of such Lenders with respect to the matter for which its instructions were sought by the Intercreditor Agent in accordance with Clause 28.1(f). In any vote by Lenders under this Agreement or in respect of any Finance Document, any Lender that has entered into a sub-participation agreement relating to a Commitment or other agreement or arrangement having a substantially similar economic effect shall vote as Lender of record and no other Person party to any such sub-participation or arrangement shall be entitled to vote in accordance with this Agreement or any other Finance Document. No Facility Agent (in its capacity as Facility Agent) shall be permitted to

vote in favour of any Modification, direction or decision that requires (or for which any Secured Party requires) the instructions or consent of one hundred per cent. of the Lenders unless all Lenders represented by such Facility Agent vote in favour of such Modification, direction or decision.

- (h) If the instructions of all Secured Parties or the Majority Secured Parties are required in respect of any decision, the Intercreditor Agent shall:
- (i) in respect of the Lenders, act upon the instructions of the Facility Agents in accordance with this Agreement; and
 - (ii) in respect of the Hedging Parties, request instructions directly from each Hedging Party that is not a Defaulting Hedging Party specifying:
 - (A) the subject of the vote;
 - (B) the decision period within which the vote (if any) of the Hedging Parties must be received (which period may be extended by the Intercreditor Agent at any time in its sole discretion); and
 - (C) the Requisite Approval required for such matter to be approved,and each Hedging Party that is not a Defaulting Hedging Party, within the decision period specified in the notice delivered by the Intercreditor Agent in accordance with this Clause 28.1(h)(ii), shall provide a certificate to the Intercreditor Agent setting forth the decision of that Hedging Party with respect to the matter for which its instructions were sought by the Intercreditor Agent.
- (i) Notwithstanding Clauses 28.1(a) to 28.1(h), the Facility Agents, Intercreditor Agent and Security Trustee shall not be required to seek any instructions from any other Secured Party if the relevant Modification, instruction or exercise of discretion is within the discretion of such Facility Agent, Intercreditor Agent or Security Trustee in accordance with this Agreement.
- (j) The Intercreditor Agent shall be entitled to rely upon any instruction given to it by a Facility Agent and the Security Trustee shall be entitled to rely upon any instruction given to it by the Intercreditor Agent, in each case without being required to make any enquiries as to whether the Facility Agent or Intercreditor Agent (as applicable) had received the requisite instructions from the Lenders or the Facility Agents (as applicable) in order to deliver such instruction.
- (k) Following any request from an Obligor to the Intercreditor Agent for any action in respect of which Requisite Approval is required, the Intercreditor Agent promptly following such vote shall notify the Obligors of the outcome of the vote taken in accordance with this Clause 28.1; provided, however, that the Intercreditor Agent shall not be required to disclose the identity of any Secured Party or the overall percentage of the Secured Parties in each case that voted in favour of or against any such request. Notwithstanding the foregoing, if any vote that is taken for the purpose of approving (x) a charter as an Acceptable Charter or an Alternative Charter and such vote fails to obtain Requisite Approval but the Majority Lenders have voted to approve such proposed Acceptable Charter or Alternative Charter, or (y) a Person as an Acceptable Charterer and such vote fails to obtain Requisite Approval but the Majority Lenders or Super Majority Lenders (as applicable) have voted to approve such proposed Acceptable Charterer, then the Intercreditor Agent shall inform the Guarantor of the identify of any Lender that has voted against the relevant proposal.

- (l) Except as set out in Clause 28.1(m), if a Lender fails to provide an instruction to its Facility Agent within the time period for providing such instruction (as such time period has been notified to such Lender by its Facility Agent in respect of such decision in accordance with Clause 28.1(f)):
 - (i) if such instruction relates to any direction or decision in accordance with Clause 28.2(c)(i) or Clause 28.2(c)(iii) (and for the purposes only of determining whether the Intercreditor Agent has been instructed by the Facility Agents representing one hundred per cent. of the Lenders), such Lender will be deemed to have voted not to approve the relevant Person as an Acceptable Charterer or the relevant charter as an Acceptable Charter or an Alternative Charter (as the case may be); or
 - (ii) if such instruction relates to any Modification, direction or decision other than any direction or decision of the type contemplated by Clause 28.1(l)(i), the Intercreditor Agent shall disregard the Credit Participation, Commitment and/or participation in the Loans (as applicable) of such Lender and such Credit Participation, Commitment and/or participation in the Loans (as applicable) shall be excluded from the numerator and the denominator of any calculation for the purposes of determining whether the Requisite Approval has been obtained.
- (m) The provisions of Clause 28.1(l)(ii) shall not apply to any Modification, direction or decision that expressly requires the prior consent of all the Lenders or in respect of which the Intercreditor Agent is required to act upon the instructions of Facility Agents representing one hundred per cent. of the Lenders.

28.2 Requisite Approval

For any Modification of any Finance Document or for those matters specified in any Finance Document as requiring the approval of any Agent or all or a proportion of the Secured Parties, any action (or inaction) taken in respect of such matter shall require that approval be obtained from the Secured Parties (“**Requisite Approval**”) as follows:

- (a) *Unanimous Secured Party decisions*. The Intercreditor Agent shall not:
 - (i) approve any Other Hedging Instrument in accordance with Clause 20.15(b); or
 - (ii) give any consent or approval in respect of any Modification that has the effect of changing or that relates to:
 - (A) any provision of the Intercreditor Agreement where such Modification would materially adversely affect the interests of any Hedging Party; or
 - (B) the order of priority or any subordination under the Intercreditor Agreement, in each case unless it has been instructed to do so by one hundred per cent. of the Secured Parties in accordance with Clause 28.1(h).

-
- (b) *Majority Secured Party decisions* . The Intercreditor Agent shall not:
- (i) instruct the Security Trustee with regards to the conduct of any Enforcement Action (following the issuance of any Enforcement Direction) in accordance with the Intercreditor Agreement;
 - (ii) approve any Post-Completion Security in accordance with Clause 5.6(b)(ii);
 - (iii) approve any security agreement in respect of:
 - (A) any equipment referred to in the definition of Equity; or
 - (B) any Put Option Shares in accordance with the Put Option Undertaking Agreement;
 - (iv) confirm that it is satisfied that the Secured Parties shall have a first ranking Security Interest in respect of any Permitted Investment in accordance with Clause 26.14(c)(ii);
 - (v) unless the provisions of any Finance Document otherwise provide, give any consent or approval in respect of any Modification that has the effect of changing or that relates to any Security Document; or
 - (vi) give any consent in accordance with clause 4.3(a)(v), clause 4.5, clause 4.9(a)(v), clause 5.2(b), clause 5.4, clause 6.2(b), clause 6.4, clause 6.5(b), clause 6.6(b) or clause 17.2 of the Intercreditor Agreement,

in each case unless instructed to do so by the Majority Secured Parties in accordance with Clause 28.1(h) and where, in respect of any instruction referred to in Clause 28.2(b)(i) the Majority Secured Parties providing such instruction include at least one of the GIEK Facility Lender and the KEXIM Facility Lender.

- (c) *Unanimous Lender decisions* . The Intercreditor Agent shall not:
- (i) approve any Person as an Acceptable Charterer in accordance with the definition of Acceptable Charterer;
 - (ii) approve any Financial Indebtedness as Permitted Subordinated Debt in accordance with the definition of Permitted Subordinated Debt or approve any Security Interest in respect of any Permitted Subordinated Debt in accordance with paragraph (h) of the definition of Permitted Security;
 - (iii) approve any charter as:
 - (A) an Acceptable Bareboat Charter in accordance with paragraph (a) or (b) of the definition of Acceptable Bareboat Charter; or
 - (B) an Acceptable Time Charter in accordance with paragraph (a) or (b) of the definition of Acceptable Time Charter; or
 - (C) an Alternative Charter in accordance with paragraph (d) of the definition of Alternative Charter or approve any extension to the term of any Alternative Charter (except where such extension is effected by the exercise of an express extension right set out in the relevant Alternative Charter);

-
- (iv) declare satisfied or, subject to Clause 37.4, waive any condition precedent as set out in Schedule 2 or any Delivery Condition as set out in Schedule 16;
 - (v) approve any agreement that is not substantially in the form set out in Schedule 22 as a Vessel Management Agreement Direct Agreement or a Vessel Services Agreement Direct Agreement;
 - (vi) give any consent or approval in respect of any other Interest Period in accordance with Clause 7.1(d);
 - (vii) approve any non-compliance with any material obligation or any failure to enforce any material right, in each case under a Material Agreement in accordance with Clause 19.13;
 - (viii) approve any agreement that is not substantially in the form as set out in Schedule 26 as an Acceptable Charter Direct Agreement in accordance with Clause 19.22(b);
 - (ix) approve any compensation to be paid to a Borrower in accordance with Clause 22.9(a)(i)(B);
 - (x) approve any voluntary reorganisation in accordance with Clause 22.17(a);
 - (xi) waive any breach or default under a Material Agreement in accordance with Clause 22.20;
 - (xii) in each case in accordance with Clause 26.16 and Schedule 35:
 - (A) approve any Local Account Proposal;
 - (B) approve any bank that a Borrower or the Guarantor proposes any Local Account be opened and maintained with; or
 - (C) advise a Borrower or the Guarantor of any other requirements of the Secured Parties in respect of any Local Account;
 - (xiii) approve any assignment or transfer by an Obligor in accordance with Clause 30.10; or
 - (xiv) subject to Clause 37.4, give any consent or approval in respect of any Modification that has the effect of changing or that relates to:
 - (A) the definition of “Majority Lenders”, “Majority Secured Parties”, “Super Majority Lenders” or “Initiating Percentage”;
 - (B) an extension to the date of payment of any amount under the Finance Documents;
 - (C) a reduction in the Applicable Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable (except where any such reduction in the Applicable Margin occurs automatically in accordance with paragraph (b)(ii) of the definition of Applicable Margin);

-
- (D) an increase in or an extension of any Commitment;
 - (E) a change to any Obligor;
 - (F) any provision that expressly requires the consent of all the Lenders;
 - (G) Clause 2.2, this Clause 28 or Clause 29;
 - (H) the nature or scope of the guarantee and indemnity granted under Clause 15; or
 - (I) any provision of the Intercreditor Agreement where such Modification would not materially adversely affect the interests of any Hedging Party,

in each case unless it has been instructed to do so by the Facility Agents representing one hundred per cent. of the Lenders.

- (d) *Majority Lender decisions.* The Intercreditor Agent shall not:
 - (i) approve any charter as:
 - (A) a Follow-on Bareboat Charter in accordance with paragraph (d) of the definition of Acceptable Bareboat Charter; or
 - (B) a Follow-on Time Charter in accordance with paragraph (d) of the definition of Acceptable Time Charter;
 - (ii) approve any guarantee as an Acceptable Guarantee in accordance with the definition of Acceptable Guarantee;
 - (iii) approve any Person as an Approved Broker in accordance with the definition of Approved Broker;
 - (iv) approve any Permitted Investment in accordance with paragraph (f) of the definition of Permitted Investment;
 - (v) approve any Guarantor Change of Control in accordance with Clause 5.8;
 - (vi) confirm to the Guarantor that it is satisfied that the Obligors shall have sufficient funds available to them in order to meet in full their payment obligations under the Transaction Documents following the cancellation of the Commitment of a Lender in accordance with Clause 5.15(b)(ii)(y);
 - (vii) notify any Party of any amendment to the Required Equity Amount in accordance with Clause 5.16(e);
 - (viii) approve any Construction Budget, Initial Operating Budget, Annual Operating Budget, Technical Consultant's report or any update thereto in accordance with Clause 19.9;
 - (ix) approve any other classification society in accordance with Clause 19.18;

-
- (x) approve any notice and acknowledgement to be given in accordance with Clause 19.23(b);
 - (xi) approve any other security provided in accordance with Clause 19.29(a)(i) or Clause 19.29(b)(iii)(A);
 - (xii) approve any Repair Plan in accordance with Clause 19.34;
 - (xiii) approve any amendment to any fiscal year, constitutional document, the rights attaching to any share or the corporate structure of the Group, in each case in accordance with Clause 20.1(c);
 - (xiv) approve the entry into any material agreement, contract or commitment or the incurrence of any additional obligation, in each case in accordance with Clause 20.2;
 - (xv) approve any change to the flag, registry or classification of a Vessel in accordance with Clause 20.12;
 - (xvi) approve the replacement of any Manager in accordance with Clause 20.14;
 - (xvii) give any approval in respect of a Released Vessel Agreement in accordance with Clause 21.6;
 - (xviii) approve any legal opinion in accordance with Clause 20.16(b) or Clause 26.18(b)(ii);
 - (xix) confirm as satisfactory any legal opinion delivered in accordance with Clause 26.8(b)(ii);
 - (xx) following an Event of Default or Potential Event of Default, instruct the Security Trustee to issue any notice to the Operating Accounts Bank requesting the Operating Accounts Bank to transfer funds on deposit in any Operating Account to the relevant Borrower's Collection Account in accordance with Clause 26.8(f);
 - (xxi) approve any intercompany loan in accordance with Clause 26.17;
 - (xxii) subject to Clause 28.2(c)(v), approve any Vessel Management Agreement, Vessel Services Agreement, Vessel Management Agreement Direct Agreement or Vessel Services Agreement Direct Agreement, in each case in accordance with the definition thereof;
 - (xxiii) subject to Clause 28.3 and unless such Modification or consent, confirmation, declaration, instruction, approval or other action by the Intercreditor Agent is specifically referred to in this Clause 28.2, give any consent, confirmation, declaration, instruction, approval or take other action, in each case to or under this Agreement or any other Finance Document;
 - (xxiv) approve any written confirmation from a New Lender in accordance with Clause 30.2(a)(i);
 - (xxv) approve any method for the communication of information in accordance with Clause 37.2(a)(i); or
 - (xxvi) declare any Event of Default to have occurred in accordance with Clause 22, in each case unless it has been instructed to do so by the Facility Agents representing the Majority Lenders.

-
- (e) *Initiating Percentage decisions* . The Intercreditor Agent shall not:
 - (i) declare that all or part of the Loans immediately be due and payable in accordance with Clause 23(b); or
 - (ii) deliver an Enforcement Direction to the Security Trustee in accordance with Clause 23(d),in each case unless it has been instructed to do so by an Initiating Percentage of Lenders.
 - (f) *Agents, Mandated Lead Arrangers and Hedging Parties rights*. Any Modification to any Finance Document that relates to the rights or obligations of the Agent, any Mandated Lead Arranger or any Hedging Party (each in their capacity as such) may not be effected without the consent of such Agent, Mandated Lead Arranger or Hedging Party, as the case may be; provided, however, that this Clause 28.2(f) shall not apply to any release of Security, claim or Liabilities (as defined in the Intercreditor Agreement) or to any consent that the Security Trustee gives in accordance with clause 11 of the Intercreditor Agreement.
 - (g) *Other parties*. If any Modification to any Finance Document may impose new or additional obligations on, or withdraw or reduce the rights of, any Person party to that Finance Document other than:
 - (i) in the case of a Secured Party, in a way that affects or would affect the Secured Parties of that class generally; or
 - (ii) in the case of a Borrower, to the extent consented to by the Guarantor,the consent of that Person is required for such Modification.

28.3 Administrative aspects of the Finance Documents

Unless an Event of Default is continuing, the Facility Agents, the Intercreditor Agent and/or the Security Trustee, without obtaining the consent of any Secured Party may:

- (a) agree to (or authorise any Secured Party to agree to) any Modification, give any instruction, or exercise discretion in respect of any matter that is, in the judgment of such Agent, routine, ministerial or administrative with respect to any Finance Document so long as such Modification, instruction or exercise of discretion could not reasonably be expected to be adverse to the interests of any Secured Party;
- (b) execute any agreement or instrument or take such action as may be expressly authorised in accordance with the terms of any Finance Document; and
- (c) agree to the addition or modification of covenants or the correction of any ambiguity or inconsistency in any Finance Document to provide further protection for the Secured Parties (to the extent such action does not otherwise require Requisite Approval to be obtained from any Secured Party under this Agreement or any other Finance Document and could not reasonably be expected to be adverse to the interests of any Secured Party).

29. CLAIMS OF SECURED PARTIES

29.1 Initiation of Claims

Each Secured Party that is a Party, each on its own behalf and on behalf of each Person that it represents, agrees that it shall not commence any proceeding, judicial or otherwise, against any Obligor, whether or not under any Bankruptcy Law (and including without any limitation expedited, summary or other proceeding to obtain judgment for a debt owed), other than in accordance with Clause 29.2.

29.2 No direct enforcement by Lenders

- (a) Other than as expressly provided to the contrary in any Finance Document, the Security Trustee and the Intercreditor Agent shall be the sole Parties authorised on behalf of the Secured Parties to (and only upon receipt of an Enforcement Direction) take any Enforcement Action.
- (b) Other than as expressly provided to the contrary in any Finance Document, each Secured Party that is a Party (other than the Security Trustees and the Intercreditor Agents) shall be prohibited from taking any Enforcement Action and acknowledges and agrees that it shall be impossible to measure in money the injury or damages that would be suffered should an Enforcement Action be commenced by it in violation of this prohibition, and that in the event of such commencement, the Obligors and/or the other Secured Parties could suffer irreparable harm for which there would be no adequate remedy at law and accordingly consents, in addition to all other remedies available under applicable Legal Requirements, to the specific enforcement against it by any Obligor, the Security Trustee and/or any Secured Party of the provisions of Clause 29.1 and this Clause 29.2 without the posting of any bond, and to any and all other equitable, injunctive or other relief available in any jurisdiction in which any such proceeding may have been commenced in violation of this Clause 29.2, and if any action should be brought in equity it shall not raise the defence that there is an adequate remedy at law.
- (c) The Security Trustee may (and shall, upon receipt of instructions from the Intercreditor Agent and together with an indemnity satisfactory to it) seek such equitable, injunctive or other relief available in respect of any violation of Clause 29.1 and/or this Clause 29.2. This Clause 29.2 shall not limit the right of each Facility Agent to bring actions at law or in equity to enforce the provisions of Clause 29.1 and this Clause 29.2 against any other Facility Agent or Secured Party irrespective of whether any action has been taken by the Security Trustee or the Intercreditor Agent.

30. CHANGES TO THE LENDERS AND OBLIGORS

30.1 Assignments and transfers by the Lenders

Subject to this Clause 30, a Lender (the “ **Existing Lender** ”) may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,

to another entity (the “ **New Lender** ”) provided that:

- (i) until the first date on which an Acceptable Charter or an Alternative Charter shall first have been approved in accordance with this Agreement in respect of each Vessel (other than a Released Vessel) or, if earlier, the date on which the Availability Period of all Term Loans shall have expired, such transfer or assignment is made:
 - (A) in respect of the entire Commitment of such Lender; or
 - (B) to any other Person that then is a Lender;
- (ii) the New Lender is a commercial bank; and
- (iii) where such Existing Lender also is a Hedging Party at that time, any Hedging Instrument to which such Existing Lender is the Hedging Party must be transferred to another Permitted Hedge Provider at the same time as any assignment or transfer in accordance with this Clause 30,

provided that none of the restrictions or conditions set out in Clauses 30.1(b)(i) to 30.1(b)(iii) and no other restriction or condition shall apply in respect of any such assignment or transfer by any Existing Lender during the continuance of an Event of Default or Potential Event of Default.

30.2 Conditions of assignment or transfer

- (a) An assignment shall be effective only on:
 - (i) receipt by the Relevant Facility Agent and the Intercreditor Agent (whether in the relevant Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Relevant Facility Agent and the Intercreditor Agent) that the New Lender shall assume the same obligations to the other Secured Parties as it would have been under if it was an Original Lender; and
 - (ii) performance by the Relevant Facility Agent of all necessary “know your customer” or other similar checks under all applicable Legal Requirements in relation to such assignment to a New Lender, the completion of which the Relevant Facility Agent shall promptly notify to the Existing Lender and the New Lender.
- (b) A transfer shall be effective only if the Lenders comply with the procedure set out in Clause 30.5.
- (c) If:
 - (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
 - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 10 or Clause 11,

then the New Lender or Lender acting through its new Facility Office is entitled to receive payment under those Clauses only to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This Clause 30.2 shall not apply in respect of an assignment or transfer made in the ordinary course of the primary syndication of the Term Loan Facility.

- (d) Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Relevant Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.
- (e) Each New Lender shall execute an Accession Deed substantially in the form set out in Part A of Schedule 28 as a pre-condition to its accession to the relevant Finance Documents.

30.3 Assignment or transfer fee

The New Lender, on the date upon which an assignment or transfer takes effect, shall pay to the Relevant Facility Agent (for its own account) a fee of 5,000 Dollars.

30.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
 - (i) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other documents;
 - (ii) the financial condition of any Obligor;
 - (iii) the performance and observance by any Obligor of its obligations under any Finance Document or any other documents; or
 - (iv) the accuracy of any statement (whether written or oral) made in or in connection with any Finance Document or any other document,and any representations or warranties implied by any Legal Requirement are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Secured Parties that it:
 - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) shall continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under any Finance Document or any Commitment is in force.

-
- (c) Nothing in any Finance Document obliges an Existing Lender to:
 - (i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 30; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

30.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 30.2 a transfer is effected in accordance with Clause 30.5(c) when the Relevant Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Relevant Facility Agent, subject to Clause 30.5(b), as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, shall execute that Transfer Certificate.
- (b) The Relevant Facility Agent shall be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender only once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable Legal Requirements in relation to the transfer to such New Lender.
- (c) Subject to Clause 30.9, on the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each Obligor and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “Discharged Rights and Obligations”);
 - (ii) each Obligor and the New Lender shall assume obligations towards one another and/or acquire rights against one another that differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;
 - (iii) the Secured Parties shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by such New Lender as a result of the transfer and to that extent each Secured Party shall be released from further obligations to each other under the Finance Documents;
 - (iv) the New Lender shall become a Party as a “Lender”; and
 - (v) the Relevant Facility Agent shall notify the Obligors of the transfer that has taken place and the identity of the New Lender.

30.6 Procedure for assignment

- (a) Subject to the conditions set out in Clause 30.2, an assignment may be effected in accordance with Clause 30.6(c) when the Relevant Facility Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Relevant Facility Agent, subject to Clause 30.6(b), as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, shall execute that Assignment Agreement.
- (b) The Relevant Facility Agent only shall be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable Legal Requirements in relation to the assignment to such New Lender.
- (c) Subject to Clause 30.9, on the Transfer Date:
 - (i) the Existing Lender shall assign absolutely to the New Lender the rights under the Finance Documents expressed to be the subject of the assignment in the Assignment Agreement;
 - (ii) the Existing Lender shall be released by each Obligor and the other Secured Parties from the obligations owed by it (the “Relevant Obligations”) and expressed to be the subject of the release in the Assignment Agreement;
 - (iii) the New Lender shall become a Party as a “Lender” and shall be bound by obligations equivalent to the Relevant Obligations; and
 - (iv) the Relevant Facility Agent shall notify the Obligors of the assignment that has taken place and the identity of the New Lender.
- (d) Lenders may utilise procedures other than those set out in this Clause 30.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligors or unless in accordance with Clause 30.5, to obtain a release by that Obligor from the obligations owed to that Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) provided that they comply with the conditions set out in Clause 30.2.

30.7 Copy of Transfer Certificate or Assignment Agreement to Obligors

The Relevant Facility Agent, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, shall send to the Intercreditor Agent and the Guarantor a copy of that Transfer Certificate or Assignment Agreement.

30.8 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 30, each Lender without consulting with or obtaining consent from any Obligor, at any time may charge, assign or otherwise create any Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender to a federal reserve or central bank; provided that no such charge, assignment or other Security Interest shall:

- (a) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other Security Interest for such Lender as a party to any of the Finance Documents; or
- (b) require any payments to be made by an Obligor other than or in excess of, or grant to any Person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

30.9 Pro rata interest settlement

If the Relevant Facility Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer in accordance with Clause 30.5 or any assignment in accordance with Clause 30.6 the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

- (a) any interest or fees in respect of the relevant participation that are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date (" **Accrued Amounts** ") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than six months, on the next of the dates that falls at six monthly intervals after the first day of such Interest Period); and
- (b) the rights assigned or transferred by the Existing Lender shall not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
 - (i) when the Accrued Amounts become payable, those Accrued Amounts shall be payable to the Existing Lender; and
 - (ii) the amount payable to the New Lender on that date shall be the amount that would, but for the application of this Clause 30.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

30.10 Assignments and transfer by Obligors

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents without the prior written consent of the Intercreditor Agent.

30.11 Prohibition on Debt Purchase Transactions by the Group

No Obligor shall enter into any Debt Purchase Transaction or beneficially own all or any part of the share capital of a Person that is or becomes a Lender or a party to a Debt Purchase Transaction of the type referred to in paragraphs (b) or (c) of the definition of Debt Purchase Transaction.

30.12 Disenfranchisement on Debt Purchase Transactions entered into by Investor Affiliates

- (a) For so long as an Investor Affiliate (i) beneficially owns a Commitment or (ii) has entered into a sub-participation agreement relating to a Commitment or other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated:
 - (i) in ascertaining whether any given percentage (including, for the avoidance of doubt, unanimity) of the aggregate Commitments, Available Commitments, outstanding principal amount of any Loan or outstanding Senior Debt Obligations has been obtained to approve any request for a consent, waiver, amendment or other vote under any Finance Document such Commitment shall be deemed to be zero; and
 - (ii) for the purposes of Clause 30.12(a)(i), such Investor Affiliate or the Person with whom it has entered into such sub-participation, other agreement or arrangement shall be deemed not to be a Lender (unless in the case of a Person not being an Investor Affiliate it is a Lender by virtue otherwise than by beneficially owning the relevant Commitment).
- (b) Unless such Debt Purchase Transaction is an assignment or transfer, each Lender promptly shall notify the Relevant Facility Agent in writing if it knowingly enters into a Debt Purchase Transaction with an Investor Affiliate (a “ **Notifiable Debt Purchase Transaction** ”), such notification to be substantially in the form set out in Part I of Schedule 32.
- (c) A Lender promptly shall notify the Relevant Facility Agent if a Notifiable Debt Purchase Transaction to which it is a party:
 - (i) is terminated; or
 - (ii) ceases to be with an Investor Affiliate,such notification to be substantially in the form set out in Part II of Schedule 32.
- (d) Each Investor Affiliate that is a Lender agrees that:
 - (i) in relation to any meeting or conference call to which all the Lenders are invited to attend or participate, it shall not attend or participate in the same if so requested by the Relevant Facility Agent or, unless the Relevant Facility Agent otherwise agrees, be entitled to receive the agenda or any minutes of the same; and
 - (ii) in its capacity as Lender, unless the Relevant Facility Agent otherwise agrees, it shall not be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Relevant Facility Agent or one or more of the Secured Parties.

31. THE AGENTS

31.1 Appointment of the Agents

- (a) Each Lender appoints its Relevant Facility Agent to act as its agent under and in connection with the Finance Documents and authorises its Relevant Facility Agent to exercise the rights, powers, authorities and discretions specifically given to such Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.
- (b) Each Lender and each Hedging Party appoints the Intercreditor Agent to act as its agent under and in connection with the Finance Documents and authorises the Intercreditor Agent to exercise the rights, powers, authorities and discretions specifically given to the Intercreditor Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.
- (c) Each Lender, each Hedging Party and each Obligor appoints the Accounts Bank and, if applicable, the Operating Accounts Bank to act as its agent under and in connection with the Finance Documents and authorises the Accounts Bank and, if applicable, the Operating Accounts Bank to exercise the rights, powers, authorities and discretions specifically given to the Accounts Bank and the Operating Accounts Bank, as applicable, under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.
- (d) Each Secured Party (other than the Security Trustee) appoints the Security Trustee to act as its agent and trustee under and in connection with the Finance Documents and to hold the Secured Collateral as a trustee for and on behalf of the Secured Parties and each Secured Party (other than the Security Trustee) authorises the Security Trustee to exercise the rights, powers, authorities and discretions specifically given to the Security Trustee under or in connection with the Finance Documents in accordance with the Finance Documents and together with any other incidental rights, powers, authorities and discretions.
- (e) Each Obligor confirms each such appointment on the terms and conditions of this Agreement and each other Finance Document.
- (f) The execution of this Agreement by each Agent shall be deemed an acceptance by such Agent of its appointment under this Clause 31.1 and an agreement to act as agent on behalf of the appointing Parties and, in the case of the Security Trustee, to hold the Security on trust for the Secured Parties, in each case in accordance with this Agreement and the other Finance Documents.

31.2 Duties of the Agents

- (a) Subject to Clause 31.2(b), each Agent promptly shall forward to each other Party the original or a copy of any document that is delivered to that Agent for such Party by any other Party.
- (b) Without prejudice to Clause 30.7, Clause 31.2(a) shall not apply to any Transfer Certificate or to any Assignment Agreement.
- (c) Except where a Finance Document specifically provides otherwise, no Agent shall be obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

-
- (d) If any Agent receives notice from a Party referring to this Agreement, describing an Event of Default or Potential Event of Default and stating that the circumstance described is an Event of Default or Potential Event of Default, it promptly shall notify each other Agent. Each Facility Agent promptly shall notify the Lenders for which it is the Relevant Facility Agent of receipt of any such notice.
 - (e) If any Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Secured Party under any Finance Document it promptly shall notify each other Agent. Each Facility Agent shall notify the Lenders for which it is the Relevant Facility Agent of receipt of any such notice.
 - (f) The duties of each Agent under the Finance Documents are solely ministerial and administrative in nature.
 - (g) No Agent shall have any duties other than those specifically set forth or provided for in the Finance Documents and no implied covenants or obligations of any Agent shall be read into the Finance Documents or any related agreement to which such Person is a party except for an implied duty of good faith. No Agent shall have any obligation to familiarise itself with and shall have no responsibility with respect to any other agreement or document relating to the transactions contemplated by the Finance Documents, nor any duty to monitor or supervise the Obligors' or any other Person's compliance with the terms of any Finance Document, nor any obligation to inquire whether any notice, certificate, instrument, demand, request, direction, instruction, waiver, receipt, consent, document, communication, statement or calculation is in conformity with the terms of any such other agreement, except those irregularities or errors manifestly apparent on the face of such document or of which the Agent, as applicable, has actual knowledge.

31.3 Role of the Mandated Lead Arrangers

Except as specifically provided in the Finance Documents, the Mandated Lead Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

31.4 No fiduciary duties

- (a) Except with respect to the Security Trustee, which shall have trustee and fiduciary duties only to the extent expressly provided in the Finance Documents, nothing in this Agreement or any other Finance Document is intended to create, or shall be construed as creating, a trustee or fiduciary relationship, or any other special relationship in equity, between any Agent or Mandated Lead Arranger and any other Person.
- (b) No Agent or Mandated Lead Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

31.5 Business with the Group

Each Agent and Mandated Lead Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Obligor, any Secured Party or any of their Affiliates, freely and without affecting any of its rights under the Finance Documents. No Agent, Mandated Lead Arranger or any of their Affiliates shall be accountable to any of the other Secured Parties, Obligors or any of their respective Affiliates or any other Person directly or indirectly associated with any of them for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such business, contracts or transactions and each Agent shall also be at liberty to retain the same for their own benefit.

31.6 Rights and discretions of the Agents

- (a) Each Agent may rely on:
 - (i) any representation, notice, certificate, instrument, demand, request, direction, instruction, waiver, receipt, consent, agreement or other document or communication furnished hereunder or under the other Finance Documents believed by it to be genuine, correct and appropriately authorised and it shall be entitled to rely upon the due execution, validity and effectiveness, and the truth and acceptability, of any provisions contained therein, and to assume (unless it has received actual notice of revocation) that those instructions or directions have not been revoked; and
 - (ii) any statement made by a director, authorised signatory or employee of any Person regarding any matters that reasonably may be assumed to be within such Person's knowledge or within such Person's power to verify.
- (b) No Agent shall have any responsibility to make any investigation into the facts or matters stated in any notice, certificate, instrument, demand, request, direction, instruction, waiver, receipt, consent, agreement or other document or communication furnished to it hereunder or under the other Finance Documents or in connection with the transactions herein or therein contemplated. The Obligors shall deliver to the Agents a list of authorised signatories of any notice, certificate, instrument, demand, request, direction, instruction, waiver, receipt, consent, agreement or other document or communication furnished to the Agents under this Agreement or any other Finance Documents and each Agent shall be entitled to rely on such list until a new list is furnished by the Obligors to the Agents.
- (c) Each Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
 - (i) no Event of Default or Potential Event of Default has occurred (unless it has actual knowledge of any Event of Default arising under Clause 22.1);
 - (ii) any right, power, authority or discretion vested in any Party or any other Person has not been exercised; and
 - (iii) any notice or request made by an Obligor (other than a Utilisation Request or Selection Notice) is made on behalf of and with the consent and knowledge of all the Obligors.

- (d) Each Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors, investment bankers or other experts it reasonably deems necessary and it shall incur no liability and shall be fully protected in acting in good faith in accordance with the written opinion of such experts. No Agent shall be responsible for the negligence or misconduct of any such expert.
- (e) Each Agent may act in relation to the Finance Documents through its personnel and agents.
- (f) Each Agent may disclose to any other Party any information it reasonably believes it has received as an Agent under this Agreement or any other Finance Document.
- (g) Notwithstanding any other provision of any Finance Document to the contrary, no Agent or Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any Legal Requirement or a breach of a fiduciary duty or duty of confidentiality and each Agent may do anything that is necessary, in its opinion, to comply with any such Legal Requirement.
- (h) Each Agent may disclose the identity of a Defaulting Lender to the other Secured Parties and the Obligors and shall disclose the same upon the written request of the Obligors or the Majority Lenders.

31.7 Delegation

- (a) Each Agent, at any time, may delegate by power of attorney or otherwise to any Person for any period, all or any of the rights, powers and discretions vested in it by any of the Finance Documents.
- (b) That delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the relevant Agent, in its discretion, may think fit in the interests of the Secured Parties and it shall not be bound to supervise, or be in any way responsible for any loss incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate.

31.8 Additional Agents

- (a) An Agent at any time may appoint (and subsequently remove) any Person to act as an agent jointly with it (i) if it considers that appointment to be in the interests of the Secured Parties, or (ii) for the purposes of conforming to any legal requirements, restrictions or conditions that the Agent deems to be relevant, or (iii) for obtaining or enforcing any judgment in any jurisdiction, and the Agent shall give prior notice to the Obligors and to the other Secured Parties of that appointment.
- (b) Any Person so appointed shall have the rights, powers and discretions (not exceeding those conferred on the relevant Agent by this Agreement) and the duties and obligations that are conferred or imposed by the instrument of appointment.
- (c) The remuneration that the Agent may pay to that Person, and any costs and expenses (together with any applicable VAT) incurred by that Person in performing its functions in accordance with that appointment, for the purposes of this Agreement, shall be treated as costs and expenses incurred by the Agent.

31.9 Responsibility for documentation

None of the Agents or Mandated Lead Arrangers:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by any other Agent or Mandated Lead Arranger, an Obligor or any other Person given in connection with any Finance Document or the Information Memorandum;
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document; or
- (c) is responsible for any determination as to whether any information provided or to be provided to any Secured Party is non-public information the use of which may be regulated or prohibited by applicable Legal Requirements relating to insider dealing or otherwise.

31.10 Exclusion of liability

- (a) Without limiting Clause 31.10(b) (and without prejudice to the provisions of Clause 33.8(e)), no Agent shall be liable (including without limitation, for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence, wilful misconduct or fraud.
- (b) No Party (other than the relevant Agent) may take any proceedings against any officer, employee or agent of such Agent in respect of any claim it might have against such Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause subject to Clause 1.3 and the provisions of the Third Parties Act.
- (c) No Agent shall be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- (d) Nothing in this Agreement shall oblige any Agent or Mandated Lead Arrangers to carry out any “know your customer” or other checks in relation to any Person on behalf of any Lender and each Lender confirms to each Agent and each Mandated Lead Arranger that it solely is responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by any Agent or Mandated Lead Arranger.
- (e) Notwithstanding anything in the Finance Documents to the contrary, in no event shall any Agent be liable under or in connection with the Finance Documents for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits, whether or not foreseeable, even if such Agent has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

- (f) In no event shall any Agent be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including without limitation strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of god, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services, it being understood that each Agent shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

31.11 Lenders' indemnity to the Agents

- (a) Each Lender shall (in proportion to its share of the aggregate Available Commitments or, if the aggregate Available Commitments are then zero, to its share of the aggregate Available Commitments immediately prior to their reduction to zero) indemnify each Agent within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by such Agent (otherwise than by reason of such Agent's gross negligence, wilful misconduct or fraud) (or, in the case of any cost, loss or liability in accordance with Clause 33.8 notwithstanding any such Agent's negligence, gross negligence, or any other category of liability whatsoever but not including any claim based on the fraud of such Agent) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor in accordance with a Finance Document) provided that no Lender that is not a Hedging Party shall be required to indemnify any Agent in accordance with this Clause 31.11 to the extent that any cost, loss or liability of such Agent arises from any dispute with any third party with respect to any of the Hedging Instruments.
- (b) In respect of each Agent, this Clause 31.11 shall survive the resignation or removal of such Agent and the termination of any other provisions of this Agreement.

31.12 Exceptional duties

- (a) If (i) an Event of Default or a Potential Event of Default has occurred and is continuing or (ii) an Agent considers it necessary or expedient or (iii) an Agent is requested by a Secured Party to undertake duties that such Agent and the relevant Obligor or Obligors consider to be of an exceptional nature and/or outside the scope of the normal duties of such Agent under the Finance Documents, the relevant Obligor or Obligors shall pay to such Agent any additional remuneration (together with any applicable VAT) that may be agreed between them.
- (b) If the relevant Agent and Obligor or Obligors fail to agree upon the nature of those duties or upon any additional remuneration, that dispute shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Agent and approved by the Obligor or Obligors or, failing approval, nominated (on the application of the Agent) by the President for the time being of the Law Society of England and Wales (the costs of the nomination and of the investment bank being payable by the Obligor or Obligors) and the determination of any investment bank shall be final and binding upon the parties to this Agreement.

31.13 Information

Each Agent and each other Secured Party, upon the reasonable request of any other Agent, shall deliver to such Agent such information in its possession as the Agent from time to time may require in order to perform its obligations under the Finance Documents.

31.14 Miscellaneous

None of the provisions of this Agreement or the other Finance Documents shall be construed to require any Agent in their respective individual capacities to expend or risk its own funds or otherwise to incur any personal financial liability in the performance of any of its duties hereunder or thereunder if it shall have reasonable grounds for belief that repayment of such funds or indemnity against such risk or liability is not reasonably assured to it. No Agent shall be under any obligation to exercise any of the rights or powers vested in it in accordance with this Agreement or the other Finance Documents, at the request or instruction of an Obligor or any Secured Party, unless such Agent shall have been offered security or indemnity satisfactory to it (acting reasonably) against the costs, expenses and liabilities that might be incurred by it in compliance with such request or instruction (including interest thereon from the time incurred until reimbursed).

31.15 Secured Party action

For all purposes of this Agreement, except as otherwise specifically stated herein, each Agent shall act on behalf of the Lenders. Accordingly, except in the case of any emergency circumstances, the incapacity of an Agent, the failure of an Agent to carry out its duties in a timely manner under the Finance Documents or as otherwise specifically stated or required herein, no Lender by itself or in its own name shall be entitled to give or receive any notice, certificate, request, demand or other communication permitted or required to be given or received hereunder to or by any Agent or Obligor. For the avoidance of doubt, except as provided for in Clause 31.10, no Agent shall be liable for any failure or delay in carrying out any of its duties under the Finance Documents.

31.16 Resignation of an Agent

- (a) An Agent may resign and appoint one of its Affiliates as successor by giving notice to:
 - (i) in the case of a Facility Agent, the Lenders for which it is the Relevant Facility Agent, the Intercreditor Agent and each Obligor; and
 - (ii) in the case of the Intercreditor Agent, Accounts Bank, Operating Accounts Bank (if applicable) or Security Trustee, each other Agent and each Obligor. Each Facility Agent shall notify the Lenders for which it is the Relevant Facility Agent of receipt of any such notice.
- (b) Alternatively an Agent may resign by giving 30 days' notice to the relevant Persons specified in Clause 31.16(a), in which case:
 - (i) in the case of a resigned Facility Agent, the Tranche Majority Lenders; and
 - (ii) in the case of a resigned Intercreditor Agent, Accounts Bank, Operating Accounts Bank or Security Trustee, the Majority Lenders,

(after consultation with the Guarantor) may appoint a successor Facility Agent, Intercreditor Agent, Accounts Bank, Operating Accounts Bank or Security Trustee (as applicable).

- (c) If the Tranche Majority Lenders, or Majority Lenders as applicable have not appointed a successor Agent in accordance with Clause 31.16(b) within 20 days after notice of resignation was given, the retiring Agent (after consultation with the Guarantor) may appoint a successor Facility Agent, Intercreditor Agent, Accounts Bank, Operating Accounts Bank or Security Trustee (as applicable).
- (d) The retiring Agent (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) shall make available to the successor Agent such documents and records and provide such assistance as the successor Agent reasonably may request for the purposes of performing its functions as Facility Agent, Intercreditor Agent, Accounts Bank, Operating Accounts Bank or Security Trustee (as applicable) under the Finance Documents.
- (e) The Agent's resignation notice shall take effect only upon the appointment of a successor and the execution by the successor of an Accession Deed in substantially the form as set out in Part B of Schedule 28.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 31.12. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the relevant Borrower, the Majority Lenders represented by that Facility Agent by 30 days' notice to the Relevant Facility Agent (or, at any time the Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders represented by that Facility Agent), may require such Relevant Facility Agent to resign in accordance with Clause 31.16(b). In such event, such Facility Agent shall resign in accordance with Clause 31.16(b).
- (h) After consultation with the Guarantor, the Majority Lenders, by 30 days' notice to the Intercreditor Agent, Accounts Bank, Operating Accounts Bank (if applicable) or the Security Trustee (or, at any time the Intercreditor Agent, Accounts Bank or Security Trustee is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders), may require such Agent to resign in accordance with Clause 31.16(b). In this event, the Intercreditor Agent, Accounts Bank, Operating Accounts Bank or the Security Trustee (as applicable) shall resign in accordance with Clause 31.16(b).

31.17 Confidentiality

- (a) In acting as agent for the relevant Secured Parties, each Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

31.18 Facility Agents' relationship with the Lenders

- (a) Each Facility Agent may treat the Person shown in its records as a Lender at the opening of business (in the place of such Facility Agent's principal office as notified to the relevant Secured Parties from time to time) as the Lender acting through its Facility Office:
- (i) entitled to or liable for any payment due under any Finance Document on that day; and
 - (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,
- unless it has received not less than five Business Days' prior notice from such Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply its Relevant Facility Agent with any information required by that Facility Agent in order to calculate the Mandatory Cost in accordance with Schedule 7.
- (c) Each Lender promptly upon the request of its Relevant Facility Agent shall supply, or procure the supply of, such documentation and other evidence as is reasonably requested by such Facility Agent (for itself) in order for such Facility Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable Legal Requirements in accordance with the transactions contemplated in the Finance Documents.
- (d) Any Lender by notice to its Relevant Facility Agent may appoint a Person to receive on its behalf all notices, communications, information and documents to be made or dispatched to such Lender under the Finance Documents. Such notice shall contain the address, fax number and electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 37.1 and the Relevant Facility Agent shall be entitled to treat such Person as the Person entitled to receive all such notices, communications, information and documents as though that Person were that Lender.

31.19 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to each Agent and each Mandated Lead Arranger that it has been, and shall continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each Obligor;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of the Information Memorandum and any other information provided by an Agent, any Party or by any other Person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

31.20 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Intercreditor Agent (in consultation with the Guarantor) shall appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

31.21 Agents' costs and expenses

Any amount payable to an Agent under Clause 12.4, Clause 14 and Clause 31.11 shall include any out of pocket costs and expenses incurred by such Agent and is in addition to any fee paid or payable to the Agent under Clause 12.

31.22 Deduction from amounts payable by the Agents

If any Party owes an amount to an Agent under the Finance Documents, such Agent, after giving notice to that Party, may deduct an amount not exceeding that amount from any payment to that Party that such Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents, that Party shall be regarded as having received any amount so deducted.

32. CONDUCT OF BUSINESS BY THE SECURED PARTIES

No provision of this Agreement shall:

- (a) interfere with the right of any Secured Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Secured Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Secured Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

33. PAYMENT MECHANICS

33.1 Payments to the Agents

On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the relevant Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by such Agent as being customary at the time for settlement of transactions in Dollars in the place of payment.

33.2 Distributions by the Agents

Each payment received by an Agent under the Finance Documents for another Party, subject to Clause 33.3 and Clause 33.4 shall be made available by such Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice.

33.3 Distributions to an Obligor

An Agent (with the consent of the Obligor or in accordance with Clause 34) may apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

33.4 Clawback

- (a) Where a sum is to be paid to an Agent under the Finance Documents for another Person, such Agent is not obliged to pay that sum to that other Person (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it actually has received that sum.
- (b) If an Agent pays an amount to another Person and it proves to be the case that the Agent actually had not received that amount, then the Person to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall refund the same to the Agent on demand together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

33.5 Impaired Agent

- (a) If, at any time, an Agent becomes an Impaired Agent, an Obligor or a Lender that is required to make a payment under the Finance Documents to such Agent in accordance with Clause 33.1 instead either may pay that amount direct to the required recipient or pay that amount to an interest-bearing account held with an Acceptable Bank, in the name of the Obligor or the Lender making the payment and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents. In each case such payments must be made on the due date for payment under the Finance Documents.

- (b) All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the beneficiaries of that trust account pro rata to their respective entitlements.
- (c) A Party that has made a payment in accordance with this Clause 33.5 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.
- (d) Promptly upon the appointment of a successor Agent in accordance with Clause 31.12, each Party that has made a payment to a trust account in accordance with this Clause 33.5 shall give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution in accordance with Clause 33.2.

33.6 Partial payments

- (a) If a Facility Agent receives a payment for application against amounts due in respect of any Finance Document that is insufficient to discharge all such amounts then due and payable by an Obligor under such Finance Document, such Facility Agent shall apply that payment towards the obligations of that Obligor under those Finance Documents in the following order:
 - (i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of such Facility Agent under such Finance Documents and with respect to which it is entitled to payment in accordance with the Finance Documents;
 - (ii) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under such Finance Documents;
 - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under such Finance Documents; and
 - (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) A Facility Agent, if so instructed by Majority Lenders represented by that Facility Agent, shall vary the order set out in Clause 33.6(a)(ii) to (iv).
- (c) Clause 33.6(a) and Clause 33.6(b) shall override any appropriation made by an Obligor.

33.7 Set-off by Obligor

All payments to be made by an Obligor under the Finance Documents shall be calculated and shall be made without (and free and clear of any deduction for) set-off or counterclaim.

33.8 Disruption to payment systems etc.

If an Agent either (i) determines (in its discretion) that a Disruption Event has occurred or (ii) is notified by an Obligor that a Disruption Event has occurred:

- (a) the Intercreditor Agent may, and shall if instructed to do so by the Guarantor, consult with the Guarantor with a view to agreeing with the Guarantor such changes to the operation or administration of the Term Loans as the Intercreditor Agent may deem necessary in the circumstances;
- (b) the Intercreditor Agent shall not be obliged to consult with the Guarantor in relation to any changes mentioned in Clause 33.8(a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
- (c) the Intercreditor Agent may consult with other Secured Parties in relation to any changes mentioned in Clause 33.8(a) but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- (d) any such changes agreed upon by the Intercreditor Agent and the Guarantor (whether or not it is finally determined that a Disruption Event has occurred) shall be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 37.4;
- (e) the Intercreditor Agent shall not be liable for any damages, costs or losses whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Intercreditor Agent) arising as a result of its taking, or failing to take, any actions in accordance with or in connection with this Clause 33.8; and
- (f) the Intercreditor Agent shall notify the relevant Secured Parties of all changes agreed in accordance with Clause 33.8(d).

34. SET-OFF

A Secured Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Secured Party) against any matured obligation owed by that Secured Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. For the avoidance of doubt, neither the Accounts Bank nor the Operating Accounts Bank (if applicable) may set off either (i) any amounts standing to the credit of any Account against any amount due in respect of any other account that may be maintained with the Accounts Bank or the Operating Accounts Bank (if applicable) and that is not required to be subject to any Security; or (ii) any amounts standing to the credit of any account maintained with the Accounts Bank or the Operating Accounts Bank (if applicable) that is not an Account and that is not required to be subject to any Security against any amounts due in respect of an Account.

35. DEFAULTING LENDERS

35.1 Disenfranchisement of Defaulting Lenders and Defaulting Hedging Parties

- (a) For so long as a Defaulting Lender has any Available Commitment, in ascertaining whether any given percentage (including, for the avoidance of doubt, unanimity) of the aggregate Commitments, Available Commitments, outstanding principal amount of any Loan or outstanding Senior Debt Obligations has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents, that Defaulting Lender's Commitments will be reduced by the amount of its Available Commitments.

- (b) For so long as a Hedging Party is a Defaulting Hedging Party, in ascertaining whether the approval of the Majority Secured Parties has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents, the Credit Participation of such Defaulting Hedging Party shall not be taken into account.
- (c) For the purposes of this Clause 35, each Agent may assume that the following Lenders are Defaulting Lenders or Defaulting Hedging Parties:
 - (i) any Lender or Hedging Party that has notified an Agent that it has become a Defaulting Lender or Defaulting Hedging Party;
 - (ii) any Lender or Hedging Party in relation to which such Agent is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of “Defaulting Lender” or Defaulting Hedging Party (as applicable) has occurred,

unless it has received notice to the contrary from the Lender or Hedging Party concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent otherwise is aware that the Lender or Hedging Party has ceased to be a Defaulting Lender or Defaulting or Hedging Party (as applicable).

35.2 Replacement of a Defaulting Lender

- (a) At any time a Lender has become and continues to be a Defaulting Lender, by giving 15 Business Days’ prior written notice to the Relevant Facility Agent and such Lender, any of the Obligors may:
 - (i) provided that the Guarantor has demonstrated to the satisfaction of the Intercreditor Agent that, following any such cancellation and, if applicable, prepayment, the Obligors shall have sufficient funds available in order to meet in full their payment obligations under each Transaction Document and in respect of the Total Project Costs (as calculated at the time of any such cancellation), and provided no Event of Default is continuing, cancel in full the then Commitment of such Lender and procure the repayment or prepayment in full of that Lender’s participation, if any, in the then outstanding Loans; or
 - (ii) replace such Lender by:
 - (A) requiring such Lender to (and such Lender shall) transfer in accordance with Clause 30.1 all (and not part only) of its rights and obligations under this Agreement; and
 - (B) requiring such Lender to (and such Lender shall) transfer in accordance with Clause 30.1 all (and not part only) of the undrawn Commitment of that Lender;
- to a Lender or other bank, financial institution, trust, fund or other entity (a “ **Replacement Lender** ”) selected by the Obligors, and (unless the Relevant Facility Agent is an Impaired Agent) that is satisfactory to the Relevant Facility Agent (acting reasonably) and that

confirms its willingness to assume and does assume all the obligations or all the relevant obligations of the transferring Lender (including the assumption of the transferring Lender's participations or unfunded participations (as the case may be) on the same basis as the transferring Lender) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loans and all accrued interest and/or Acceptable Letter of Credit fees, Break Costs and other amounts payable in relation thereto under the Finance Documents.

- (b) Any replacement of a Defaulting Lender or any cancellation of the Commitment of a Defaulting Lender and, if applicable, repayment of such Defaulting Lender's participation in the outstanding Loans, in each case, in accordance with this Clause 35.2, shall be subject to the following conditions:
- (i) no Obligor shall have any right to replace any Agent in its capacity as such Agent;
 - (ii) neither the Relevant Facility Agent nor the Defaulting Lender shall have any obligation to any Obligor to find a Replacement Lender;
 - (iii) the transfer must take place no later than 20 Business Days after the notice referred to in Clause 35.2(a);
 - (iv) if the Defaulting Lender also is a Hedging Party at that time, the Interest Hedging Instrument to which such Defaulting Lender is the Hedging Party must be transferred to another Permitted Hedge Provider; and
 - (v) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender in accordance with the Finance Documents.

36. GOVERNING LAW AND JURISDICTION

36.1 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

36.2 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party shall argue to the contrary.
- (c) This Clause 36.2 is for the benefit of the Secured Parties only. As a result, no Secured Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by any Legal Requirements, the Secured Parties may take concurrent proceedings in any number of jurisdictions.

36.3 Service of process

- (a) Without prejudice to any other mode of service permitted under any relevant Legal Requirement, each Obligor:
 - (i) irrevocably appoints Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London, EC4R 9HA, United Kingdom (telephone: +44 20 3400 1000, facsimile: +44 20 3400 1111) as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document to which it is party and that is governed by the laws of England;
 - (ii) irrevocably appoints Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th Floor, New York 10017, United States of America (telephone: +1-212-750-6474, facsimile: +1-212-750-1361) as its agent for service of proceedings before the courts of New York in connection with any Finance Document to which it is party and that is governed by the laws of the State of New York; and
 - (iii) agrees that failure by a process agent to notify the relevant Obligor of the process shall not invalidate the proceedings concerned.
- (b) If for any reason any agent appointed in accordance with Clause 36.3(a) shall cease to be available to act as such, the relevant Obligor agrees to appoint a new agent satisfactory to the Intercreditor Agent in London, United Kingdom or New York, United States of America on the terms and for the purposes of this Clause 36.

37. MISCELLANEOUS

37.1 Notices

- (a) Any notice, claim, request, demand, consent, designation, direction, instruction, certificate, report or other communication to be given under or in connection with this Agreement shall be given in writing and shall be deemed duly given when:
 - (i) personally delivered;
 - (ii) sent by facsimile transmission (with written confirmation or acknowledgment of receipt, whether written or oral);
 - (iii) sent by electronic mail (with electronic confirmation of receipt); or
 - (iv) five days have elapsed after mailing by certified or registered mail, postage pre-paid, return receipt requested, in each case addressed to a Person at its address, e-mail address, or facsimile transmission number as indicated in Schedule 27 or to such other address, e-mail address, or facsimile transmission number of which such Person has given not less than three Business Days' prior written notice to the Intercreditor Agent (copied to the other Parties) (including, with respect to any Person acceding to this Agreement under an Accession Deed those set out for such Person therein).
- (b) Any notice to be given by or on behalf of the Guarantor or any Borrower to any Lender may be sent to the Relevant Facility Agent for such Lender. Any notice so received by any Facility Agent promptly shall be sent by such Facility Agent to each Lender for which such Facility Agent is the Relevant Facility Agent.

- (c) The Security Trustee and the Intercreditor Agent promptly shall forward to each Facility Agent and the Security Trustee and Intercreditor Agent (other than itself or any Person from whom it received, or which it is aware has received, any such notice, claim, certificate, report, instrument, demand, request, direction, instruction, designation, waiver, receipt, consent or other communication or document) copies of any notice, claim, certificate, report, instrument, demand, request, direction, instruction, designation, waiver, receipt, consent or other communication or document that it receives from any other Person under or in connection with this Agreement or any other Finance Document. Promptly upon becoming aware of a Potential Event of Default or an Event of Default, a Secured Party shall notify the Intercreditor Agent thereof (unless notice of such event has been received by such Secured Party from any Agent).
- (d) Unless such Person otherwise requests, if any Person at any time is a Party in more than one capacity, any notice that otherwise would be required to be delivered to or by that Person in multiple copies due to its multiple capacities shall be required to be delivered to or by that Person only once and for the purposes of the Finance Documents shall be deemed duly delivered once delivered to or by that Person once in accordance with the Finance Documents except that any Person who is a Party as the Accounts Bank or the Operating Accounts Bank always shall receive any notice required to be delivered to it as Accounts Banks or Operating Accounts Bank under any Finance Document separately notwithstanding that that Person also may be a Party in another capacity and the Accounts Bank and Operating Accounts Bank, for the purposes of the Finance Documents, shall be considered to be a separate Person for the purposes of any notice requirement.

37.2 Use of websites

- (a) An Obligor may satisfy any obligation under this Agreement to deliver any information in relation to any Secured Party (the “**Website Party**”) that accepts such method of communication by posting this information onto an electronic website designated by that Obligor and the Intercreditor Agent (the “**Designated Website**”) if:
 - (i) the Intercreditor Agent expressly agrees (after consultation with each of the Secured Parties that it represents) that it will accept communication of the information by this method;
 - (ii) both that Obligor and the Intercreditor Agent are aware of the address of and any relevant password specifications for the Designated Website; and
 - (iii) the information is in a format previously agreed between that Obligor and the Intercreditor Agent.
- (b) If any Secured Party (a “**Paper Form Party**”) does not agree to the delivery of information electronically then the Intercreditor Agent shall notify the relevant Obligor accordingly and the relevant Obligor shall supply the information to the Intercreditor Agent (in sufficient copies for each Paper Form Party) in paper form. In any event each Obligor shall supply the Intercreditor Agent with at least one copy in paper form of any information required to be provided by it.

- (c) The Intercreditor Agent shall supply each Website Party with the address of and any relevant password specifications for the Designated Website following designation of that website by an Obligor and the Intercreditor Agent.
- (d) Promptly upon becoming aware of its occurrence an Obligor shall notify the Intercreditor Agent if:
 - (i) the Designated Website cannot be accessed due to technical failure;
 - (ii) the password specifications for the Designated Website change;
 - (iii) any new information that is required to be provided under any Finance Document is posted onto the Designated Website;
 - (iv) any existing information that has been provided under any Finance Document and posted onto the Designated Website is amended; or
 - (v) such Obligor becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.
- (e) If an Obligor notifies the Intercreditor Agent under Clause 37.2(d)(i) or Clause 37.2(d)(v), all information to be provided by that Obligor under any Finance Document after the date of that notice shall be supplied in paper form unless and until the Intercreditor Agent and each Website Party is satisfied that the circumstances giving rise to the notification are no longer continuing.
- (f) Any Website Party may request, through the Intercreditor Agent, one paper copy of any information required to be provided under any Finance Document that is posted onto the Designated Website and, provided that the Intercreditor Agent has received such information in accordance with Clause 37.2(b), the Intercreditor Agent shall provide such Website Party with such information within ten Business Days of such request.

37.3 Communication when Agent is Impaired Agent

If an Agent is an Impaired Agent the Parties, instead of communicating with each other through such Agent, may communicate with each other directly and (while such Agent is an Impaired Agent) all the provisions of the Finance Documents that require communications to be made or notices to be given to or by such Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Agent has been appointed.

37.4 Amendments

- (a) No Finance Document may be amended unless such amendment is in writing and signed by each party thereto and is otherwise made in accordance with the terms of this Agreement and the other Finance Documents.
- (b) The Security Trustee, the Accounts Bank and, if applicable, the Operating Accounts Bank shall execute any amendment authorised in accordance with this Clause 37.4; provided that the Security Trustee, the Accounts Bank and, if applicable, the Operating Accounts Bank may, but shall not be obliged to, execute any such

amendment that affects such Security Trustee, Accounts Bank or Operating Accounts Bank's own rights, duties or immunities under this Agreement or any other Finance Document. The Security Trustee, the Accounts Bank and, if applicable, the Operating Accounts Bank shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel and an Officer's Certificate from each Obligor that it may require, together with written instructions from the Intercreditor Agent, stating that the execution of any amendment authorised in accordance with this Clause 37.4 is authorised or permitted by this Agreement and the other Finance Documents. Such opinion of counsel, Officer's Certificate and written instructions shall be at the expense of the Borrowers.

37.5 Accession Deeds

- (a) Notwithstanding any other provision of this Agreement, each Accession Deed to be entered into by an acceding Lender, Agent or Hedging Party in accordance with this Agreement shall be executed by the Intercreditor Agent and such acceding Lender, Agent or Hedging Party and such Accession Deed shall be effective without requiring the signature of any other party to this Agreement.
- (b) Following the execution of an Accession Deed, the Intercreditor Agent promptly shall notify each other Party that is a party to an agreement to which a Person has acceded of the execution of the Accession Deed; provided, however, that any failure by the Intercreditor Agent to provide any such notification shall not affect the effectiveness or validity of any such accession.

37.6 Delay and waiver

- (a) The rights of each Party:
 - (i) may be exercised as often as necessary;
 - (ii) are cumulative and not exclusive of its rights under any general Legal Requirement; and
 - (iii) may be waived only in writing and specifically.
- (b) Delay in exercising or non-exercise of any such right is not a waiver of that right.

37.7 Entire agreement

This Agreement reflects the entire agreement and understanding of the Parties, and supersedes all prior agreements and understandings (both written and oral), between or among any of the Parties relating to the transactions contemplated by this Agreement.

37.8 Successors and assigns

- (a) The provisions of this Agreement shall be binding upon and inure to the benefit of each Party, and its respective successors and assigns.
- (b) Except as expressly permitted by Clause 30 or by any Finance Document, no Party may assign or otherwise transfer any of its rights or obligations under this Agreement or any other Finance Document.

-
- (c) Any corporation into which any Agent may be merged or converted or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which such Agent shall be a party, or any corporation succeeding to the business of any Agent shall be the successor of such Agent (as the case may be) under this Agreement and the other Finance Documents without the execution or filing of any paper with any Party or any further act on the part of any of the Parties except where an instrument of transfer or assignment is required by any applicable Legal Requirement to effect such succession, anything in this Agreement or the Finance Documents to the contrary notwithstanding.

37.9 Severability

In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

37.10 Reinstatement

This Agreement shall continue to be effective or be reinstated (as the case may be) if at any time payment or performance of the obligations of any Obligor under any part of this Agreement, is, in accordance with any applicable Legal Requirement, rescinded or reduced in amount, or must otherwise be restored or returned by any Secured Party. If any payment or any part thereof is so rescinded, reduced, restored or returned, such obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

37.11 Counterparts

This Agreement may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.

37.12 Termination

Upon the occurrence of the Final Discharge Date, and except as expressly provided in this Agreement, this Agreement shall terminate and be of no further force and effect.

37.13 No partnership

Nothing contained in this Agreement and no action by any Party is intended to constitute or shall be deemed to constitute such Parties (or any of them) a partnership, association, joint venture or other entity.

37.14 No reliance

No Party has relied on any representation or warranty of any other Party with respect to this Agreement and the transactions contemplated under this Agreement unless such representation or warranty has been set forth expressly in this Agreement or any other Finance Document.

37.15 English language

All Transaction Documents and all documents delivered under or in connection with this Agreement or any other Transaction Document shall be in the English language.

37.16 Waiver of Immunity

To the extent that any Obligor may now or hereafter have or acquire any immunity, including, without limitation, sovereign immunity, from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), with respect to itself or its property, such Obligor hereby waives, to the full extent permitted by all applicable Legal Requirements, such immunity in respect to all of its obligations under this Agreement and the other Finance Documents or any other agreements and documents supplementing or ancillary to this Agreement. This Clause 37.16 shall survive the termination of this Agreement.

37.17 Publicity

The Parties' respective obligations in respect of any publicity relating in any way to this Agreement or the Term Loans made available under this Agreement shall be as agreed in writing by the Guarantor and Mandated Lead Arrangers prior to the date of this Agreement.

37.18 Confidential Information

Each Secured Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 37.19 and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

37.19 Disclosure of Confidential Information

Any Secured Party may disclose:

- (a) to any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and representatives such Confidential Information as that Secured Party shall consider appropriate if any Person to whom the Confidential Information is to be given in accordance with this Clause 37.19(a) is informed in writing of its confidential nature except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;
- (b) to any Person:
 - (i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that Person's Affiliates and professional advisers;
 - (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that Person's Affiliates and professional advisers;

- (iii) appointed by any Secured Party or by a Person to whom Clause 37.19(b)(i) or 37.19(b)(ii) applies to receive communications, notices, information or documents delivered in accordance with the Finance Documents on its behalf (including, without limitation, any Person appointed under Clause 31.18(d));
- (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in Clause 37.19(b)(i) or 37.19(b)(ii);
- (v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, Taxing Authority or other regulatory authority or similar body, the rules of any relevant stock exchange or in accordance with any applicable Legal Requirement;
- (vi) to whom or for whose benefit that Secured Party charges, assigns or otherwise creates Security (or may do so) in accordance with Clause 30.8;
- (vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- (viii) who is a Party; or
- (ix) with the consent of the relevant Obligor,

in each case, such Confidential Information as that Secured Party shall consider appropriate if:

- (i) in relation to Clauses 37.19(b)(i) and 37.19(b)(ii), the Person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
 - (ii) in relation to Clause 37.19(b)(iv), the Person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive;
 - (iii) in relation to Clauses 37.19(b)(v), 37.19(b)(vi) and 37.19(b)(viii), the Person to whom the Confidential Information is to be given is informed of its confidential nature except that there shall be no requirement to so inform if, in the opinion of that Secured Party, it is not practicable so to do in the circumstances;
- (c) to any Person appointed by that Secured Party or by a Person to whom Clause 37.19(b)(i) or 37.19(b)(ii) applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this Clause 37.19(c) if the

service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Obligors and the relevant Secured Party.

Clause 37.17, Clause 37.18 and this Clause 37.19 constitute the entire agreement between the Parties in relation to the obligations of the Secured Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

37.20 Survival and continuing obligations

Clause 14, Clause 36.1, Clause 36.2, Clause 37.10, Clause 37.18 and Clause 37.19 and any obligations set out therein are continuing and shall survive and remain binding on each Party notwithstanding the termination or expiry of this Agreement.

(Signature pages to follow)

IN WITNESS WHEREOF , the Parties have caused this Agreement to be duly executed as a deed and intend to deliver and hereby deliver the same on the day and year first above written. This Agreement shall take effect as a deed notwithstanding that any Party may execute it under hand.

SCHEDULE 1

DEFINITIONS

“ **2002 ISDA Master Agreement** ” has the meaning given to it in the Intercreditor Agreement.

“ **Acceptable Bank** ” means a bank or financial institution that has a rating for its long-term unsecured and non credit-enhanced debt obligations of at least A3 from Moody’s or A- from S&P or Fitch and in relation to which no Insolvency Event is continuing.

“ **Acceptable Bareboat Charter** ” means any bareboat charter entered into for the provision and hire of a Vessel between a Borrower and an Acceptable Charterer in respect of such Vessel and that:

- (a) is not a Follow-on Bareboat Charter and in respect of which:
 - (i) if:
 - (A) the Vessel previously has not been chartered pursuant to an Acceptable Charter, the charter period for such Vessel is at least three consecutive years; or
 - (B) the Vessel previously has been chartered pursuant to an Acceptable Charter, the charter period for such charter is at least the lesser of (x) 12 consecutive months and (y) the period from the Effective Date of such charter until the Final Repayment Date in respect of the ECA Tranches;
 - (ii) the Effective Date occurs no later than 12 months after the Delivery Date of such Vessel or no later than 90 days after the expiration or earlier termination howsoever arising of any previous Acceptable Charter in respect of such Vessel;
 - (iii) the Intercreditor Agent has confirmed to each Facility Agent based on calculations prepared by the Intercreditor Agent that the applicable charter day rate payable to the relevant Borrower is sufficient to generate revenues that (a) permit such Borrower to service its Term Loan according to the Repayment Schedule for such Term Loan (excluding the final principal instalment of the Commercial Tranche payable in accordance with such Repayment Schedule) established by this Agreement from time to time and (b) result in such Borrower having an outstanding principal amount in respect of its Term Loan of no more than (x) 300,000,000 Dollars by the date falling three years after the Effective Date of the proposed Acceptable Bareboat Charter and (y) 200,000,000 Dollars by the Final Repayment Date of the Commercial Tranches, and each Facility Agent has confirmed it approves of such calculations; and
 - (iv) upon election by any Person to exercise any right to terminate for convenience, the Charterer is required to provide compensation to such Borrower; or
- (b) is not a Follow-on Bareboat Charter and is in form and substance satisfactory to the Intercreditor Agent; or
- (c) is a Follow-on Bareboat Charter that has a charter period not longer than three consecutive months and a copy of such Follow-on Bareboat Charter has been provided to the Intercreditor Agent prior to the Effective Date of such Follow-on Bareboat Charter; or
- (d) is a Follow-on Bareboat Charter that has a charter period longer than three consecutive months and is in form and substance satisfactory to the Intercreditor Agent,

and provided, for the avoidance of doubt, that any extension to an existing Acceptable Bareboat Charter through the exercise of any extension option expressly set out in such Acceptable Bareboat Charter shall be deemed part of, and a continuation of, the original Acceptable Bareboat Charter.

“ **Acceptable Charters** ” means each Acceptable Time Charter and each Acceptable Bareboat Charter.

“ **Acceptable Charter Direct Agreements** ” means each direct agreement entered into in accordance with Clause 19.23.

“ **Acceptable Charterer** ” means:

- (a) any Person for so long as such Person (or any other Person guaranteeing the relevant obligations of such first Person) has a long-term credit rating of at least Baa3 from Moody’s or BBB- from S&P or Fitch and the identity of such Person, in respect of any proposed Acceptable Charter or Alternative Charter, otherwise is satisfactory to the Intercreditor Agent; and
- (b) any other Person satisfactory to the Intercreditor Agent,

in each case for so long as no Insolvency Event is continuing in respect of such Person; provided, however, that if any Borrower proposes to enter into an Acceptable Charter or Alternative Charter pursuant to which:

- (i) there is more than one charterer (including pursuant to any rig-club arrangement);
- (ii) each charterer is to be jointly and severally liable for the obligations of each other charterer pursuant to such proposed Acceptable Charter or Alternative Charter; and
- (iii) any one such charterer (or any other Person guaranteeing the relevant obligations of such charterer) satisfies the credit rating requirement set out in part (a) of this definition,

then only such charterer that satisfies such credit rating requirement need be approved as an Acceptable Charterer by the Majority Lenders in order for the Guarantor to be entitled to exercise its rights pursuant to Clause 5.15(b)(ii)(A) in respect of the approval of such Acceptable Charter and provided that Majority Lenders also have approved the proposed Acceptable Charter or Alternative Charter as an Acceptable Charter or Alternative Charter as the case may be.

“ **Acceptable Guarantees** ” means each guarantee in form and substance satisfactory to the Intercreditor Agent from any Person that has a long-term credit rating of at least A3 from Moody’s or A- from S&P or Fitch and in relation to which no Insolvency Event is continuing.

“ **Acceptable Letter of Credit** ” means an irrevocable, unconditional stand-by letter of credit in substantially the form set out in either Part A or Part B of Schedule 33 and issued for the account of a Person that is not an Obligor and in favour of the Security Trustee as beneficiary by an Acceptable Bank and in respect of which no Obligor has any actual or contingent obligation or liability at any time.

“ **Acceptable Letter of Credit Notice** ” has the meaning given to it in Clause 26.16(c).

“ **Acceptable Time Charter** ” means any time charter entered into for the provision and hire of a Vessel between a Borrower and an Acceptable Charterer in respect of such Vessel that is not an Alternative Charter and that:

- (a) is not a Follow-on Time Charter and in respect of which:
 - (i) if:
 - (A) the Vessel previously has not been chartered pursuant to an Acceptable Charter, the charter period for such Vessel is at least three consecutive years; or
 - (B) the Vessel previously has been chartered pursuant to either: (x) an Acceptable Charter; or (y) an Alternative Charter and in respect of which the Alternative Arrangement Period Expiry Date has occurred, the charter period for such charter is at least the lesser of (i) 12 consecutive months and (ii) the period from the Effective Date of such charter until the Final Repayment Date in respect of the ECA Tranches;
 - (ii) the Effective Date occurs no later than 12 months after the Delivery Date of such Vessel or no later than 90 days after the expiration or earlier termination howsoever arising of any previous Acceptable Charter or Alternative Charter in respect of such Vessel;
 - (iii) the Intercreditor Agent has confirmed to each Facility Agent based on calculations prepared by the Intercreditor Agent that the applicable charter day rate payable to the relevant Borrower is sufficient to generate revenues that (a) permit such Borrower to service its Term Loan according to the Repayment Schedule for such Term Loan (excluding the final principal instalment of the Commercial Tranche payable in accordance with such Repayment Schedule) established by this Agreement from time to time and (b) result in such Borrower having an outstanding principal amount in respect of its Term Loan of no more than (x) 300,000,000 Dollars by the date falling three years after the Effective Date of the proposed Acceptable Time Charter and (y) 200,000,000 Dollars by the Final Repayment Date of the Commercial Tranches, and each Facility Agent has confirmed it approves of such calculations; and
 - (iv) upon election by any Person to exercise any right to terminate for convenience, the Charterer is required to provide compensation to such Borrower; or
- (b) is not a Follow-on Time Charter and is in form and substance satisfactory to the Intercreditor Agent; or
- (c) is a Follow-on Time Charter that has a charter period not longer than three consecutive months and a copy of such Follow-on Time Charter has been provided to the Intercreditor Agent prior to the Effective Date of such Follow-on Time Charter; or
- (d) is a Follow-on Time Charter that has a charter period longer than three consecutive months and is in form and substance satisfactory to the Intercreditor Agent,

and provided, for the avoidance of doubt, first, that any extension to an existing Acceptable Time Charter through the exercise of any extension option expressly set out in such Acceptable Time Charter shall be deemed part of, and a continuation of, the original Acceptable Time Charter and, second, that an offshore drilling contract entered into for the provision of offshore drilling services utilising a Vessel shall constitute a time charter for the purposes of this Agreement and references in this Agreement to “charter”, “chartering”, “charter day rate”, “charter payments” and “charter agreement” shall be construed accordingly.

“ **Accession Deed** ” means a deed of accession entered into (or to be entered into) by any acceding Person, substantially in the form required by Schedule 28.

“ **Account Control Agreement** ” means each of:

- (a) the agreement entitled “Account Control Agreement” dated on or about the date of this Agreement and between Pacific Bora Ltd. as the Company and DnB NOR Bank ASA as Security Trustee and Accounts Bank;
- (b) the agreement entitled “Account Control Agreement” dated on or about the date of this Agreement and between Pacific Mistral Ltd. as the Company and DnB NOR Bank ASA as Security Trustee and Accounts Bank and as amended on or about the date of the Amendment and Restatement Agreement;
- (c) the agreement entitled “Account Control Agreement” dated on or about the date of this Agreement and between Pacific Scirocco Ltd. as the Company and DnB NOR Bank ASA as Security Trustee and Accounts Bank and as amended on or about the date of the Amendment and Restatement Agreement;
- (d) the agreement entitled “Account Control Agreement” dated on or about the date of this Agreement and between Pacific Santa Ana Ltd. as the Company and DnB NOR Bank ASA as Security Trustee and Accounts Bank; and
- (e) the agreement entitled “Account Control Agreement” dated on or about the date of this Agreement and between Pacific Drilling Limited as the Company and DnB NOR Bank ASA as Security Trustee and Accounts Bank.

“ **Account Pledge Agreement** ” means each of:

- (a) the agreement entitled “Pledge and Security Agreement” dated on or about the date of this Agreement and between Pacific Bora Ltd. as Pledgor and DnB NOR Bank ASA as Security Trustee;
- (b) the agreement entitled “Pledge and Security Agreement” dated on or about the date of this Agreement and between Pacific Mistral Ltd. as Pledgor and DnB NOR Bank ASA as Security Trustee and as amended on or about the date of the Amendment and Restatement Agreement;
- (c) the agreement entitled “Pledge and Security Agreement” dated on or about the date of this Agreement and between Pacific Scirocco Ltd. as Pledgor and DnB NOR Bank ASA as Security Trustee and as amended on or about the date of the Amendment and Restatement Agreement;
- (d) the agreement entitled “Pledge and Security Agreement” dated on or about the date of this Agreement and between Pacific Santa Ana Ltd. as Pledgor and DnB NOR Bank ASA as Security Trustee; and
- (e) the agreement entitled “Pledge and Security Agreement” dated on or about the date of this Agreement and between Pacific Drilling Limited as Pledgor and DnB NOR Bank ASA as Security Trustee.

“ **Account Security Agreement** ” means each Account Control Agreement and each Account Pledge Agreement.

“ **Accounts** ” means the accounts required to be established and maintained by each Borrower in accordance with Clauses 26.1 and 26.18, by the Guarantor in accordance with Clause 26.12 and any Operating Account opened by a Borrower in accordance with Clause 26.8.

“ **Accounts Bank** ” means the New York branch of DnB NOR Bank ASA or any successor to it appointed pursuant to the terms of this Agreement.

“ **Accounts Control Event** ” means:

- (a) an Event of Default; or
- (b) a failure of any Borrower to make any payment required to be made in accordance with its Cash Waterfall, which failure remains unremedied for 10 Business Days.

“ **Account Control Notice** ” has the meaning given to it in Clause 26.2(c).

“ **Accrued Amounts** ” has the meaning given to it in Clause 30.9(a).

“ **Additional Insurance Security** ” has the meaning given to it in Clause 20.16(a).

“ **Advance Notice** ” means a notice substantially in the form set out in Part B of Schedule 4.

“ **Affiliate** ” means, in relation to any Person, a Subsidiary of that person or a Holding Company of that Person or any other Subsidiary of that Holding Company.

“ **Agent** ” means each Facility Agent, the Security Trustee, the Intercreditor Agent, the Accounts Bank and, if the Operating Accounts Bank has acceded to this Agreement and the Intercreditor Agreement, the Operating Accounts Bank.

“ **Allocable Equity Share** ” means, in respect of a Borrower, the Estimated Delivered Cost of its Vessel minus the relevant Borrower Maximum Amount.

“ **Allocable Share** ” means, in respect of any amount or costs and in respect of any Borrower, the aggregate amount of such amount or such costs (as the case may be) multiplied by the fraction equal to:

- (a) the unadjusted contract price of the Vessel owned by such Borrower as set out in the Shipbuilding Contract to which such Borrower is party; divided by
- (b) the aggregate amount of the unadjusted contract prices of all Vessels as set out in the Shipbuilding Contracts.

“ **Alternative Arrangement Borrower** ” means each of Pacific Mistral Ltd. and Pacific Scirocco Ltd. to the extent that it has either made a Waiver Utilisation and/ or has entered into or proposes to enter into an Alternative Charter in respect of its Vessel.

“ **Alternative Arrangement Period** ” means, in respect of an Alternative Arrangement Borrower and its Vessel, the period from the Effective Date of the first Alternative Charter entered into in respect of such Vessel until the Alternative Arrangement Period Expiry Date.

“ **Alternative Arrangement Period Expiry Date** ” means, in respect of an Alternative Arrangement Borrower and its Vessel, the date on which the Intercreditor Agent confirms that the aggregate of:

- (a) the periods during which such Vessel has been subject to an effective Alternative Charter during which the applicable day rate that is payable thereunder has been paid in full in accordance with the terms of such Alternative Charter; and
- (b) the future periods during which such Vessel is subject to an effective Acceptable Charter or Alternative Charter and in respect of which the applicable day rate that is payable thereunder is payable in full in accordance with the terms of such Acceptable Charter or Alternative Charter (as the case may be),

is equal to or exceeds three years.

“Alternative Charter” means a time charter entered into for the provision and hire of either the Pacific Mistral or the Pacific Scirocco between either Pacific Mistral Ltd. or Pacific Scirocco Ltd. (as applicable) and an Acceptable Charterer and where:

- (a) the charter period for such Vessel is at least 12 consecutive months;
- (b) the Effective Date of such Alternative Charter occurs no later than 180 days after the Delivery Date of such Vessel or no later than 90 days after the expiration or earlier termination howsoever arising of any previous Acceptable Charter or Alternative Charter in respect of such Vessel;
- (c) the applicable charter day rate payable to such Alternative Arrangement Borrower is at least 425,000 Dollars per day (net of applicable taxes) during the applicable charter period;
- (d) the Intercreditor Agent has confirmed to each Facility Agent based on calculations prepared by the Intercreditor Agent that the applicable charter day rate payable to such Alternative Arrangement Borrower (assuming both that such time charter is extended such that it continues for a term of three years and that the charter day rate were to remain consistent throughout such period) is sufficient to generate revenues that (a) permit such Alternative Arrangement Borrower to service its Term Loan according to the Repayment Schedule for such Term Loan (excluding the final principal instalment of the Commercial Tranche payable in accordance with such Repayment Schedule) established by this Agreement from time to time and (b) result in such Alternative Arrangement Borrower having an outstanding principal amount in respect of its Term Loan of no more than (x) 300,000,000 Dollars by the date falling three years after the Effective Date of the proposed Alternative Charter and (y) 200,000,000 Dollars by the Final Repayment Date of the Commercial Tranches, and each Facility Agent has confirmed it approves of such calculations; and
- (e) upon election by any Person to exercise any right to terminate the proposed Alternative Charter for convenience, the Acceptable Charterer is required to provide compensation to such the Alternative Arrangement Borrower,

and provided, for the avoidance of doubt, first, that any extension to an existing Alternative Charter through the exercise of any extension option expressly set out in such Alternative Charter shall be deemed to be part of, and a continuation of, the original Alternative Charter and, second, that an offshore drilling contract entered into for the provision of offshore drilling services utilising a Vessel shall constitute a time charter for the purposes of this Agreement and references in this Agreement to “charter”, “chartering”, “charter day rate”, “charter payments” and “charter agreement” shall be construed accordingly.

“Alternative Charter Term Loan Maximum Amount” means:

- (a) 375 million Dollars in respect of any Alternative Arrangement Borrower that is party to an effective Alternative Charter with a charter period that is less than 18 consecutive months; or
- (b) 400 million Dollars in respect of any Alternative Arrangement Borrower that is party to an effective Alternative Charter with a charter period that is equal to or greater than 18 consecutive months,

“Amendment and Restatement Agreement” means the amendment and restatement agreement in respect of this Agreement dated on or about 29 March 2011.

“Amendment and Restatement Fee Letter” means the letter dated on or about the date of the Amendment and Restatement Agreement from the Guarantor to the Facility Agents specifying a fee in respect of certain transactions contemplated by the Amendment and Restatement Agreement and related documents (including the Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter).

“ **Annual Operating Budget** ” means, with respect to the 12-month period contemplated thereby, the budget for such period of the relevant Borrower relating to operating costs and capital expenditures of such Borrower and in respect of its Vessel, in respect of such period and substantially in the form set out in Schedule 38.

“ **Applicable Margin** ” means, in respect of each Term Loan made available to a Borrower and at the time calculated in accordance with Clause 6.5:

- (a) prior to the earlier to occur of:
 - (i) the Effective Date of the first Acceptable Charter in respect of such Borrower’s Vessel; and
 - (ii) where such Borrower has entered into an initial Alternative Charter, the date on which either: (x) the Intercreditor Agent has approved a subsequent Alternative Charter or Acceptable Charter in respect of such Borrower and such subsequent Alternative Charter or Acceptable Charter has been executed by all parties thereto; or (y) in the case of an Alternative Charter that previously was approved by the Intercreditor Agent in accordance with this Agreement, either (1) the Intercreditor Agent has approved the extension of such Alternative Charter and such extension has been executed by all parties thereto; or (2) the parties to such Alternative Charter agree to exercise an express extension right set out in such Alternative Charter, and, in the case of both (1) and (2) above, the term of such extension period is not less than 12 months and such extension period shall commence immediately following the expiry of the term of the initial Alternative Charter (the date on which any such required approval by the Intercreditor Agent is given and/or such subsequent Alternative Charter, Acceptable Charter or extension of an existing Alternative Charter is executed by all parties thereto being the “ **Extension Date** ”),or, at any time that an Event of Default has occurred and is continuing, four per cent. per annum;
- (b) if such Borrower enters into
 - (i) an Acceptable Charter, from and including the Effective Date of the first Acceptable Charter in respect of such Borrower’s Vessel but prior to the date falling 12 months after the Vessel Completion Date; or
 - (ii) an Alternative Charter, from and including the Extension Date in respect of such Alternative Arrangement Borrower, three point five zero per cent. per annum; and
- (c) from and including the later to occur of:
 - (i) the date falling 12 months after the Vessel Completion Date; and
 - (ii) where such Borrower has entered into an Alternative Charter, the Extension Date in respect of such Borrower,
 - (A) if the Historical DSCR for the immediately preceding four fiscal quarters of the Guarantor is not greater than 1.25:1, three point five zero per cent. per annum; and
 - (B) if the Historical DSCR for the immediately preceding four fiscal quarters of the Guarantor is greater than 1.25:1, three per cent. per annum.

“ **Approved Broker** ” means each of Fearnleys, RS Platou, ODS Petrodata and Clarksons and each other Person that is an independent shipbroker and that is satisfactory to the Intercreditor Agent.

“ **Assignment Agreement** ” means an assignment agreement substantially in the form set out in Schedule 13.

“ **Authorised Representative** ” means, as to any Person, its president, chief executive officer, managing director, any vice president, finance and administration manager, treasurer or secretary or any director or other Person identified as an authorised representative in an Officer’s Certificate of such Person delivered to the Intercreditor Agent.

“ **Availability Period** ” means, in respect of the Term Loan of a Borrower and subject to Clause 5.6, the period from and including the date of this Agreement until and including the Delivery Date of such Borrower’s Vessel, as such period may be extended for any Term Loan in accordance with Clause 5.6.

“ **Available Commitment** ” means, in respect of any Lender at any time, such Lender’s Commitment minus:

- (a) the amount of its participation in outstanding Loans; and
- (b) in relation to any proposed Utilisation, the amount of its participation in any other Loans that are due to be made on or before the proposed Utilisation Date (excluding the amount of its participation in the Loan the subject of such proposed Utilisation).

“ **Bankruptcy Law** ” means any insolvency, reorganisation, moratorium or similar Legal Requirement for the general relief of debtors in any relevant jurisdiction.

“ **Bora Commercial Tranche** ” has the meaning given to it in Clause 2.1(b).

“ **Bora GIEK Tranche** ” has the meaning given to it in Clause 2.1(b).

“ **Bora KEXIM Tranche** ” has the meaning given to it in Clause 2.1(b).

“ **Bora Term Loan** ” has the meaning given to it in Clause 2.1(b).

“ **Borrowers** ” means each of Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd., each a corporation organised and existing under the laws of Liberia.

“ **Borrower Maximum Amount** ” means in respect of any Borrower, the maximum amount of the Commitments available to be drawn by such Borrower under the Term Loan Facility prior to the first Utilisation Date in respect of such Borrower, being an amount determined by the Intercreditor Agent in consultation with the Guarantor with reference to the relevant Acceptable Charter or Alternative Charter in each case at such time as the Lenders first approve a form of charter proposed to be the Acceptable Charter or Alternative Charter for such Borrower.

“ **Break Costs** ” means, at any time:

- (a) other than in respect of any GIEK Tranche or the GIEK Facility Lender in respect of any Loan the interest rate for which is based on the CIRR Interest Rate in accordance with Clause 6.2, the amount (if any) by which:
 - (i) the interest that a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period at that time in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (ii) the amount that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period at that time; and
- (b) in respect of the GIEK Facility Lender and any Loan the interest rate for which is based on the CIRR Interest Rate in accordance with Clause 6.2, the amount (if any) as determined and notified by the GIEK Facility Lender by which:
 - (i) the net present value of the interest that the GIEK Facility Lender should have received by applying the CIRR Interest Rate on its participation in such Loan for the period starting on the date of receipt of such Loan to (and including) the Final Repayment Date in respect of such Loan (such amount to be calculated to take into account all of the scheduled Repayment Dates in respect of such Loan and following the relevant agreed Repayment Schedule, as if such Loan had been repaid in accordance with such Repayment Schedule on all of the scheduled Repayment Dates to and including the Final Repayment Date in respect of such Loan);

exceeds:

- (ii) the net present value of the amount the GIEK Facility Lender would be able to obtain by placing an amount equal to its participation in such Loan at the Prepayment Swap Rate for the period starting on the Business Day following receipt of such Loan to (and including) the Final Repayment Date in respect of such Loan.

For the purposes of paragraph (b) of this definition “ **Prepayment Swap Rate** ” means the rate quoted on the Bloomberg Screen BTMM NO page for a period starting on the Business Day following receipt of the GIEK Facility Lender’s participation in the relevant Loan and ending on the Final Repayment Date in respect of such Loan (such amount to be calculated to take into account all of the scheduled Repayment Dates in respect of such Loan to and including the Final Repayment Date in respect of such Loan).

“ **Business Day** ” means any day other than a Saturday, Sunday or any other day that is a legal holiday or a day on which banking institutions are permitted to be closed in London, Paris, Oslo, Seoul or New York and that is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

“ **Cash Waterfall** ” has the meaning given to it in Clause 26.5(b).

“ **Charterer** ” means, in respect of any Acceptable Charter or Alternative Charter, the charterer under that Acceptable Charter or Alternative Charter.

“ **Charterer Furnished Items** ” means any equipment, machinery, tools, supplies, materials, services and other items that:

- (a) a Borrower is required to furnish in respect of its Vessel; and
- (b) in respect of which the costs and expenses incurred by such Borrower in furnishing such items are required to be reimbursed by the relevant Acceptable Charterer to such Borrower, in each case in accordance with the Acceptable Charter or Alternative Charter for such Vessel.

“ **CIRR Applicable Margin** ” means, at any time, the then prevailing Applicable Margin minus zero point eight five per cent. per annum.

“ **CIRR Interest Rate** ” means the percentage rate per annum that is the aggregate of the CIRR Applicable Margin and:

- (a) in respect of the Bora Term Loan, five point eight two per cent.;
- (b) in respect of the Mistral Term Loan, four point eight seven per cent.;
- (c) in respect of the Scirocco Term Loan, four point two one per cent.; and
- (d) in respect of the Santa Ana Term Loan, four point two one per cent.

“ **Collection Account** ” means, in respect of each Borrower, the account of such name established and maintained by such Borrower in accordance with Clause 26 and the details of which are set out in Schedule 25.

“ **Commercial Facility Agent** ” means the New York branch of DnB NOR Bank ASA, or any successor to it appointed pursuant to the terms of this Agreement.

“ **Commercial Facility Lenders** ” means each Person listed as such in Schedule 3 and any permitted transferee of such Person in accordance with Clause 30.

“ **Commercial Facility Prepayment/Cancellation Fee** ” means an amount equal to one per cent. of:

- (a) the amount of any Commercial Tranche or part of a Commercial Tranche that is prepaid in accordance with Clause 5.4(a) or Clause 5.15(b)(y); or
- (b) any Available Commitment of the Commercial Facility Lenders that is cancelled in accordance with Clause 5.5(a) or Clause 5.15(b)(y).

“ **Commercial Tranche Refinancing Notice** ” has the meaning given to it in Clause 5.13.

“ **Commercial Tranches** ” means each of the Bora Commercial Tranche, the Mistral Commercial Tranche, the Scirocco Commercial Tranche and the Santa Ana Commercial Tranche.

“ **Commitment** ” means, in respect of any Lender at any time, the amount set out opposite its name under the heading “Commitment” in Schedule 3 and the amount of any other Commitment transferred to it under this Agreement, in each case, to the extent not cancelled, reduced or transferred in accordance with this Agreement.

“ **Confidential Information** ” means all information relating to any Obligor, the Group or the Finance Documents of which a Secured Party becomes aware in its capacity as, or for the purpose of becoming, a Secured Party or that is received by a Secured Party in relation to, or for the purpose of becoming a Secured Party under the Finance Documents from either:

- (a) any Obligor or any of its advisers; or
- (b) another Secured Party, if the information was obtained by that Secured Party directly or indirectly from any Obligor or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information that contains or is derived or copied from such information but excludes information that:

- (i) is or becomes public information other than as a direct or indirect result of any breach by that Secured Party of Clauses 37.17 and 37.18; or
- (ii) is identified in writing at the time of delivery as non-confidential by any Obligor or any of its advisers; or
- (iii) is known by that Secured Party before the date that such information is disclosed to it in accordance with paragraphs (a) or (b) of this definition or is lawfully obtained by that Secured Party after that date, from a source that is, as far as that Secured Party is aware, unconnected with the Group and that, in either case, as far as that Secured Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

“ **Confidentiality Undertaking** ” means a confidentiality undertaking substantially in the form set out in Schedule 18 or in any other form agreed between any Obligor and the Intercreditor Agent.

“ **Consents** ” means all Governmental Authorisations and all other authorisations, approvals, resolutions, licences, exemptions, consents, decrees, permits, waivers, privileges, notarisations, registrations and filings necessary for any Obligor, PIDWAL and QPML to carry on its business or to perform its obligations under the Transaction Documents to which it is party.

“ **Construction Budget** ” means a budget substantially in the form set out in Schedule 37 and including an outline of the Estimated Delivered Cost of the relevant Vessel.

“ **Contributed Equity** ” has the meaning given to it in Clause 16.1.

“ **Corporate Costs** ” means all venture, corporate and operating costs, expenses and fees of the Group incurred:

- (a) in respect of the Guarantor, prior to the First Utilisation Date and only to the extent directly or indirectly connected to the acquisition of any Vessel; and
- (b) in respect of any Obligor, prior to the Vessel Completion Date,

in connection with obtaining the necessary funds to acquire each Vessel (including the Senior Debt, the fees and expenses of legal, accounting and other professional staff), the cost of establishing each Borrower, the cost of technical services and the cost of the finance team and other relevant personnel of the Guarantor and the Borrowers.

“ **Cost Certificate** ” means a certificate substantially in the form set out in the appendix to Part A of Schedule 4.

“ **Cost Overrun Undertaking** ” means the undertaking of the Guarantor set out in Clause 16.2.

“ **Cost Overrun Undertaking Proceeds** ” means any amount paid by the Guarantor pursuant to the Cost Overrun Undertaking.

“ **Credit Participation** ” means, in relation to each Secured Party and at any time, the aggregate of:

- (a) if that Secured Party is a Lender at that time:
 - (i) subject to paragraph (ii) below, up to and including the last day of the last outstanding Availability Period under this Agreement, such Lender’s Available Commitment plus the amount of its participation in any outstanding Loans; or
 - (ii) after the last day of the last outstanding Availability Period under this Agreement or at any time that any Enforcement Action has commenced and is continuing, the amount of such Lender’s participation in any outstanding Loans;

- (b) if that Secured Party is a Hedging Party, in respect of any hedging transaction of that Secured Party under any Hedging Instrument that has been terminated or closed out in accordance with the terms of this Agreement as of the date the calculation of its Credit Participation is made, the amount, if any, payable to it under any Hedging Instrument in respect of that termination or close out as of the date of termination or close out (and before taking into account any interest accrued on that amount since the date of termination or close out) to the extent that amount is unpaid (that amount to be certified by such Secured Party and as calculated in accordance with the relevant Hedging Instrument); and
- (c) after the Lender Discharge Date only, if that Secured Party is a Hedging Party, in respect of any hedging transaction of that Secured Party under any Hedging Instrument that has not been terminated or closed out as of the date the calculation is made, the Hedging Purchase Amount.

“ **Customary Industry Practice** ” means, at a particular time, the exercise of that degree of skill, diligence, prudence, foresight and care reasonably to be expected of skilled and experienced operators in the deep-water drilling industry in order to accomplish the desired result consistent with reliability, safety, performance and expedition.

“ **Debenture** ” means each of:

- (a) the agreement entitled “Debenture” dated on or about the date of this Agreement between Pacific Bora Ltd. as Borrower and DnB NOR Bank ASA as Security Trustee;
- (b) the agreement entitled “Debenture” dated on or about the date of this Agreement between Pacific Mistral Ltd. as Borrower and DnB NOR Bank ASA as Security Trustee;
- (c) the agreement entitled “Debenture” dated on or about the date of this Agreement between Pacific Scirocco Ltd. as Borrower and DnB NOR Bank ASA as Security Trustee; and
- (d) the agreement entitled “Debenture” dated on or about the date of this Agreement between Pacific Santa Ana Ltd. as Borrower and DnB NOR Bank ASA as Security Trustee.

“ **Debt Purchase Transaction** ” means, in relation to a Person, a transaction where such Person:

- (a) purchases by way of assignment or transfer;
 - (b) enters into any sub-participation in respect of; or
 - (c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,
- any Commitment or amount outstanding under this Agreement.

“ **Debt Service Account** ” means, in respect of each Borrower, the account of such name established and maintained by such Borrower in accordance with Clause 26 and the details of which are set out in Schedule 25.

“ **Debt Service Amount** ” means, at any time and in respect of any Borrower the aggregate amount of:

- (a) the Monthly Principal Factor multiplied by the aggregate amount of Senior Debt Service (excluding the amount of that Senior Debt Service that represents interest and net scheduled amounts under any Hedging Instruments), in each case payable by such Borrower on the next Repayment Date; plus
- (b) the Monthly Interest Factor multiplied by the aggregate of the amount of interest on the outstanding Senior Debt of such Borrower plus net scheduled amounts under any Hedging Instruments payable by the Borrower on or prior to the next date on which interest is to be paid by such Borrower.

“ **Debt Service Reserve Account** ” means, in respect of each Borrower, the account of such name established and maintained by such Borrower in accordance with Clause 26 and the details of which are set out in Schedule 25.

“ **Debt Service Reserve Account Required Balance** ” means, in respect of each Borrower, on and from the later to occur of the Delivery Date of such Borrower’s Vessel and the first Utilisation of such Borrower’s Term Loan, the sum of:

- (a) the aggregate amount of Senior Debt Service (excluding the amount of that Senior Debt Service that represents interest) plus net scheduled amounts under the Hedging Instruments, in each case payable by such Borrower on or prior to the next Repayment Date; plus
- (b) the amount of interest on the outstanding Senior Debt of such Borrower payable on or prior to the next Repayment Date,

such amounts to be calculated assuming that:

- (i) the aggregate principal amount of such outstanding Senior Debt will remain outstanding until the next Repayment Date;
- (ii) the respective interest rates and Applicable Margins applicable to the various portions of such principal amount will remain the same until the next Repayment Date; and
- (iii) the amount of fees and premium applicable to the various portions of such principal amount will be the fees and premium applicable to such principal amount until the next Repayment Date.

“ **Defaulting Hedging Party** ” means, at any time, any Hedging Party:

- (a) that has failed to comply with any of its material obligations under any Hedging Instrument to which it is a party or has notified the Intercreditor Agent that it will not comply with certain of its material obligations under any Hedging Instrument to which it is a party by the requisite date;
- (b) that otherwise has rescinded or repudiated, or evidenced an intention to rescind or repudiate a Finance Document; or
- (c) with respect to which an Insolvency Event is continuing,

unless, in the case of paragraph (a) of this definition:

- (i) the obligation is complied with within three Business Days of its due date; or
- (ii) the Hedging Party is disputing in good faith whether it contractually is obliged to comply with the obligation in question.

“ **Defaulting Lender** ” means, at any time, any Lender:

- (a) that has failed to make its participation in a Loan available or has notified the Relevant Facility Agent that it will not make its participation in a Loan available by the Utilisation Date of that Loan in accordance with Clause 4.5;
- (b) that otherwise has rescinded or repudiated, or evidenced an intention to rescind or repudiate a Finance Document; or

(c) with respect to which an Insolvency Event is continuing,

unless, in the case of paragraph (a) of this definition:

- (i) its participation is made available within three Business Days of its due date; or
- (ii) the Lender is disputing in good faith whether it contractually is obliged to make the payment in question.

“ **Delegate** ” means any delegate, agent, attorney or co-trustee appointed by the Security Trustee or the Intercreditor Agent.

“ **Delivered Cost** ” means in respect of any Vessel, the total amount paid by the Group (and any other Person that has paid any amount in respect of equipment, which amount is entitled to constitute Equity in accordance with the definition of Equity) to procure that such Vessel is completed, delivered by the Shipbuilder to the relevant Borrower and delivered by the relevant Borrower to the relevant Acceptable Charterer, including, without limitation:

- (a) all payments made to the Shipbuilder under the relevant Shipbuilding Contract;
- (b) all expenses incurred in connection with the supervision of construction of that Vessel, the procurement and delivery of any owner-furnished equipment and supplies required for that Vessel;
- (c) for the relevant Borrower, the Allocable Share of all Corporate Costs; and
- (d) for the relevant Borrower, the Allocable Share of all Financing Costs.

“ **Delivery Certificate** ” means, in respect of each Vessel, an Officer’s Certificate from the Relevant Borrower attaching, and certifying that such attachments are true and correct copies of, each of the following:

- (a) minimum safe manning document;
- (b) ship station licence;
- (c) interim class certificate;
- (d) international load line certificate;
- (e) international tonnage certificate;
- (f) mobile offshore drilling unit safety certificate, if applicable;
- (g) international oil pollution prevention certificate;
- (h) international sewage pollution prevention certificate;
- (i) international air pollution prevention certificate;
- (j) engine international air pollution prevention certificate;
- (k) crew accommodation certificate;
- (l) Statement of Fact from the Classification Society for entry into U.S. Waters: Compliance with U.S. Code of Federal Regulations 33 for foreign flag vessels;

-
- (m) carving and marking note;
 - (n) American Bureau of Shipping – register of lifting appliances – certificate of test and examination; and
 - (o) any other relevant classification or trade document relating to such Vessel.

“ **Delivery Date** ” means, in respect of any Vessel, the date that such Vessel is delivered to the relevant Borrower pursuant to the relevant Shipbuilding Contract.

“ **Delivery Documents** ” means each document set out in Part 2 of Schedule 16 to the extent that such document is required to be delivered on the Delivery Date of the relevant Vessel in accordance with the relevant Shipbuilding Contract.

“ **Delivery Obligations** ” means each obligation set out in Part 1 of Schedule 16 and the delivery of each document set out in Part 2 of Schedule 16 to the extent that such document is not a Delivery Document.

“ **Designated Website** ” has the meaning given to it in Clause 37.2(a).

“ **Discharged Rights and Obligations** ” has the meaning given to it in Clause 30.5(c)(i).

“ **Direct Agreement** ” means each Acceptable Charter Direct Agreement, each Shipbuilding Contract Direct Agreement, each Refund Guarantee Direct Agreement, each Vessel Management Agreement Direct Agreement, each Vessel Services Agreement Direct Agreement, each notice and acknowledgement required to be delivered in accordance with Clause 19.23(b) and each other direct agreement that the Intercreditor Agent reasonably may request be entered into in favour of the Security Trustee in relation to the Transaction Documents.

“ **Disbursement Account** ” means, in respect of each Borrower, the account of such name established and maintained by such Borrower in accordance with Clause 26 and the details of which are set out in Schedule 25.

“ **Disruption Event** ” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets that are, in each case, required to operate in order for payments to be made in connection with the Finance Documents (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event that results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
 - (i) from performing its payment obligations under any Finance Document; or
 - (ii) from communicating with other Parties in accordance with the terms of any Finance Document,

and that (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“ **Distribution** ” means any payment of dividends or other distribution by any Borrower to the Guarantor or any Affiliate of the Guarantor or an Investor Affiliate (whether in cash or in kind) and any bonus issue or return of capital by any Borrower to the Guarantor or any Affiliate of the Guarantor or an Investor Affiliate, including any payment in respect of, or on the redemption of, any share capital whether at or in respect of a premium or otherwise, or any payment (including any payment of interest) in respect of Guarantor Subordinated Debt.

“ **Dollars** ” or “ **US\$** ” means the lawful currency of the United States of America.

“ **Draw Notice** ” has the meaning given to it in Clause 26.16(g).

“ **EBITDA** ” means, in respect of any specified period, the operating profit of the Group (on a consolidating basis) before taxation (excluding the results from discontinued operations):

- (a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any Obligor (calculated on a consolidating basis) in respect of that specified period;
- (b) before deducting any amount attributable to the amortisation, depreciation or impairment of assets of any Obligor (and taking no account of the reversal of any previous impairment charge made in that specified period);
- (c) not including any accrued interest owing to any Obligor;
- (d) before taking into account any Exceptional Items;
- (e) after deducting the amount of any profit (or adding back the amount of any loss) of any Obligor that is attributable to minority interests;
- (f) after deducting the amount of any profit of any Non-Group Entity to the extent that the amount of the profit included in the financial statements of the Obligors exceeds the amount actually received in cash by any Obligor through distributions by the Non-Group Entity;
- (g) before taking into account any unrealised gains or losses on any financial instrument (other than any derivative instrument that is accounted for on a hedge accounting basis);
- (h) before taking into account any gain arising from an upward revaluation of any other asset at any time,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation.

“ **ECA Tranches** ” means each of the GIEK Tranches and the KEXIM Tranches.

“ **Effective Date** ” means, in respect of an Acceptable Charter or an Alternative Charter, the date on which such Acceptable Charter or Alternative Charter becomes effective in accordance with its terms and such that, among other things, the charter period and the Charterer’s obligation to make payment of the applicable charter day rate each has commenced in respect of the relevant Vessel in accordance with the terms of such Acceptable Charter or Alternative Charter.

“ **Eksportfinans ASA** ” means Eksportfinans ASA, organisation number 816 521 432, Dronning Maudsgt. 15, 0250 OSLO, Norway.

“ **Enforcement Action** ” has the meaning given to it in the Intercreditor Agreement.

“ **Enforcement Direction** ” has the meaning given to it in Clause 23.

“ **Equity** ” means any equity contributed by the Guarantor to any Borrower:

- (a) as payment for or in respect of share capital of such Borrower; or
- (b) as Guarantor Subordinated Debt,

and shall include the amount of any expenditure by the Guarantor or any Affiliate of the Guarantor (other than any Borrower) on equipment in respect of such Borrower’s Vessel that has been paid for in full by any such Person if, and only to the extent that:

- (i) full legal title in such equipment has been transferred to such Borrower; and
- (ii) a first priority security interest in respect of any such equipment has been executed, recorded and perfected in favour of the Security Trustee to the satisfaction of the Intercreditor Agent.

“ **Equity Undertaking** ” means the undertaking of the Guarantor set out in Clause 16.1.

“ **Equity Undertaking Proceeds** ” means any amount contributed by the Guarantor pursuant to the Equity Undertaking.

“ **Estimated Delivered Cost** ” means, in respect of any Vessel, the amount notified in an Officer’s Certificate by the Borrower in respect of its Vessel to the Intercreditor Agent and confirmed by the Intercreditor Agent, as the estimated Delivered Cost of such Vessel determined as at the First Utilisation Date.

“ **Event of Default** ” has the meaning given to it in Clause 22.

“ **Exceptional Items** ” means any exceptional, one off, non-recurring or extraordinary items.

“ **Excess Proceeds** ” has the meaning given to in Clause 26.18.

“ **Excess Risks** ” means, with respect to a Vessel:

- (a) the proportion of claims for general average, salvage and salvage charges that are not recoverable as a result of the value at which such Vessel is assessed for the purpose of such claims exceeding such Vessel’s insured value; and
- (b) collision liabilities not recoverable in full under the hull and machinery insurance by reason of those liabilities exceeding such proportion of the insured value of such Vessel as is covered by the hull and machinery insurance.

“ **Existing Agreement** ” has the meaning given to it in Clause 21.5(a).

“ **Existing Lender** ” has the meaning given to it in Clause 30.1.

“ **Expected Delivery Date** ” means, in respect of any Vessel, the date so described alongside the details of such Vessel in the definition of “Vessel”.

“ **Facility Agents** ” means each of the Commercial Facility Agent, the GIEK Facility Agent and the KEXIM Facility Agent.

“ **Facility Office** ” means the office or offices notified by a Lender to its Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“ **Fair Market Proportion** ” means, in respect of any Borrower and at any time, the proportion (expressed as a percentage) of the Fair Market Value of its Vessel to the aggregate Fair Market Value of all Vessels, in each case at such time.

“ **Fair Market Value** ” in respect of any Vessel means the fair market value of such Vessel, free of any charter party agreement or other contract for its employment in each case, and being:

- (a) the amount calculated as the simple mean average of the valuation determined, at the cost and expense of the relevant Borrower, by two Approved Brokers; or
- (b) if the greater of the two valuations referred to in paragraph (a) of this definition is more than 110% of the lower of the two valuations, the amount calculated as the simple average of the valuation determined, at the cost and expense of the relevant Borrower, by three Approved Brokers (being those referred to in paragraph (a) of this definition plus one additional Approved Broker); provided, however, that if the lower of the two valuations referred to in paragraph (a) of this definition is at least equal to the threshold required at that time by Clause 19.29, no third valuation shall be required.

“ **Fee Letter** ” means each of:

- (a) the letter dated on or about the date of this Agreement between the Guarantor and DnB NOR Bank ASA (New York Branch) specifying a fee in respect of the role of DnB NOR Bank ASA (New York Branch) as Intercreditor Agent, Security Trustee, Accounts Bank, Commercial Facility Agent and GIEK Facility Agent;
- (b) the letter dated on or about the date of this Agreement from the Guarantor to Crédit Agricole Corporate & Investment Bank specifying a fee in respect of the role of Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent;
- (c) the letter dated on or about the date of this Agreement from the KEXIM Facility Agent to The Export-Import Bank of Korea specifying an upfront fee in respect of the role of The Export-Import Bank of Korea as KEXIM Facility Lender;
- (d) the letter dated on or about the date of this Agreement from DnB NOR Bank ASA (New York Branch) to Eksportfinans ASA specifying an arrangement fee in respect of the role of Eksportfinans ASA as GIEK Facility Lender and Garanti-Instituttet for Eksportkredit;
- (e) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to ABN AMRO Bank N.V., Oslo Branch specifying an upfront fee in respect of its role as a Commercial Facility Lender;
- (f) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to Citibank, N.A. specifying an upfront fee in respect of its role as a Commercial Facility Lender;
- (g) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to Crédit Agricole Corporate & Investment Bank specifying an upfront fee in respect of its role as a Commercial Facility Lender;
- (h) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to DNB NOR Bank ASA (New York Branch) specifying an upfront fee in respect of its role as a Commercial Facility Lender;
- (i) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to DVB Bank SE, Nordic Branch specifying an upfront fee in respect of its role as a Commercial Facility Lender;

- (j) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to Fokus Bank (Norwegian Branch of Danske Bank A/S) specifying an upfront fee in respect of its role as a Commercial Facility Lender;
- (k) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to Nordea Bank Finland Plc, New York Branch specifying an upfront fee in respect of its role as a Commercial Facility Lender;
- (l) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to NIBC Bank N.V. specifying an upfront fee in respect of its role as a Commercial Facility Lender;
- (m) the letter dated on or about the date of this Agreement from the Commercial Facility Agent to Skandinaviska Enskilda Banken AB (publ.) specifying an upfront fee in respect of its role as a Commercial Facility Lender; and
- (n) the Amendment and Restatement Fee Letter.

“ **Final Discharge Date** ” means the date on which:

- (a) the Senior Debt Obligations have been indefeasibly paid in full; and
- (b) all Commitments have been cancelled or terminated.

“ **Final Payment** ” means the final instalment of the purchase price of its Vessel required to be made by a Borrower in accordance with the terms of its Shipbuilding Contract.

“ **Final Permitted Delivery Date** ” means, in respect of:

- (a) the vessel named or to be named “Pacific Bora” with hull number 1809 and owned (or to be owned) by Pacific Bora Ltd., 28 April 2011;
- (b) the vessel named or to be named “Pacific Scirocco” with hull number 1867 and owned (or to be owned) by Pacific Scirocco Ltd., 26 December 2011; and
- (c) the vessel named or to be named “Pacific Mistral” with hull number 1864 and owned (or to be owned) by Pacific Mistral Ltd., 27 December 2011; and
- (d) the vessel named or to be named “Pacific Santa Ana” with hull number 1868 and owned (or to be owned) by Pacific Santa Ana Ltd., 26 April 2012.

“ **Final Repayment Date** ” means:

- (a) in respect of the Commercial Tranches, the date falling five years after the earlier to occur of: (i) the First Utilisation Date; and (ii) 31 October 2010; and
- (b) in respect of the ECA Tranches, the date falling nine years after the earlier to occur of: (i) the First Utilisation Date; and (ii) 31 October 2010,

or, in each case, such other date on which all outstanding Loans become due, whether upon acceleration or otherwise (including, for the avoidance of doubt, in accordance with Clause 5.13).

“ **Finance Documents** ” means each of:

- (a) this Agreement;
- (b) the Intercreditor Agreement;
- (c) each Security Document;
- (d) each GIEK Guarantee;
- (e) each Hedging Instrument;
- (f) each Fee Letter;
- (g) the Put Option Undertaking Agreement;
- (h) the QPIL Deed of Release;
- (i) the Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter;
- (j) the Guarantor Guarantee Reaffirmation; and
- (k) each other document agreed by the Guarantor and the Intercreditor Agent to be a “ **Finance Document** ”.

“ **Financial Indebtedness** ” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract that, in accordance with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP, would be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of ninety (90) days in order to raise finance or to finance the acquisition of those assets or services;
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (h) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, the marked to market value shall not be taken into account until such time as the relevant derivative transaction is terminated);
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial or other institution; and
- (j) the amount of any liability (without duplication) in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) of this definition.

“ **Financial Model** ” means the financial model prepared by the Guarantor and provided to the Intercreditor Agent in electronic format on or about 16 August 2010 (as such model may be updated from time to time with the agreement of the Intercreditor Agent (acting reasonably)).

“ **Financial Statements** ” means the audited and unaudited consolidated financial statements of the Guarantor, in each case required to be provided to the Intercreditor Agent pursuant to Clause 19.4.

“ **Financing Costs** ” means all financing costs incurred by the Group:

- (a) in respect of the Guarantor, prior to the First Utilisation Date and only to the extent directly or indirectly connected to the acquisition of any Vessel; and
- (b) in respect of any Obligor, prior to the Vessel Completion Date,

under or in connection with the Finance Documents, including interest costs and fees and expenses (including arrangement fees and costs associated with perfecting any Security Document), hedging costs, fees of any Independent Consultant, fees and expenses of legal, accounting or other professional service providers, technical fees, development costs and expenses, commitment fees, management fees, agency fees, Taxes and other out-of-pocket fees and expenses.

“ **Financing Date** ” means the date on which all of the conditions set forth in Clause 3.1 are first satisfied or waived.

“ **First Currency** ” has the meaning given to it in Clause 12.1(a).

“ **First Borrower** ” has the meaning given to it in Clause 26.18.

“ **First Repayment Date** ” means, in respect of any Term Loan, the date falling on: (a) if an Acceptable Charter or Alternative Charter has been signed by all parties thereto as at the Delivery Date of the relevant Borrower’s Vessel, the date falling six months after the Delivery Date of such Vessel; or (b) otherwise the date falling six months after the signing of an Acceptable Charter or Alternative Charter by all parties thereto in respect of such Vessel.

“ **First Utilisation Date** ” means the first Utilisation Date of the first Term Loan to be utilised.

“ **Fitch** ” means Fitch Ratings Limited.

“ **Follow-on Bareboat Charter** ” means any bareboat charter:

- (a) that is on substantially the same terms as, or, from the perspective of the Relevant Borrower as confirmed by such Borrower in an Officer’s Certificate delivered to the Intercreditor Agent, better terms than the Acceptable Bareboat Charter in respect of the same Vessel that such bareboat charter would replace;
- (b) the Effective Date of which occurs on the same day, or the day following, the expiry or earlier termination, howsoever arising, of such Acceptable Bareboat Charter that is to be replaced;
- (c) that is entered into with the same Acceptable Charterer as such Acceptable Bareboat Charter that is to be replaced; and
- (d) that has a charter period not longer than 12 consecutive months.

“ **Follow-on Time Charter** ” means any time charter:

- (a) that is on substantially the same terms as, or, from the perspective of the Relevant Borrower as confirmed by such Borrower in an Officer’s Certificate delivered to the Intercreditor Agent, better terms than the Acceptable Time Charter in respect of the same Vessel that such time charter would replace;
- (b) the Effective Date of which occurs on the same day, or the day following, the expiry or earlier termination, howsoever arising, of such Acceptable Time Charter that is to be replaced;
- (c) that is entered into with the same Acceptable Charterer as such Acceptable Time Charter that is to be replaced; and
- (d) that has a charter period not longer than 12 consecutive months.

“ **GIEK** ” means Garanti-Instituttet for Eksportkredit acting through its office at Dronning Mauds gt. 15, P.O.Box 1763 Vika, N-0122 Oslo.

“ **GIEK Facility Agent** ” means the New York branch of DnB NOR Bank ASA, or any successor to it appointed pursuant to the terms of this Agreement.

“ **GIEK Facility Lender** ” means Eksportfinans ASA and any permitted transferee of such Person in accordance with Clause 30.

“ **GIEK Guarantee** ” means each of

- (a) a guarantee issued by GIEK in favour of the GIEK Facility Lender pursuant to which GIEK guarantees the Bora GIEK Tranche on terms agreed between the GIEK Facility Lender and GIEK;
- (b) a guarantee issued by GIEK in favour of the GIEK Facility Lender pursuant to which GIEK guarantees the Mistral GIEK Tranche on terms agreed between the GIEK Facility Lender and GIEK;
- (c) a guarantee issued by GIEK in favour of the GIEK Facility Lender pursuant to which GIEK guarantees the Santa Ana GIEK Tranche on terms agreed between the GIEK Facility Lender and GIEK; and
- (d) a guarantee issued by GIEK in favour of the GIEK Facility Lender pursuant to which GIEK guarantees the Scirocco GIEK Tranche on terms agreed between the GIEK Facility Lender and GIEK.

“ **GIEK Prepayment/Cancellation Fee** ” means an amount equal to zero point five per cent. of:

- (a) the amount of any GIEK Tranche or part of a GIEK Tranche that is prepaid in accordance with Clause 5 (other than in accordance with Clause 5.13); or
- (b) any Available Commitment of the GIEK Facility Lenders that is cancelled in accordance with Clause 5.

“ **GIEK Tranches** ” means each of the Bora GIEK Tranche, the Mistral GIEK Tranche, the Scirocco GIEK Tranche and the Santa Ana GIEK Tranche.

“ **Governmental Authorisations** ” means all authorisations, consents, decrees, permits, waivers, privileges and approvals from, and filings with, all Governmental Instrumentalities necessary for any Obligor to carry on its business or to perform its obligations under the Transaction Documents to which it is a party.

“ **Governmental Instrumentality** ” means any country and any administrative, executive, fiscal, juridical, legislative or other body of any federal, regional, state, local or any other authority or governance of any country.

“ **Group** ” means the Guarantor and the Borrowers, and each of them, respectively.

“ **Guarantor** ” means Pacific Drilling Limited, a corporation organised and existing under the laws of Liberia.

“ **Guarantor Change of Control** ” has the meaning given to it in Clause 5.8.

“ **Guarantor Contribution** ” has the meaning given to it in Clause 16.5.

“ **Guarantor Distribution** ” means any payment of dividends or other distribution by the Guarantor to QPIL, Pacific Gibco or any Affiliate of QPIL or Pacific Gibco that is not an Obligor or a Subsidiary of the Guarantor (whether in cash or in kind) and any bonus issue or return of capital by the Guarantor to QPIL, Pacific Gibco or any Affiliate of QPIL or Pacific Gibco that is not an Obligor or a Subsidiary of the Guarantor, including any payment in respect of, or on the redemption of, any share capital whether at or in respect of a premium or otherwise.

“ **Guarantor Equity Account** ” means the account of such name established and maintained by the Guarantor in accordance with Clause 26.13.

“ **Guarantor Group** ” means the group comprising of the Guarantor and any other Person consolidated in the Financial Statements of the Guarantor delivered in accordance with Clause 19.4.

“ **Guarantor Guarantee Reaffirmation** ” means the reaffirmation of guarantee entered into on or about the date of the Amendment and Restatement Agreement by the Guarantor.

“ **Guarantor Liquidity** ” means in relation to the Guarantor at any time, the aggregate amount of (a) all cash in hand or any deposit with any bank or financial institution, beneficially owned by the Guarantor free of restrictions on withdrawal and unencumbered by any encumbrance or bankers’ rights of set off and similar encumbrances on normal banking terms and (b) marketable securities held by the Guarantor with institutions having a long-term credit rating of at least A3 from Moody’s or A- from S&P or Fitch.

“ **Guarantor Subordinated Debt** ” means an unsecured loan made by the Guarantor or any of its Subsidiaries (other than a Borrower) to any Borrower and subordinated in accordance with the terms of the Intercreditor Agreement.

“ **Gulf of Mexico** ” means the body of water known as such that is located off shore of the United Mexican States and the states of Texas, Louisiana, Mississippi, Alabama and Florida in the United States of America, including state leased blocks and lease blocks as defined by the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) in the Gulf of Mexico.

“ **Hazardous Material** ” means any element or substance, whether natural or artificial, and whether consisting of gas, liquid, solid or vapour, whether on its own or in any combination with any other element or substance, that is listed, identified, defined or determined by any environmental Legal Requirements to be, to have been, or to be capable of being or becoming harmful to mankind or any living organism or damaging to the environment, including, without limitation, oil (as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended).

“ **Hedging Instrument** ” means each Interest Hedging Instrument and each Other Hedging Instrument (only if such Other Hedging Instrument benefits from the Security and has been approved in accordance with Clause 20.15(b)).

“ **Hedging Parties** ” means each party (other than any Borrower) to any Hedging Instrument.

“ **Hedging Purchase Amount** ” means, in respect of a hedging transaction under a Hedging Instrument, the amount that would be payable to (expressed as a positive number) or by (expressed as a negative number) the relevant Hedging Party on the relevant date if:

- (a) that date was an Early Termination Date (as defined in the 2002 ISDA Master Agreement); and
- (b) the relevant Borrower was the Defaulting Party (under and as defined in the 2002 ISDA Master Agreement),

in each case as certified by the relevant Hedging Party and as calculated in accordance with the relevant Hedging Instrument.

“ **Historical DSCR** ” means, for a specified period prior to the date of calculation, the ratio of:

- (a) EBITDA of the Group (on a consolidating basis) for such specified period; to
- (b) all obligations of members of the Group to pay principal, interest (net of hedging payments and receipts), fees, indemnities and other amounts in respect of any Financial Indebtedness owed or payable by any member of the Group during such specified period (excluding any prepayments of any such Financial Indebtedness).

“ **Holding Company** ” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

“ **Hurricane/Emergency Preparedness Plan** ” means, in respect of each Vessel, a written plan detailing the procedures to be implemented and complied with in the event of a hurricane, other storm or other emergency affecting such Vessel, in form and substance satisfactory to the Intercreditor Agent, the Technical Consultant and the Insurance Consultant.

“ **IFRS** ” means International Financial Reporting Standards issued by the board of the International Accounting Standards Committee as in effect from time to time.

“ **Impaired Agent** ” means an Agent at any time when:

- (a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) the Agent otherwise rescinds or repudiates a Finance Document or evidences an intention to rescind or repudiate a Finance Document;
- (c) (if the Agent is also a Lender) it is a Defaulting Lender under paragraph (a) or (b) of the definition of “Defaulting Lender”; or
- (d) an Insolvency Event is continuing with respect to the Agent, unless, in the case of paragraph (a) of this definition:
 - (i) payment is made within three Business Days of its due date; or
 - (ii) the Agent is disputing in good faith whether it contractually is obliged to make the payment in question.

“ **Increased Costs** ” has the meaning given to it in Clause 11.1(b).

“ **Indemnified Person** ” has the meaning given to it in Clause 12.2.

“ **Independent Consultants** ” means each of the Insurance Consultant and the Technical Consultant.

“ **Information Memorandum** ” means the information memorandum in connection with the transactions contemplated by this Agreement and dated 21 April 2010 as supplemented by any supplement to that information memorandum issued by the Mandated Lead Arrangers on behalf of the Borrowers and the Guarantor on or about the date of this Agreement and including the supplement dated 16 August 2010.

“ **Initial Operating Budget** ” means a budget relating to operating costs and capital expenditures of the relevant Borrower and in respect of its Vessel, in respect of the period to which such budget relates and substantially in the form set out in Schedule 38.

“ **Initiating Percentage** ” means with respect to any instruction to the Intercreditor Agent in accordance with Clause 28.2(e) following the declaration of an Event of Default, the following percentage at the time indicated:

Percentage	Number of days after the declaration of the Event of Default by the Intercreditor Agent (acting on the instructions of Majority Lenders)
66 2/3%	0-15
50%	15-30
25%	30 or more

“ **Initiating Percentage of Lenders** ” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than the Initiating Percentage of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than Initiating Percentage of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than the Initiating Percentage of all the Loans then outstanding; and

after the application of:

- (i) Clause 30.12; and
- (ii) Clause 35.1.

“ **Insolvency Event** ” in relation to a Secured Party or any other Person means that the Secured Party or other Person:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding

seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency Legal Requirements or other similar Legal Requirements affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency Legal Requirements or other similar Legal Requirements affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a Person not described in paragraph (d) of this definition and:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
 - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has exercised in respect of it one or more of the stabilisation powers pursuant to Part 1 of the Banking Act 2009 and/or has instituted against it a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009;
- (g) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (h) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (i) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (j) causes or is subject to any event with respect to it which, under the Legal Requirements of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (i) of this definition; or
- (k) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“ **Insurance Consultant** ” means Charles Taylor & Co. Limited or any successor to it, appointed in accordance with this Agreement.

“ **Insurance Expert** ” has the meaning given to it in Clause 25.4(c).

“ **Insurance Policies** ” means the contracts, policies of insurance, each entry in a club or insurance association and other documents evidencing the Required Insurances.

“ **Intercreditor Agent** ” means the New York branch of DnB NOR Bank ASA, or any successor to it appointed pursuant to the terms of the Intercreditor Agreement.

“ **Intercreditor Agreement** ” means the agreement so named, dated on or about the date of this Agreement among the Borrowers, the Guarantor, the Facility Agents, the Hedging Parties, the Security Trustee, the Intercreditor Agent, the Accounts Bank and others.

“ **Interest Hedging Instrument** ” means each hedging instrument entered into by a Borrower in accordance with the Finance Documents for the management of interest rate risk in respect of the Term Loan Facility.

“ **Interest Period** ” means, in relation to a Loan, each period determined in accordance with Clause 7 and, in relation to an Unpaid Sum, each period determined in accordance with Clause 6.3.

“ **Investment Notification** ” has the meaning given to it in Clause 26.15(a).

“ **Investor Affiliate** ” means QPIL, each of its Affiliates, any trust of which QPIL or any of its Affiliates is a trustee, any partnership of which QPIL or any of its Affiliates is a partner and any trust, fund or other entity that is managed by, or is under the control of, QPIL or any of its Affiliates.

“ **ISM Code** ” means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organization Assembly as Resolutions A.741(18) and A.788(19).

“ **ISPS Code** ” means the International Ship and Port Facility Security Code adopted by the International Maritime Organization Assembly.

“ **Joint Venture** ” means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership.

“ **KEXIM Facility Agent** ” means Crédit Agricole Corporate & Investment Bank, or any successor to it appointed pursuant to the terms of this Agreement.

“ **KEXIM Facility Lender** ” means The Export-Import Bank of Korea and any permitted transferee of such Person in accordance with Clause 30.

“ **KEXIM Prepayment/Cancellation Fee** ” means an amount equal to zero point five per cent. of:

- (a) the amount of any KEXIM Tranche or part of a KEXIM Tranche that is prepaid in accordance with Clause 5 (other than in accordance with Clause 5.13); or
- (b) any Available Commitment of the KEXIM Facility Lender that is cancelled in accordance with Clause 5.

“ **KEXIM Tranches** ” means each of the Bora KEXIM Tranche, the Mistral KEXIM Tranche, the Scirocco KEXIM Tranche and the Santa Ana KEXIM Tranche.

“ **Legal Requirements** ” means all constitutions, laws, treaties, statutes, orders, decrees, rules, injunctions, licenses, permits, approvals, agreements, regulations, codes, ordinances, guidelines or policies, judicial or administrative interpretations thereof, including all judicial or administrative orders, consents, decrees and judgments, or other governmental restrictions that, in each case, have the force of law, and all determinations by, or interpretations of any of the foregoing by, any Governmental Instrumentality having jurisdiction over the matter in question and binding on a given Person whether in effect as of the Financing Date or thereafter.

“ **Lenders** ” means each of the Commercial Facility Lenders, the GIEK Facility Lender and the KEXIM Facility Lender.

“ **Lender Discharge Date** ” means the date on which:

- (a) the Senior Debt Obligations other than in respect of any Hedging Instrument have been indefeasibly paid in full; and
- (b) all Commitments have been cancelled or terminated.

“ **Leverage Ratio** ” means, at any time, the ratio calculated by dividing the (a) Financial Indebtedness of the Guarantor Group (on a consolidated basis) (excluding any unsecured loan made to any member of the Guarantor Group by any other member of the Guarantor Group or made to any member of the Guarantor Group (other than any Borrower) by any Affiliate of any member of the Guarantor Group, in each case on a subordinated basis) by (b) the aggregate of the Financial Indebtedness of the Guarantor Group (on a consolidated basis) (excluding any unsecured loan made to any member of the Guarantor Group by any other member of the Guarantor Group or made to any member of the Guarantor Group (other than any Borrower) by any Affiliate of any member of the Guarantor Group, in each case on a subordinated basis) and retained equity contributed (as payment for or in respect of share capital of any member of the Guarantor Group or as an unsecured loan made to such member of the Guarantor Group on a subordinated basis) to each member of the Guarantor Group (on a consolidated basis).

“ **Liberia** ” means The Republic of Liberia.

“ **LIBOR** ” means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for Dollars for the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Intercreditor Agent at its request and as quoted by the Reference Banks to leading banks in the Relevant Interbank Market,

as of the Specified Time on the Quotation Day for the offering of deposits in Dollars and for a period comparable to the Interest Period for that Loan.

“ **Liquidation Notification** ” has the meaning given to it in Clause 26.15(h).

“ **Loan** ” means a loan made or to be made available under a Term Loan or the principal amount outstanding for the time being of that loan.

“ **Local Account** ” means any bank account other than an Account that a Borrower is permitted to open in connection with any Acceptable Charter or Alternative Charter in accordance with Clause 26.16 and Schedule 35.

“ **Local Account Proposal** ” has the meaning given to such term in Clause 26.16(a).

“ **Losses** ” has the meaning given to it in Clause 12.2.

“ **Major Casualty Event** ” means any casualty event:

- (a) resulting in damage or destruction to a Vessel in excess of 50,000,000 Dollars; or
- (b) resulting in damage to a Vessel that would take longer to repair than the maximum off-hire period permitted under the Acceptable Charter or Alternative Charter that is in effect in respect of such Vessel at such time.

“ **Majority Commercial Lenders** ” means:

- (a) if there are no Loans then outstanding under the Commercial Tranches, a Commercial Facility Lender or Commercial Facility Lenders whose Commitments aggregate more than 66 2/3% of the aggregate Commitments of the Commercial Facility Lenders (or, if the aggregate Commitments of the Commercial Facility Lenders have been reduced to zero, aggregated more than 66 2/3% of the aggregate Commitments of the Commercial Facility Lenders immediately prior to the reduction); or
- (b) at any other time, a Commercial Facility Lender or Commercial Facility Lenders whose participations in the Loans then outstanding under the Commercial Tranches aggregate more than 66 2/3% of all the Loans then outstanding under the Commercial Tranches; and

after the application of:

- (i) Clause 30.12; and
- (ii) Clause 35.1.

“ **Majority GIEK Lenders** ” means:

- (a) if there are no Loans then outstanding under the GIEK Tranches, a GIEK Facility Lender or GIEK Facility Lenders whose Commitments aggregate more than 66 2/3% of the aggregate Commitments of the GIEK Facility Lenders (or, if the aggregate Commitments of the GIEK Facility Lenders have been reduced to zero, aggregated more than 66 2/3% of the aggregate Commitments of the GIEK Facility Lenders immediately prior to the reduction); or
- (b) at any other time, a GIEK Facility Lender or GIEK Facility Lenders whose participations in the Loans then outstanding under the GIEK Tranches aggregate more than 66 2/3% of all the Loans then outstanding under the GIEK Tranches; and

after the application of:

- (i) Clause 30.12; and
- (ii) Clause 35.1.

“ **Majority KEXIM Lenders** ” means:

- (a) if there are no Loans then outstanding under the KEXIM Tranches, a KEXIM Facility Lender or KEXIM Facility Lenders whose Commitments aggregate more than 66 2/3% of the aggregate Commitments of the KEXIM Facility Lenders (or, if the aggregate Commitments of the KEXIM Facility Lenders have been reduced to zero, aggregated more than 66 2/3% of the aggregate Commitments of the KEXIM Facility Lenders immediately prior to the reduction); or
- (b) at any other time, a KEXIM Facility Lender or KEXIM Facility Lenders whose participations in the Loans then outstanding under the KEXIM Tranches aggregate more than 66 2/3% of all the Loans then outstanding under the KEXIM Tranches; and

after the application of:

- (i) Clause 30.12; and
- (ii) Clause 35.1.

“ **Majority Lenders** ” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than 66 2/3% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66 2/3% of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than 66 2/3% of all the Loans then outstanding; and

after the application of:

- (i) Clause 30.12; and
- (ii) Clause 35.1.

“ **Majority Secured Parties** ” means, at any time, those Secured Parties whose Credit Participations at that time aggregate more than 66 2/3% per cent. of the total Credit Participations at that time.

“ **Manager** ” means:

- (a) Pacific Drilling Operations Limited, a corporation organised and existing under the laws of the British Virgin Islands; or
- (b) any other Affiliate of the Guarantor,

in each case to the extent that it is a party to a Vessel Management Agreement and a Vessel Services Agreement as a manager.

“ **Manager Security Agreement** ” means each agreement pursuant to which a Manager assigns its rights under a Vessel Services Agreement to the Security Trustee.

“ **Mandated Lead Arrangers** ” means the New York branch of DnB NOR Bank ASA, Crédit Agricole Corporate & Investment Bank, Citibank, N.A., DVB Bank SE, Nordic Branch, Fokus Bank (Norwegian Branch of Danske Bank A/S), NIBC Bank N.V., Nordea Bank Finland Plc, New York Branch and Skandinaviska Enskilda Banken AB (publ.).

“ **Mandatory Cost** ” has the meaning given to it in Schedule 7.

“ **Market Disruption Event** ” means:

- (a) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Relevant Facility Agent to determine LIBOR for Dollars for the relevant Interest Period; or
- (b) before close of business in London on the Quotation Day for the relevant Interest Period, the Relevant Facility Agent receives notifications from a Lender or Lenders (other than a Lender that is lending in respect of the relevant Loan on a fixed interest rate basis) whose participations in a Loan exceed 33 1/3 per cent. of the portion of that Loan that otherwise accrues interest at LIBOR that the cost to it or them of obtaining matching deposits in the Relevant Interbank Market would be in excess of LIBOR.

“ **Material Adverse Effect** ” means a material adverse effect upon:

- (a) the financial condition, business, assets, prospects or operations of any Obligor, the Manager, the Shipbuilder (but, in the case of the Shipbuilder, only until the date that the Shipbuilder has satisfied all of its obligations under each Shipbuilding Contract) or any Refund Guarantor (but, in the case of a Refund Guarantor, only until the date that such Refund Guarantor has satisfied all of its obligations under the applicable Refund Guarantee);

-
- (b) the ability of any Person to perform its material obligations under any Transaction Document to which it is party;
 - (c) the ability of any Obligor to enforce its material rights or remedies under any Transaction Document to which it is party;
 - (d) the legality, validity or enforceability of any material provision under any Transaction Document;
 - (e) the ability of any Borrower and the Guarantor to pay its Senior Debt Obligations when due or for the Guarantor to perform its obligations under Clause 15; or
 - (f) the validity, enforceability, perfection or priority of any Security.

“ **Material Agreements** ” means each Shipbuilding Contract, each Acceptable Charter, each Alternative Charter, each Refund Guarantee, each Vessel Management Agreement, each Vessel Services Agreement, each Insurance Policy, the Put Option Assignment Agreement and each other material agreement (other than any Finance Document) entered into by any Obligor in connection with the transactions contemplated by any other Transaction Document; and provided that the additional direct agreement dated on or about 15 November 2010 among Pacific Bora Ltd., PIDWAL and the Security Trustee shall be deemed to be a Material Agreement for the purposes of Clause 22.20 only.

“ **Maximum P&I Limit** ” has the meaning given to it in Clause 25.1(a)(iii).

“ **Minimum Primary Insurance** ” means a primary package of insurance at a minimum comprising insurance against (a) maritime employers liability (personal injury coverage for the employees on the rigs) with a limit of 1,000,000 Dollars; (b) general liability (including actions for personal injury) with a limit of 1,000,000 Dollars; (c) collision liability with a limit of 700,000,000 Dollars; (d) removal of wreck liability with a limit of 175,000,000 Dollars; (e) war protection and indemnity with a limit of 700,000,000 Dollars; and (f) vessel pollution with a limit of 120,000,000 Dollars.

“ **Mistral Commercial Tranche** ” has the meaning given to it in Clause 2.1(c).

“ **Mistral GIEK Tranche** ” has the meaning given to it in Clause 2.1(c).

“ **Mistral KEXIM Tranche** ” has the meaning given to it in Clause 2.1(c).

“ **Mistral Term Loan** ” has the meaning given to it in Clause 2.1(c).

“ **Modification** ” means, with respect to any Finance Document, any amendment, direction, consent, Waiver or other modification of the terms and provisions thereof.

“ **Monthly Interest Factor** ” means: (a) the number of months since the last date on which interest was paid by such Borrower divided by three; or (b) in respect of the period from the first payment into the relevant Borrower’s Debt Service Account until the date on which interest next is payable by such Borrower only, in respect of such first payment, one, and in respect of each other payment into the relevant Borrower’s Debt Service Account during such period the number of months since such first payment, in each case divided by the number of months from the date of such first payment into the relevant Borrower’s Debt Service Account until the date on which interest next is payable by such Borrower, in each case expressed as a percentage.

“ **Monthly Principal Factor** ” means: (a) the number of months since the last Repayment Date divided by six; or (b) in respect of the period from the first payment into the relevant Borrower’s Debt Service

Account until the next Repayment Date only (if the number of months remaining to the next Repayment Date at such time is less than six), in respect of such first payment, one, and in respect of each other payment into the relevant Borrower's Debt Service Account during such period the number of months since such first payment, in each case divided by the number of months from the date of such first payment into the relevant Borrower's Debt Service Account until the next Repayment Date, in each case expressed as a percentage.

“ **Moody's** ” means Moody's Investors Service, Inc.

“ **Mortgage** ” means each first preferred mortgage in favor of the Security Trustee (for itself and on behalf of the Secured Parties) entered into by a Borrower in respect of its Vessel in accordance with Clause 19.28.

“ **Named Wind Storms** ” means those storms that are allocated names from the World Meteorological Organization list or any additions thereto and tracked by the services of the National Oceanic and Atmospheric Administration (NOAA).

“ **New Legal Requirements** ” has the meaning given to it in Clause 20.16.

“ **New Lender** ” has the meaning given to it in Clause 30.1.

“ **New Vessel Notice** ” means a notice in the form as set out in Schedule 36.

“ **Non-Group Entity** ” means any investment or entity (that is not itself a member of the Group (including associates and Joint Ventures)) in which any member of the Group has an ownership interest.

“ **Notifiable Debt Purchase Transaction** ” has the meaning given to it in Clause 30.12(b).

“ **O&M Expenses** ” means at any time all actual costs to be incurred and paid for or to be paid for by or on behalf of a Borrower with respect to the ownership, management, operation or maintenance of its Vessel, including payments for insurance and consumables, payments pursuant to the agreements for the management, operation and maintenance of such Vessel, maintenance capital expenditure, costs and expenses associated with rebuilding or repairing such Vessels (including in the circumstances contemplated by Clause 19.34(b)), fees paid in connection with obtaining, transferring, maintaining or amending any Governmental Authorisation, employee salaries, wages and other employment-related costs and reasonable general and administrative expenses, including reasonable legal fees and expenses and including all Corporate Costs and provided that any such costs are included in the relevant Borrower's Initial Operating Budget or then most recent Annual Operating Budget as applicable.

“ **Obligor** ” means each of the Guarantor and each Borrower.

“ **Officer's Certificate** ” means a certificate, signed by an Authorised Representative of the relevant Obligor, substantially in the relevant form set out in Schedule 17.

“ **Operating Account** ” means, in respect of a Borrower, an account of such name established and maintained by such Borrower in accordance with Clause 26.8.

“ **Operating Accounts Bank** ” means the New York branch of Citibank, N.A.

“ **Original Lender** ” means each Lender party to this Agreement at the date of this Agreement.

“ **Other Hedge Provider** ” has the meaning given to it in Clause 20.15(b)(ii)(B).

“ **Other Hedging Instrument** ” means each hedging instrument entered into or to be entered into by a Borrower other than an Interest Hedging Instrument.

“ **Pacific Gibco** ” means Pacific Drilling (Gibraltar) Ltd., a company organised and existing under the laws of Gibraltar.

“ **Pacific Gibco Share Pledge** ” means the agreement entitled “Charge Over Shares” entered into on or about the date of the Amendment and Restatement Agreement and between Pacific Gibco as Chargor and DnB NOR Bank ASA as Security Trustee and in respect of Pacific Gibco’s shares in the Guarantor.

“ **Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter** ” means the letter signed by the Guarantor requesting the waiver of certain requirements and provisions of the Project Facilities Agreement insofar as they relate to the Mistral Term Loan and the Scirocco Term Loan and dated on or about the date of the Amendment and Restatement Agreement.

“ **Paper Form Party** ” has the meaning given to it in Clause 37.2(b).

“ **Party** ” means a Person who is a party to this Agreement from time to time.

“ **Payment Instruction** ” has the meaning given to it in Clause 26.11(d).

“ **PDOL** ” means Pacific Drilling Operations Limited, a corporation organised and existing under the laws of the British Virgin Islands.

“ **PDSI** ” means Pacific Drilling Services Inc., a company incorporated under the laws of the State of Delaware.

“ **Permitted Equity Refund Amount** ” has the meaning given to it in Clause 16.3.

“ **Permitted Hedge Provider** ” means a Mandated Lead Arranger or a Commercial Facility Lender that is the transferee or assignee of any Mandated Lead Arranger.

“ **Permitted Indebtedness** ” means:

- (a) the Senior Debt;
- (b) any Guarantor Subordinated Debt or any intercompany loan contemplated by Clause 26.18;
- (c) any letters of credit and similar support letters and trade debt (including purchase orders) entered into in the ordinary course of business by any Borrower (excluding, for the avoidance of doubt, any Acceptable Letter of Credit); and
- (d) Permitted Subordinated Debt.

“ **Permitted Investments** ” means any Dollar denominated investment maturing not more than 180 days after the date of acquisition that is:

- (a) issued or guaranteed by any Governmental Instrumentality or multilateral intergovernmental organization that has a credit rating of at least A2 from Moody’s or at least A from S&P or Fitch;
- (b) commercial paper having a rating at the time of acquisition of at least A-1 from S&P or Fitch or at least P-1 from Moody’s;
- (c) a corporate promissory note or other obligation that has received (or benefits from a guarantee or letter of credit that has received) a rating of at least A2 from Moody’s or at least A from S&P or Fitch;
- (d) issued, accepted or guaranteed by a commercial bank having a credit rating of at least A2 from Moody’s or at least A from S&P or Fitch;

-
- (e) a money market fund having a rating in the highest investment category granted thereby by S&P, Fitch or Moody's at the time of acquisition (including any fund for which the Security Trustee or any of its Affiliates is an investment manager or advisor); or
 - (f) otherwise acceptable to the Intercreditor Agent.

“ **Permitted Security** ” means:

- (a) the Security;
- (b) any lien or security interest (existing by law or contract) granted to, or in favor of, any Charterer pursuant to the terms of any Acceptable Charter or Alternative Charter;
- (c) liens for Taxes (including interest and penalties) not yet delinquent (after giving effect to any applicable extensions), or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with IFRS or, where each Obligor employs US GAAP in respect of its financial accounting, US GAAP;
- (d) mechanics and ship repairers' liens and other liens and encumbrances arising by operation of any Legal Requirement for amounts not yet due or for amounts being contested in good faith by appropriate proceedings and that are not more than 30 days overdue;
- (e) Security Interests (including purchase money liens and retention of title arrangements in favour of suppliers) arising in the ordinary course of trading or operation of a Vessel either by statute or by operation of law or for amounts not yet delinquent (after giving effect to any applicable extensions) or that are being contested in good faith and that are not more than 30 days overdue;
- (f) any lien or Security Interest arising out of any claims, judgements or awards against a Borrower that are brought in good faith or that are the subject of a pending appeal and for the payment of which adequate reserves have been established;
- (g) liens for master's, officers' or crew's wages arising in accordance with usual maritime practice and any liens for salvage; and
- (h) any Security Interest in respect of any Permitted Subordinated Debt that is granted in respect of any Secured Collateral and which Security Interest is subordinated to the Security on terms satisfactory to the Intercreditor Agent.

“ **Permitted Subordinated Debt** ” means Financial Indebtedness that is subordinated to the Senior Debt on terms satisfactory to the Intercreditor Agent.

“ **Permitted Uses** ” means the following permitted uses by any Borrower:

- (a) to pay any costs incurred under any Material Agreement to which such Borrower is party (and for which invoices have been provided to the Intercreditor Agent and approved by the Technical Consultant);
- (b) to pay any O&M Expenses and Taxes incurred by such Borrower (and for which invoices have been provided to the Intercreditor Agent if application of amounts to such Permitted Uses is made prior to the later of (i) the Delivery Date of such Borrower's Vessel and (ii) the date of the final Utilisation of such Borrower's Term Loan and provided further that no invoices shall be required to be provided in respect of O&M Expenses relating to employee salaries, wages or other employment-related costs);

-
- (c) to pay:
- (i) any interest on any Loan made available to such Borrower and accruing prior to the First Repayment Date of such Borrower's Term Loan; and
 - (ii) any other Financing Costs of such Borrower (other than interest costs on any Loan made available to such Borrower pursuant to this Agreement) for which invoices have been provided to the Intercreditor Agent;
- (d) to make Distributions in accordance with Clause 16.3;
- (e) in respect of Equity Undertaking Proceeds, to fund the Debt Service Reserve Account and to cash collateralise any letter of credit or similar support letter that constitutes Permitted Indebtedness in accordance with part (c) of the definition of Permitted Indebtedness;
- (f) in respect of any Guarantor Contributions, to pay any costs and expenses in respect of any Charterer Furnished Items for such Borrower's Vessel in accordance with the Acceptable Charter or Alternative Charter to which such Borrower is a party; and
- (g) in respect of any Excess Proceeds, only to apply such amounts in accordance with Clause 26.18, Clause 26.4(c) and Clause 16.3.

“ **Person** ” means any individual, firm, company, corporation, partnership, joint venture, association, Governmental Instrumentality or any other entity whether acting in an individual, fiduciary or other capacity (whether or not having separate legal personality).

“ **PIDWAL** ” means Pacific International Drilling West Africa Limited, a company organised and existing under the laws of the Federal Republic of Nigeria.

“ **Post-Completion Security** ” means, in respect of a Borrower, all Security required to be granted by such Borrower prior to the Delivery Date of its Vessel in accordance with this Agreement (other than any Security in respect of any Refund Guarantee) and all such other Security required to be granted in accordance with Clause 19.28.

“ **Potential Event of Default** ” means any event that, with the passage of time, the giving of notice or the making of a determination, would become an Event of Default.

“ **Prepayment/Cancellation Fee** ” means each of the Commercial Facility Prepayment/Cancellation Fee, the GIEK Prepayment/Cancellation Fee and the KEXIM Prepayment/Cancellation Fee.

“ **Proceeds** ” means:

- (a) all proceeds of all Loans;
- (b) all Equity Undertaking Proceeds;
- (c) all Cost Overrun Undertaking Proceeds; and
- (d) all Guarantor Contributions.

“ **Proceeds Retention Account** ” has the meaning given to it in Clause 26.18.

“ **Project Cost Reduction** ” has the meaning given to it in Clause 5.10(a).

“ **Projected DSCR** ” means, for a specified period following the date of calculation, the ratio of:

- (a) EBITDA of the Group (on a consolidating basis) for such specified period; to

(b) all obligations of members of the Group to pay principal, interest (net of hedging payments and receipts), fees, indemnities and other amounts in respect of any Financial Indebtedness of any member of the Group forecast to be paid during such specified period (excluding any prepayments of any such Financial Indebtedness and the final principal instalment of the Commercial Tranche payable in accordance with the applicable Repayment Schedule),

“ **Protected Party** ” has the meaning given to it in Clause 10.1(a).

“ **Put Option Agreement** ” means the put option and registration rights agreement dated as of 18 October 2007, among Pacific Drilling Limited, Transocean Pacific Drilling Inc., Transocean Inc. and Transocean Offshore International Ventures Limited.

“ **Put Option Assignment Agreement** ” means the assignment and assumption agreement in respect of, amongst other things, the Put Option Agreement entered into by the Guarantor and QPML and consented to by Transocean Pacific Drilling Inc., Transocean Inc. and Transocean Pacific Drilling Holding Limited and dated on or about the date of the Amendment and Restatement Agreement.

“ **Put Option Shares** ” has the meaning given to it in clause 1.1 of the Put Option Undertaking Agreement.

“ **Put Option Undertaking Agreement** ” means the undertaking agreement executed by QPML in favour of the Security Trustee and dated on or about the date of the Amendment and Restatement Agreement.

“ **QPIL** ” means Quantum Pacific International Limited, a corporation organised and existing under the laws of the British Virgin Islands.

“ **QPIL Deed of Release** ” means the deed of release entered into on or about the date of the Amendment and Restatement Agreement and between QPIL and the Security Trustee and in respect of the share pledge entered into between QPIL as Chargor and the Security Trustee in respect of QPIL’s shares in the Guarantor and dated 9 September 2010.

“ **QPML** ” means Quantum Pacific Management Ltd., a company organised and existing under the laws of Cyprus.

“ **Quotation Day** ” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period.

“ **Receiver** ” means a receiver or receiver and manager or administrative receiver of the whole or any part of the Secured Collateral.

“ **Recipient** ” has the meaning given to it in Clause 10.6(b).

“ **Reduced Total Project Costs** ” has the meaning given to it in Clause 5.10(a).

“ **Reference Banks** ” means, in relation to LIBOR and Mandatory Cost, the principal London offices of DnB NOR Bank ASA (New York Branch), Crédit Agricole Corporate & Investment Bank and Citibank, N.A. (New York Branch).

“ **Refund Guarantees** ” means each refund guarantee provided pursuant to a Shipbuilding Contract that is listed in Schedule 19, and each other refund guarantee provided by a Refund Guarantor in respect of a Vessel (and in replacement of any refund guarantee listed in Schedule 19) in accordance with the Shipbuilding Contract for such Vessel and that is in a form satisfactory to the Intercreditor Agent.

“ **Refund Guarantors** ” means each issuer of a Refund Guarantee as specified in Schedule 19 and each other issuer of any other Refund Guarantee.

“ **Refund Guarantee Direct Agreement** ” means each direct agreement listed in Schedule 34, in each case substantially in the form set out in Part B of Schedule 23.

“ **Release Date** ” has the meaning given to it in Clause 5.16(b)(ii).

“ **Released Vessel** ” has the meaning given to it in Clause 5.16(a).

“ **Released Vessel Agreement** ” has the meaning given to it in Clause 21.5(a).

“ **Released Vessel Owner** ” has the meaning given to it in Clause 21.5(a).

“ **Relevant Borrower** ” means:

- (a) in respect of the Bora Term Loan and/or the Vessel named or to be named “Pacific Bora” with hull number 1809, Pacific Bora Ltd.;
- (b) in respect of the Mistral Term Loan and/or the Vessel named or to be named “Pacific Mistral” with hull number 1864, Pacific Mistral Ltd.;
- (c) in respect of the Scirocco Term Loan and/or the Vessel named or to be named “Pacific Scirocco” with hull number 1867, Pacific Scirocco Ltd.; and
- (d) in respect of the Santa Ana Term Loan and/or the Vessel named or to be named “Pacific Santa Ana” with hull number 1868, Pacific Santa Ana Ltd.

“ **Relevant Facility Agent** ” means:

- (a) in respect of the Commercial Facility Lenders and/or the Commercial Tranches, the Commercial Facility Agent;
- (b) in respect of the GIEK Facility Lenders and/or the GIEK Tranches, the GIEK Facility Agent; and
- (c) in respect of the KEXIM Facility Lenders and/or the KEXIM Tranches, the KEXIM Facility Agent.

“ **Relevant Interbank Market** ” means the London interbank market.

“ **Relevant Obligations** ” has the meaning given to it in Clause 30.6(c)(ii).

“ **Relevant Region** ” has the meaning given to it in Clause 25.1(b).

“ **Relevant Term Loan** ” means:

- (a) in respect of Pacific Bora Ltd. and/or the Vessel named or to be named “Pacific Bora” with hull number 1809, the Bora Term Loan;
- (b) in respect of Pacific Mistral Ltd. and/or the Vessel named or to be named “Pacific Mistral” with hull number 1864, the Mistral Term Loan;
- (c) in respect of Pacific Scirocco Ltd. and/or the Vessel named or to be named “Pacific Scirocco” with hull number 1867, the Scirocco Term Loan; and
- (d) in respect of Pacific Santa Ana Ltd. and/or the Vessel named or to be named “Pacific Santa Ana” with hull number 1868, the Santa Ana Term Loan.

“ **Repair Plan** ” has the meaning given to it in Clause 19.34(a).

“ **Repayment Date** ” means, in respect of any Term Loan, the First Repayment Date, each date thereafter that falls six months after the previous Repayment Date (but before the Final Repayment Date) and the Final Repayment Date.

“ **Repayment Schedule** ” means, in respect of any Tranche of any Term Loan at any time, a schedule for repayment of such portion of the Loans made available pursuant to such Tranche that is prepared by the Relevant Facility Agent and provided to the Relevant Borrower promptly following the end of the Availability Period for such Term Loan (and thereafter from time to time as may be required to reflect any adjustment to such schedule as a result of any mandatory or voluntary prepayment or otherwise) and that provides for:

- (a) in respect of any Commercial Tranche, a final principal instalment that, together with the principal instalments due under the ECA Tranches of such Term Loan on and following such repayment date, is equal to the Residual Debt Amount; and
- (b) repayment of each Tranche (other than the final principal repayment instalment of the Commercial Tranche) in equal instalments on each Repayment Date.

“ **Repeating Representations** ” means each of the representations set out in Clauses 17 other than Clauses 17.2(b) (in respect of the Guarantor only), 17.8(b), 17.18, 17.26 (but in respect of Clause 17.26, only after the expiry of all obligations of the Shipbuilder under the relevant Shipbuilding Contract including the expiry of any warranty periods) and 17.27.

“ **Replacement Lender** ” has the meaning given to it in Clause 35.2.

“ **Representatives** ” has the meaning given to it in Clause 19.33(a).

“ **Required Equity Amount** ” means the greater of:

- (a) 40 per cent of the aggregate Estimated Delivered Cost of all of the Vessels; and
- (b) 1,300,000,000 Dollars,

provided that, if any Vessel becomes a Released Vessel, the Required Equity Amount shall be reduced in accordance with Clause 5.16(e).

“ **Required Fair Market Value** ” has the meaning given to it in Clause 19.29(a).

“ **Required Guarantor Liquidity Amount** ” means during the period:

- (a) from (and including) the Delivery Date of the first Vessel to be delivered until (but excluding) the Delivery Date of the second Vessel to be delivered, 20,000,000 Dollars;
- (b) from (and including) the Delivery Date of the second Vessel to be delivered until (but excluding) the Delivery Date of the third Vessel to be delivered, 30,000,000 Dollars;
- (c) from (and including) the Delivery Date of the third Vessel to be delivered:
 - (i) until (but excluding) the Delivery Date of the fourth Vessel to be delivered, 40,000,000 Dollars; or
 - (ii) in the event that any Vessel has become a Released Vessel, 40,000,000 Dollars thereafter; and
- (d) except to the extent that any Vessel has become a Released Vessel, from (and including) the Delivery Date of the fourth Vessel to be delivered and thereafter, 50,000,000 Dollars.

“ Required Insurance Amount ” means:

- (a) with respect to any insurance taken out in accordance with Clause 25.5 and in respect of a Vessel, the amount equal to 120% of the aggregate of:
 - (i) the maximum amount stated in Clause 2.1 in respect of the Relevant Borrower’s Term Loan (as such amount may have been reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10)) minus the aggregate amount of all Loans made under such Term Loan as at such date; and
 - (ii) the principal amount outstanding Loan under such Term Loan;
- (b) with respect to any hull and machinery insurance and in respect of a Vessel, the amount equal to the greater of:
 - (i) 80 per cent. of the Fair Market Value of such Vessel at the time of placement or renewal of any such Required Insurance; and
 - (ii) the amount equal to 120% of the aggregate of:
 - (A) the maximum amount stated in Clause 2.1 in respect of the Relevant Borrower’s Term Loan (as such amount may have been reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10)) minus the aggregate amount of all Loans made under such Term Loan as at such date; and
 - (B) the principal amount outstanding under such Term Loan at such time; and
- (c) with respect to any other insurance required to be taken out at the Required Insurance Amount and in respect of a Vessel, the amount equal to the greater of:
 - (i) the Fair Market Value of such Vessel at the time of placement or renewal of any such Required Insurance; and
 - (ii) the amount equal to 120% of the aggregate of:
 - (A) the maximum amount stated in Clause 2.1 in respect of the Relevant Borrower’s Term Loan (as such amount may have been reduced in accordance with this Agreement (including pursuant to Clause 4.3(c), Clause 5.6 or Clause 5.10)) minus the aggregate amount of all Loans made under such Term Loan as at such date; and
 - (B) the principal amount outstanding under such Term Loan at such time.

“ Required Insurances ” means the insurances required to be effected and maintained by each Borrower in accordance with Clause 19.10 and Clause 25 other than Clause 25.5.

“ Required Named Wind Storm Insurance Amount ” means with respect to any insurance against Named Wind Storms that is required to be taken out pursuant to Clause 25.1(b) or Clause 25.1(c), the amount equal to the product of the number of Uncovered Vessels located in the Relevant Regions and:

- (a) if such insurance is required to be in effect at any time on or after 1 January 2011 but before 1 January 2013, 150,000,000 Dollars;

- (b) if such insurance is required to be in effect at any time on or after 1 January 2013 but before 1 January 2014, 135,000,000 Dollars;
- (c) if such insurance is required to be in effect at any time on or after 1 January 2014 but before 1 January 2015, 120,000,000 Dollars; or
- (d) if such insurance is required to be in effect at any time on or after 1 January 2015, 105,000,000 Dollars.

“ **Requisite Approval** ” has the meaning given to it in Clause 28.2.

“ **Reservations** ” means the reservations set out in Schedule 20.

“ **Residual Debt Amount** ” means 200,000,000 Dollars or such lower amount as the Relevant Borrower and the Intercreditor Agent may agree.

“ **Responsible Officer** ” means, with respect to any Agent, any managing director, director, vice president, assistant vice president, secretary, assistant secretary, assistant treasurer, associate, vice president or any other trust officer customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject, in either case within the respective corporate trust offices of such Agent, set forth in Schedule 27.

“ **Restricted Tranche** ” means any ECA Tranche, the Utilisations under which are restricted to the purchase of certain eligible goods and services (which such purchase is a Permitted Use).

“ **Revenues** ” means all revenues received, or forecast to be received by a Borrower from its respective operations or otherwise (including the proceeds of any insurance).

“ **S&P** ” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc.

“ **Santa Ana Commercial Tranche** ” has the meaning given to it in Clause 2.1(e).

“ **Santa Ana GIEK Tranche** ” has the meaning given to it in Clause 2.1(e).

“ **Santa Ana KEXIM Tranche** ” has the meaning given to it in Clause 2.1(e).

“ **Santa Ana Term Loan** ” has the meaning given to it in Clause 2.1(e).

“ **Scirocco Commercial Tranche** ” has the meaning given to it in Clause 2.1(d).

“ **Scirocco GIEK Tranche** ” has the meaning given to it in Clause 2.1(d).

“ **Scirocco KEXIM Tranche** ” has the meaning given to it in Clause 2.1(d).

“ **Scirocco Term Loan** ” has the meaning given to it in Clause 2.1(d).

“ **Screen Rate** ” means the British Bankers’ Association Interest Settlement Rate for Dollars for the relevant period displayed on the appropriate page of the Reuters screen. If such page is replaced or such service ceases to be available, the Intercreditor Agent may specify another page or service displaying the appropriate rate after consultation with the Borrowers and the Facility Agents.

“ **Second Borrower** ” has the meaning given to it in Clause 26.18.

“ **Second Currency** ” has the meaning given to it in Clause 12.1(a).

“ **Secured Collateral** ” means each asset over which a Security Interest is granted or purported to be granted pursuant to any Security Document.

“ **Secured Parties** ” means each Lender, each Agent, each Hedging Party, any Receiver and any Delegate.

“ **Security** ” means the Security Interests created, or purported to be created, by any of the Security Documents.

“ **Security Document** ” means each Mortgage, each Debenture, each Share Pledge, each Account Security Agreement and each amendment thereto, each Direct Agreement, each Manager Security Agreement, each Acceptable Letter of Credit or Acceptable Guarantee provided in accordance with any Finance Document and any other agreement or document entered into on, prior to or after the Financing Date pursuant to which an Obligor, QPML, any Manager, Pacific Gibco or any other Person grants any Security Interest to the Security Trustee (for and on behalf of the Secured Parties) to secure the Senior Debt Obligations.

“ **Security Interest** ” means any mortgage, charge, pledge, lien, hypothecation or other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect.

“ **Security Trustee** ” means the New York branch of DnB NOR Bank ASA, or any successor to it appointed pursuant to the terms of this Agreement.

“ **Selection Notice** ” means an interest period selection notice substantially in the form set out in Schedule 10 and delivered in accordance with Clause 7.

“ **Senior Debt** ” means Financial Indebtedness incurred by the Borrowers under this Agreement, any Hedging Instrument or any other Finance Document.

“ **Senior Debt Obligations** ” means, at any time:

- (a) all present and future debts, liabilities, and obligations in respect of the Senior Debt, howsoever arising, owed by the Obligors under this Agreement or any other Finance Document or otherwise to any Secured Party of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, pursuant to the terms of this Agreement or any of the other Finance Documents, including all interest (including post-petition interest), fees, charges, expenses, attorneys’ fees, accountants’ fees, advisors’ fees and consultants’ fees in connection with any such Secured Party’s dealings with any Obligor and payable by any Obligor hereunder or thereunder;
- (b) any and all sums advanced by the Security Trustee or any other Secured Party in order to preserve the Security or preserve the Secured Parties’ Security Interests in the Security; and
- (c) in the event of any proceeding for the collection or enforcement of the Senior Debt, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realising on the Security, or of any exercise by the Security Trustee and the Secured Parties of their rights under the Security Documents, together with reasonable attorneys’ fees and court costs related thereto.

“ **Senior Debt Payments** ” has the meaning given to it in Clause 26.6.

“ **Senior Debt Service** ” means the obligations to pay principal and interest, together with all fees, indemnities, and other amounts payable on the Senior Debt (other than the Hedging Instruments and the final principal instalment of any Commercial Tranche payable in accordance with the applicable Repayment Schedule).

“ **Share Pledge** ” means each of:

- (a) the agreement entitled “Charge Over Shares” entered into on or about the date of this Agreement and between Pacific Drilling Limited as Chargor and DnB NOR Bank ASA as Security Trustee and in respect of Pacific Drilling Limited’s shares in Pacific Bora Ltd.;
- (b) the agreement entitled “Charge Over Shares” entered into on or about the date of this Agreement and between Pacific Drilling Limited as Chargor and DnB NOR Bank ASA as Security Trustee and in respect of Pacific Drilling Limited’s shares in Pacific Mistral Ltd.;
- (c) the agreement entitled “Charge Over Shares” entered into on or about the date of this Agreement and between Pacific Drilling Limited as Chargor and DnB NOR Bank ASA as Security Trustee and in respect of Pacific Drilling Limited’s shares in Pacific Scirocco Ltd.;
- (d) the agreement entitled “Charge Over Shares” entered into on or about the date of this Agreement and between Pacific Drilling Limited as Chargor and DnB NOR Bank ASA as Security Trustee and in respect of Pacific Drilling Limited’s shares in Pacific Santa Ana Ltd; and
- (e) the Pacific Gibco Share Pledge.

“ **Shipbuilder** ” means Samsung Heavy Industries Co. Ltd.

“ **Shipbuilding Contract** ” means each contract for the construction and delivery of a Vessel (including any completion credit support provided thereunder) listed in Schedule 21.

“ **Shipbuilding Contract Direct Agreement** ” means each direct agreement listed in Schedule 6, in each case substantially in the form set out in Part A of Schedule 23.

“ **Specified Time** ” means a time determined in accordance with Schedule 11.

“ **Subject Party** ” has the meaning given to it in Clause 10.6(b).

“ **Subsidiary** ” of a specified Person means any other Person the majority of whose equity interests are held or beneficially owned or controlled by such specified Person.

“ **Sum** ” has the meaning given to it in Clause 12.1(a).

“ **Summary Financial Statements** ” means summary financial statements showing the financial details of each Obligor as required to be provided to the Intercreditor Agent in accordance with Clause 19.4.

“ **Super Majority Lenders** ” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than 80% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregate more than 80% of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than 80% of all the Loans then outstanding; and

after the application of:

- (i) Clause 30.12; and
- (ii) Clause 35.1.

“ **Supplier** ” has the meaning given to it in Clause 10.6(b).

“ **Taxes** ” means all present and future income and other taxes, levies, duties, assessments, imposts, deductions, withholdings or governmental charges of whatever nature and all liabilities with respect thereto, imposed, levied, collected, withheld or assessed by or on behalf of any Taxing Authority of the government of Liberia or any other jurisdiction.

“ **Taxing Authority** ” means any Governmental Instrumentality having the right under the Legal Requirements of the relevant jurisdiction to levy Taxes.

“ **Tax Credit** ” has the meaning given to it in Clause 10.1(a).

“ **Tax Deduction** ” has the meaning given to it in Clause 10.1(a).

“ **Tax Payment** ” has the meaning given to it in Clause 10.1(a).

“ **Technical Consultant** ” means GL Noble Denton, Inc, or any successor to it appointed pursuant to the terms of this Agreement.

“ **Term Loans** ” means each of the Bora Term Loan, the Mistral Term Loan, the Scirocco Term Loan and the Santa Ana Term Loan.

“ **Term Loan Facility** ” has the meaning given to it in Clause 2.1(a).

“ **Third Parties Act** ” has the meaning given to it in Clause 1.3(a).

“ **Total Commitments** ” means 1,800,000,000 Dollars as such amount may be reduced from time to time in accordance with this Agreement (including in accordance with Clause 2.1(f) and Clause 5.16).

“ **Total Loss** ” means, in respect of a Vessel, any one or more of the following:

- (a) actual, constructive, compromised, agreed or arranged total loss of such Vessel;
- (b) requisition for title or other compulsory acquisition of such Vessel; and
- (c) capture, seizure, arrest, detention, expropriation or confiscation of such Vessel by any Governmental Instrumentality or by any Person acting or purporting to act on behalf of any Governmental Instrumentality or any other Person and that deprives the Borrower that is the owner of the Vessel or, as the case may be, the Charterer of the use of the Vessel.

“ **Total Project Costs** ” means, at any time, an amount equal to the aggregate estimated or actual (as the case may be) Delivered Cost of all of the Vessels at that time.

“ **TPDI Put Option Account** ” has the meaning given to it in the Put Option Undertaking Agreement.

“ **Tranche Proportion** ” means, in respect of the Commercial Facility Lenders, the GIEK Facility Lenders or the KEXIM Facility Lenders (as applicable at any time), a proportion equal to:

- (a) the Available Commitments committed by the Commercial Facility Lenders, the GIEK Facility Lender or the KEXIM Facility Lender (as applicable); to
- (b) the aggregate Available Commitments.

“ **Tranches** ” means each of the Commercial Tranches, the GIEK Tranches and the KEXIM Tranches.

“ **Tranche Majority Lenders** ” means the Majority Commercial Lenders, the Majority GIEK Lenders or the Majority KEXIM Lenders, as applicable.

“ **Transaction Documents** ” means each Finance Document and each Material Agreement.

“ **Transfer Certificate** ” means a transfer agreement substantially in the form set out in Schedule 14.

“ **Transfer Date** ” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Transfer Certificate; and
- (b) the date on which the Relevant Facility Agent executes the Transfer Certificate.

“ **Uncovered Vessel** ” means a Vessel in respect of which the insurance effected and maintained in respect of such Vessel pursuant to Clause 25.1(a)(i)(A) does not cover such Vessel against Named Wind Storm risks.

“ **Unpaid Sum** ” any sum due and payable but unpaid by an Obligor under any Finance Document.

“ **US GAAP** ” means generally accepted accounting principles in the United States of America, consistently applied and as in effect from time to time.

“ **Utilisation** ” means a utilisation of a Term Loan made available pursuant to this Agreement.

“ **Utilisation Date** ” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“ **Utilisation Request** ” means notice substantially in the form set out in Part A of Schedule 4 .

“ **Utilisation Schedule** ” means each indicative schedule for the utilisation of each Term Loan as set out in Schedule 5.

“ **VAT** ” means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

“ **Vessel** ” means each of the following ocean-going dynamically positioned ultra-deep water drilling vessels that has been, or is to be, financed with the Proceeds in accordance with the Finance Documents and that has not become a Released Vessel:

- (a) the vessel named or to be named “Pacific Bora” with hull number 1809 and owned (or to be owned) by Pacific Bora Ltd. and with an Expected Delivery Date of 30 September 2010;
- (b) the vessel named or to be named “Pacific Scirocco” with hull number 1867 and owned (or to be owned) by Pacific Scirocco Ltd. and with an Expected Delivery Date of 31 March 2011 (the “ **Pacific Scirocco** ”);
- (c) the vessel named or to be named “Pacific Mistral” with hull number 1864 and owned (or to be owned) by Pacific Mistral Ltd. and with an Expected Delivery Date of 31 May 2011 (the “ **Pacific Mistral** ”); and
- (d) the vessel named or to be named “Pacific Santa Ana” with hull number 1868 and owned (or to be owned) by Pacific Santa Ana Ltd. and with an Expected Delivery Date of 30 July 2011.

“ **Vessel Completion Date** ” means the Delivery Date of the final Vessel (excluding any Released Vessel) to be delivered to the Borrowers.

“ **Vessel Cost Overrun** ” has the meaning given to it in Clause 16.2(a).

“ **Vessel Management Agreement** ” means an agreement entered into between a Borrower and a Manager in respect of the management of that Borrower’s Vessel that is in form and substance satisfactory to the Intercreditor Agent.

“ **Vessel Management Agreement Direct Agreement** ” means a direct agreement substantially in the form set out in Part A of Schedule 22 and otherwise in form and substance satisfactory to the Intercreditor Agent.

“ **Vessel Services Agreement** ” means an agreement entered into between PDSI and a Manager in respect of services to be provided by PDSI to such Manager in connection with the performance of such Manager’s obligations under a Vessel Management Agreement and that is in form and substance satisfactory to the Intercreditor Agent.

“ **Vessel Services Agreement Direct Agreement** ” means a direct agreement substantially in the form set out in Part B of Schedule 22 and otherwise in form and substance satisfactory to the Intercreditor Agent.

“ **Waiver** ” means, with respect to any particular conduct, event or other circumstance, any change to an obligation of any Person under any Finance Document requiring the consent of one or more Secured Parties, which consent has the effect of excusing or postponing performance of or compliance with such obligation, or any default with respect thereto to the extent relating to such conduct, event or circumstance, provided that (unless specifically provided in such Waiver) any Waiver shall be limited solely to the particular conduct, event or circumstance and shall not purport, directly or indirectly, to alter or otherwise modify the relevant obligation with respect to future occurrences of the same conduct, event or circumstance unless expressly stated therein.

“**Waiver Period Excess**” has the meaning given to it in paragraph 3 of Attachment 2 to the Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter.

“ **Waiver Utilisation** ” shall have the meaning given to it in the Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter.

“ **Website Party** ” has the meaning given to it in Clause 37.2(a).

SCHEDULE 2

CONDITIONS PRECEDENT TO THE FINANCING DATE AND UTILISATION

1. CONDITIONS PRECEDENT TO THE FINANCING DATE

1.1 Finance Documents and Material Agreements

There shall have been delivered to the Intercreditor Agent by or on behalf of the Obligors:

- (a) executed originals (in sufficient copies for each Facility Agent) of each Finance Document, all of which:
 - (i) shall have been duly authorised by each Obligor that is party thereto and shall have been executed and delivered by the parties thereto; and
 - (ii) shall be in full force and effect,except that the Obligors shall not be required to deliver to the Intercreditor Agent any Finance Document not intended to have been entered into at that time being any Hedging Instrument, any Acceptable Charter Direct Agreement, any Vessel Management Agreement Direct Agreement, any Vessel Services Agreement Direct Agreement, any Manager Security Agreement or any Mortgage.
- (b) a true, complete and correct copy certified by the Guarantor in an Officer's Certificate provided by the Guarantor of each Material Agreement, all of which:
 - (i) shall have been duly authorised, executed and delivered by the parties thereto, and
 - (ii) shall be in full force and effect and accompanied by an Officer's Certificate of the Guarantor certifying the foregoing,except that the Obligors shall not be required to deliver to the Intercreditor Agent any Material Agreement not intended to have been entered into at that time being any Insurance Policy, any Acceptable Charter, any Vessel Management Agreement or any Vessel Services Agreement.

1.2 Corporate authority of Obligors

Each Obligor shall each have delivered to the Intercreditor Agent:

- (a) a copy of the constitutional documents of such Obligor certified in an Officer's Certificate delivered by such Obligor;
- (b) a copy of one or more resolutions or other authorisations of such Obligor, certified by an Authorised Representative of such Obligor as being in full force and effect on the Financing Date, authorising:
 - (i) the execution, delivery and performance of each Finance Document and each Material Agreement, in each case to which such Obligor is a party; and

- (ii) a specified Person or Persons (including any applicable attorney) to execute and deliver each Finance Document and each Material Agreement, in each case to which such Obligor is a Party; and
- (c) a specimen of the signature of each Person authorised by the resolution referred to in paragraph 1.2(b)(ii) above and any other relevant authorisations including any applicable powers of attorney.

1.3 Security

Except in respect of any Security not required to be provided and perfected until a later date in accordance with the Finance Documents and as agreed by the Intercreditor Agent, the Security Trustee shall be the beneficiary of all Security granted or purported to be granted pursuant to the Security Documents, with first ranking priority and all necessary action shall have been taken to register and perfect such Security.

1.4 Opinions

The Intercreditor Agent shall have received electronic copies of each of the opinions set out in Part A of Schedule 15.

1.5 Representations and Warranties

Each representation and warranty of an Obligor set out in any Finance Document and in any Material Agreement to which such Obligor is a party shall be true and correct in all material respects (other than any representation or warranty in such Finance Document or Material Agreement that in accordance with the terms thereof does not repeat, in which case such representation or warranty shall only be true and correct as of the date it was made in such Finance Document or Material Agreement), in each case, as if made on the Financing Date and the Intercreditor Agent shall have received an Officer's Certificate (in electronic copy format) from each Obligor signed by an Authorised Representative of that Obligor certifying that each such representation and warranty is true and correct in all material respects as if made on the Financing Date, provided, however, that no representation or warranty shall be made with respect to any projections prepared by the Obligor other than that such projections have been prepared in good faith and on a reasonable basis.

1.6 Financial Statements and Summary Financial Statements

The Guarantor shall have delivered to the Intercreditor Agent its most recent annual audited and quarterly unaudited Financial Statements and Summary Financial Statements, together with an Officer's Certificate from the Guarantor to the effect that there has been no material adverse change in its business or financial condition or the business or financial condition of the Guarantor Group or the Group since the issuance of such Financial Statements and Summary Financial Statements.

1.7 Service of Process

Each agent nominated by an Obligor to receive service of process in New York or England pursuant to the Finance Documents to which such Obligor is a party shall have delivered to the Intercreditor Agent a letter consenting to its appointment.

1.8 Financial Model

The Guarantor shall have delivered to the Intercreditor Agent an up to date electronic copy of the Financial Model in form and substance satisfactory to the Intercreditor Agent.

1.9 KYC Requirements

All of the information and documentation set out in Schedule 12 shall have been delivered to the Intercreditor Agent.

1.10 Consents

Each Obligor shall have obtained each Consent then required and applicable to it and shall have provided copies of the same to the Intercreditor Agent.

1.11 Construction Budget and Technical Consultant's report

- (a) Each Borrower shall have delivered to the Intercreditor Agent a copy of its Construction Budget.
- (b) The Technical Consultant shall have delivered to the Intercreditor Agent a report prepared by the Technical Consultant and addressed to the Intercreditor Agent and the Facility Agents (for the benefit of all Lenders from time to time) in respect of the Vessels which report, among other things, shall:
 - (i) confirm that progress under each Shipbuilding Contract is on time and on budget; and
 - (ii) comment on the Construction Budget delivered in respect of each Vessel, including with regards the reasonableness of the expected expenditures proposed in each such Construction Budget,together with a bring-down reliance letter in respect of such report dated as of the Financing Date.

1.12 Insurance Consultant's report

The Insurance Consultant shall have delivered to the Intercreditor Agent a report prepared by the Insurance Consultant and addressed to the Intercreditor Agent and the Facility Agents (for the benefit of all Lenders from time to time) in respect of the insurances for each Vessel including confirmation the Required Insurances that are required to be obtained by each Borrower are adequate and details of the status of the Shipbuilder's compliance (including the issuance of instructions to brokers) with the insurance requirements set forth in the relevant Shipbuilding Contract for each Vessel, together with a bring-down reliance letter in respect of such report dated as of the Financing Date.

1.13 Due diligence

The Intercreditor Agent shall have received confirmation satisfactory to it from its legal advisors with regards to all matters of due diligence including the ring-fencing of the Shipbuilding Contracts.

1.14 Fees, costs and expenses

The Guarantor shall have provided evidence to the Intercreditor Agent that all fees, costs and expenses then due from any Obligor to any Secured Party pursuant to the Finance Documents have been paid in full or will be paid in full on the Financing Date.

1.15 No default

No Event of Default or Potential Event of Default shall have occurred and be continuing.

1.16 Existing facilities

Each Obligor shall have delivered to the Intercreditor Agent an Officer's Certificate of such Obligor certifying that any existing finance facility made available to such Obligor shall be repaid and cancelled in full or otherwise shall be subordinated to the Senior Debt on terms satisfactory to the Intercreditor Agent.

2. CONDITIONS PRECEDENT TO EACH UTILISATION

2.1 Finance Documents and Material Agreements

- (a) There shall have been delivered to the Intercreditor Agent by or on behalf of the Obligors:
- (i) executed originals (in sufficient copies for each Facility Agent) of each Finance Document; and
 - (ii) a true, complete and correct copy certified as such by the Guarantor in an Officer's Certificate provided by the Guarantor of each Material Agreement,

that has been executed since the Financing Date and not otherwise provided to the Intercreditor Agent in accordance with this Schedule 2, all of which shall have been duly authorised, executed and delivered by the parties thereto and accompanied by an Officer's Certificate of the Guarantor certifying the foregoing.

- (b) The Guarantor shall have delivered to the Intercreditor Agent an Officer's Certificate of the Guarantor certifying that all Finance Documents and Material Agreements that are required to have been delivered to the Intercreditor Agent in accordance with Clause 3.1 or Clause 3.2 are, and will remain, in full force and effect as at the date of the proposed Utilisation.

2.2 Corporate authority of Relevant Borrower and Obligor

The Guarantor shall have delivered to the Intercreditor Agent:

- (a) a copy of one or more resolutions or other authorisations of each Obligor, certified in an Officer's Certificate of the Guarantor as being in full force and effect on the date of the proposed Utilisation, authorising:
 - (i) the execution, delivery and performance of each Finance Document and each Material Agreement, in each case to which any Obligor is a party and that has been, or will by the date of the proposed Utilisation have been, executed since the Financing Date; and
 - (ii) a specified Person or Persons (including any applicable attorney) to execute and deliver each Finance Document and each Material Agreement, in each case to which any Obligor is a party and that has been, or will by the date of the proposed Utilisation have been, executed since the Financing Date; and
- (b) a specimen of the signature of each Person authorised by the resolutions referred to in paragraph 2.2(ii) above and any other relevant authorisations including any applicable powers of attorney, to the extent not already provided.

2.3 Security

Except in respect of any Security not required to be provided and perfected until a later date in accordance with the Finance Documents and as agreed by the Intercreditor Agent, the Security Trustee shall be the beneficiary of all Security granted or purported to be granted pursuant to the Security Documents, with first ranking priority and all necessary action shall have been taken to register and perfect such security.

2.4 Representations and Warranties

Each representation and warranty of each Obligor, PIDWAL and QPML set out in any Finance Document and in any Material Agreement to which such Obligor, PIDWAL or QPML is a party shall be true and correct in all material respects (other than any representation or warranty in such Finance Document or Material Agreement that in accordance with the terms thereof does not repeat, in which case such representation or warranty shall only be true and correct as of the date it was made in such Finance Document or Material Agreement), in each case, as if made on the proposed Utilisation Date and the Intercreditor Agent shall have received an Officer's Certificate (in electronic copy format) from each Obligor, PIDWAL and QPML signed by an Authorised Representative of that Obligor, PIDWAL or QPML certifying that each such representation and warranty is true and correct in all material respects as if made on the proposed Utilisation Date, provided, however, that no representation or warranty shall be made with respect to any projections prepared by any Obligor, PIDWAL or QPML other than that such projections have been prepared in good faith and on a reasonable basis.

2.5 Events of Default

No Event of Default or Potential Event of Default shall have occurred and be continuing.

2.6 Utilisation Request

The Relevant Borrower shall have delivered to each Facility Agent and to the Intercreditor Agent an electronic copy of a Utilisation Request in accordance with Clause 4.

2.7 Status of Vessels

If the Delivery Date has not yet occurred in respect of any Vessel, the Guarantor shall have provided an Officer's Certificate to the Intercreditor Agent providing details of the status of the Shipbuilder's compliance (including the issuance of instructions to brokers) with the insurance requirements set forth in the Shipbuilding Contract relating to each such Vessel based on the most recent information then available (including by means of email update) from the Shipbuilder.

2.8 Insurance Consultant's confirmation

The Insurance Consultant shall have delivered to the Intercreditor Agent written confirmation from the Insurance Consultant addressed to the Intercreditor Agent and the Facility Agents (for the benefit of all Lenders from time to time) confirming that, as at the proposed Utilisation Date, the Required Insurances in respect of each Vessel for which the Delivery Date has occurred have been effected and maintained to the extent required at such Utilisation Date.

2.9 Opinions

The Intercreditor Agent shall have received electronic copies of each of the opinions set out in Part B of Schedule 15.

2.10 Consents

Each Obligor, PIDWAL and QPML shall have obtained each Consent then required and applicable to it and shall have provided copies of the same to the Intercreditor Agent.

2.11 Other documents

The Relevant Borrower or the Guarantor shall have provided to the Intercreditor Agent copies of:

- (a) such documents relating to the relevant Vessel as the Lenders reasonably may require including any document relating to the registration (except to the extent such document cannot be provided until on or after the Delivery Date of the relevant Vessel), class, insurance, or valuation of such Vessel and any document relating to the Acceptable Charter or Alternative Charter entered into in respect of such Vessel, the Acceptable Charterer in respect of such Vessel and the Manager in respect of such Vessel;

-
- (b) the most recent determination of Fair Market Value in respect of its Vessel made in accordance with Clause 19.29; and
 - (c) such other documents, authorisations, opinions or assurances as the Lenders reasonably may require.

2.12 Initial Operating Budgets, updates to Construction Budgets and Annual Operating Budgets and Technical Consultant's reports

- (a) If required to have been delivered by such time in accordance with Clause 19.9(c), the Relevant Borrower shall have delivered to the Intercreditor Agent a copy of its Initial Operating Budget together with a report prepared by the Technical Consultant and addressed to the Intercreditor Agent and the Facility Agents (for the benefit of all Lenders from time to time) in respect of such Initial Operating Budget which report shall, among other things, comment on the reasonableness of the expected expenditures proposed in each such Initial Operating Budget.
- (b) If required to have been delivered by such time in accordance with Clause 19.9(d), the Relevant Borrower shall have delivered to the Intercreditor Agent a copy of its most recent Annual Operating Budget and any update to its Construction Budget, Initial Operating Budget or Annual Operating Budget, in each case as required by Clause 19.9.
- (c) The Relevant Borrower shall have delivered to the Intercreditor Agent a copy of any update to the Technical Consultant's report as required by Clause 19.9.

2.13 Amount of Senior Debt

The aggregate amount of Available Commitments and outstanding Loans in respect of all Vessels shall not exceed 60% of the Total Project Costs.

2.14 Application of proceeds of Utilisation

- (a) The Relevant Borrower shall demonstrate to the satisfaction of the Intercreditor Agent that it shall apply the proceeds of the proposed Utilisation to Permitted Uses and otherwise in accordance with Clause 19.1 and shall provide any relevant invoices or other documents in this respect as may be required by the Intercreditor Agent.
- (b) The Relevant Borrower shall have provided to the Intercreditor Agent and the Technical Consultant a Cost Certificate duly executed by, or on behalf of, such Relevant Borrower in respect of the proposed Utilisation.

2.15 Fees, costs and expenses

The Guarantor shall have provided evidence to the Intercreditor Agent that all fees, costs and expenses then due from any Obligor to any Secured Party pursuant to the Finance Documents have been paid in full or will be paid from the proceeds of the proposed Utilisation.

2.16 Acceptable Charters, Alternative Charters and Acceptable Charter Direct Agreements

An:

- (a) Acceptable Charter or, in respect of an Alternative Arrangement Borrower, an Alternative Charter, has received the Requisite Approval and has been executed by all parties thereto including the Relevant Borrower in respect of its Vessel; and
- (b) Acceptable Charter Direct Agreement or notice and acknowledgement (as applicable) has been executed by all parties thereto in respect of such Acceptable Charter or Alternative Charter in accordance with Clause 19.23.

2.17 Acceptable Letters of Credit and Acceptable Guarantees

- (a) The Security Trustee is the beneficiary of any Acceptable Letter of Credit or Acceptable Guarantee then required to be in place in accordance with Clause 19.30.
- (b) The Relevant Borrower shall have provided:
 - (i) an Acceptable Letter of Credit in an amount equal to at least two point five per cent. of the total amounts payable by such Borrower under the Shipbuilding Contract to which it is party plus the total amount of any owner furnished equipment; and
 - (ii) confirmation in the form of a certificate from the Technical Consultant as to the adequacy of the amount provided in such Acceptable Letter of Credit.

2.18 Equity contributions and funding of Debt Service Reserve Account

- (a) An aggregate amount at least equal to the Required Equity Amount shall have been contributed to the Borrowers and shall remain contributed and have been applied or used for Permitted Uses by the Borrowers.
- (b) The amount of Equity contributed (and that remains contributed) to the Relevant Borrower is at least equal to such Borrower's Allocable Equity Share.
- (c) If the Delivery Date has occurred in respect of the Relevant Borrower's Vessel, the Intercreditor Agent shall have received evidence satisfactory to it that the Relevant Borrower's Debt Service Reserve Account is funded with the Debt Service Reserve Account Required Balance, which funding may include an Acceptable Letter of Credit in accordance with Clause 26.14.

2.19 Guarantor Liquidity and maximum leverage

The Intercreditor Agent shall have received evidence satisfactory to it that:

- (a) the Guarantor Liquidity as at the date of the proposed Utilisation shall be no less than the Required Guarantor Liquidity at that time; and

-
- (b) the Leverage Ratio shall not exceed 65 per cent. as at the date of the proposed Utilisation.

2.20 Vessel management arrangements

- (a) The Relevant Borrower and each other party thereto shall have entered into each of the following agreements in respect of the Relevant Borrower's Vessel:
- (i) a Vessel Management Agreement;
 - (ii) a Vessel Services Agreement in respect of such Vessel Management Agreement;
 - (iii) a Vessel Management Agreement Direct Agreement; and
 - (iv) a Vessel Services Agreement Direct Agreement.
- (b) The Security Trustee shall be the beneficiary of a first ranking assignment:
- (i) by the Relevant Borrower of its rights under the relevant Vessel Management Agreement; and
 - (ii) by the Manager of its rights under the relevant Vessel Services Agreement,
- and all necessary action shall have been taken to register and perfect such security.

2.21 Confirmation

Each Facility Agent has confirmed to the Intercreditor Agent that all of the documents and other evidence listed in this Part 2 of Schedule 2 and delivered to the Intercreditor Agent are, in form and substance, satisfactory to such Facility Agent or the requirement to provide such document or other evidence has been waived by the Intercreditor Agent in accordance with this Agreement.

SCHEDULE 3**ORIGINAL LENDERS AND COMMITMENTS**

NAME OF LENDER	COMMITMENT (US\$)	TYPE OF LENDER
ABN AMRO Bank N.V., Oslo Branch	62,000,000	Commercial Facility Lender
Citibank, N.A.	103,000,000	Commercial Facility Lender
Crédit Agricole Corporate & Investment Bank	145,000,000	Commercial Facility Lender
DnB NOR Bank ASA (New York Branch)	175,000,000	Commercial Facility Lender
DVB Bank SE, Nordic Branch	103,000,000	Commercial Facility Lender
Eksporthfinans ASA	350,000,000	GIEK Facility Lender
The Export-Import Bank of Korea	450,000,000	KEXIM Facility Lender
Fokus Bank (Norwegian Branch of Danske Bank A/S)	103,000,000	Commercial Facility Lender
NIBC Bank N.V.	103,000,000	Commercial Facility Lender
Nordea Bank Finland Plc, New York Branch	103,000,000	Commercial Facility Lender
Skandinaviska Enskilda Banken AB (publ.)	103,000,000	Commercial Facility Lender

SCHEDULE 4

Part A

FORM OF UTILISATION REQUEST

From: Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Ltd.

To: [—] as Commercial Facility Agent
[—] as GIEK Facility Agent
[—] as KEXIM Facility Agent
[—] as Intercreditor Agent

Dated:

Dear Sirs

1. We refer to the Project Facilities Agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the “**Agreement**”).
2. Defined terms used in this Utilisation Request shall have the meanings given to them in the Agreement.
3. This is a Utilisation Request and is delivered pursuant to Clause 4 of the Agreement.
4. We wish to make a Utilisation in respect of [*Vessel*] under the Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Term Loan on the following terms:
Proposed Utilisation Date: [—] (or, if that is not a Business Day, the next Business Day in the same month or, if there is not one, on the preceding Business Day)
Amount: [—] Dollars
Interest Period: [—]
5. The total amount requested pursuant to this Utilisation Request is divided between the Commercial Tranche, the GIEK Tranche and the KEXIM Tranche of the Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Term Loan in accordance with Clause 4.2(a) of the Agreement as follows:
Commercial Tranche [—] Dollars
GIEK Tranche [—] Dollars
KEXIM Tranche [—] Dollars

6. We consider that each condition specified in paragraph 2 of Schedule 2 (Conditions precedent to Utilisation) (other than the condition specified in paragraph 2.21) is satisfied on the date of this Utilisation Request.
7. The proceeds of this Loan should be credited to [the Disbursement Account] [account] ¹.
8. We confirm that this Utilisation Request is delivered within the time periods specified in Clause 4.1 of the Agreement.
9. We confirm that the proposed Utilisation Date is within the Availability Period of the Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Term Loan.
10. We confirm that no other Utilisation Request has been or shall be delivered under the Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Term Loan in the same calendar month as the month in which this Utilisation Request is delivered except to the extent that the Proceeds of any additional Utilisation Request shall be applied only towards the payment of amounts due and payable under the Shipbuilding Contract to which we are a party.
11. We confirm that we have delivered an up-to-date Utilisation Schedule to the extent required by Clause 4.2(c) of the Agreement.
12. We confirm that the proceeds of this Utilisation only shall be applied towards Permitted Uses and otherwise in accordance with the Agreement.
13. [We confirm that, following the proposed Utilisation, sufficient Commitments shall remain available in order for each Borrower that has not made the Final Payment under the Shipbuilding Contract to which it is a party to make such Final Payment as required by the terms of the relevant Shipbuilding Contract.] ²
14. This Utilisation Request is accompanied by a Cost Certificate in accordance with Clause 4.4 of the Agreement.
15. This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for
Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Ltd.

¹ Other account details to be specified to the extent Proceeds are required to be credited to another account in accordance with the requirements of any Restricted Tranche.

² This confirmation is to be given in respect of all Utilisations except the final Utilisation of any Term Loan.

APPENDIX

FORM OF COST CERTIFICATE

To: [—] as Intercreditor Agent
[—] as Commercial Facility Agent
[—] as GIEK Facility Agent
[—] as KEXIM Facility Agent

From: Pacific [Bora][Mistral][Scirocco][Santa Ana] Ltd.

Dated: [—]

Dear Sirs

We refer to the Utilisation Request dated as of today's date and to the Project Facilities Agreement among Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the " **Agreement** "). This is a Cost Certificate and is delivered pursuant to Clause 4.4 of, and Paragraph 2.14 of Schedule 2 to, the Agreement. Defined terms used in this Cost Certificate shall have the meanings given to them in the Agreement unless otherwise defined in this Cost Certificate.

WE HEREBY CERTIFY THAT:

1. the proceeds of the proposed Utilisation shall be applied only to Permitted Uses and otherwise in accordance with Clause 19.1 of the Agreement;
2. our projected future costs to be funded by the proposed Utilisation in the [60 days/ three months] ³ following the date of this Cost Certificate are as follows:

[Shipyard change orders (as provided for in the initial construction budget)]	US\$ [—]
[Shipyard costs]	US\$ [—]
[Subsea equipment]	US\$ [—]
[Drilling riser system, tools and tubulars]	US\$ [—]
[Misc OFE items]	US\$ [—]
[Shipyard supervision & engineering]	US\$ [—]
[Rig operating costs and rig crew]	US\$ [—]
[Inventory]	US\$ [—]
[Owner commissioning costs]	US\$ [—]
[Other allowable costs including interest payments and commissioning costs]	US\$ [—]
Total	US\$ [—]

³ Three month option only permitted to be selected for the final Utilisation of any Term Loan.

3. the proceeds of the last Utilisation in accordance with the Utilisation Request dated [—] were applied only to Permitted Uses and otherwise in accordance with Clause 19.1 of the Agreement; and

4. our costs incurred in respect of the construction of the Vessel, up to and including the date of this Cost Certificate are as follows:

[Shipyard change orders (as provided for in the initial construction budget)]	US\$ [—]
[Shipyard costs]	US\$ [—]
[Subsea equipment]	US\$ [—]
[Drilling riser system, tools and tubulars]	US\$ [—]
[Misc OFE items]	US\$ [—]
[Shipyard supervision & engineering]	US\$ [—]
[Rig operating costs and rig crew]	US\$ [—]
[Inventory]	US\$ [—]
[Owner commissioning costs]	US\$ [—]
[Other allowable costs including interest payments and commissioning costs]	US\$ [—]
Total	US\$ [—]

Yours faithfully

authorised signatory for
Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Ltd.

Part B

FORM OF ADVANCE NOTICE

From: Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Ltd.

To: [—] as KEXIM Facility Agent

Dated:

Dear Sirs

We refer to the Project Facilities Agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Interc Creditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the “ **Agreement** ”).

1. Defined terms used in this Advance Notice shall have the meanings given to them in the Agreement.
2. This is an Advance Notice and is delivered pursuant to Clause 4 of the Agreement.
3. We wish to make a Utilisation in respect of [*Vessel*] under the Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Term Loan on the following terms:

Proposed Utilisation Date: [—] (or, if that is not a Business Day, the next Business Day in the same month or, if there is not one, on the preceding Business Day)

Amount: [—] Dollars

Interest Period: [—]

4. The total amount to be requested pursuant to the Utilisation Request for the proposed Utilisation will be divided between the Commercial Tranche, the GIEK Tranche and the KEXIM Tranche of the Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Term Loan in accordance with Clause 4.2(a) of the Agreement as follows:

Commercial Tranche [—] Dollars

GIEK Tranche [—] Dollars

KEXIM Tranche [—] Dollars

5. We consider that each condition specified in paragraph 2 of Schedule 2 (Conditions precedent to Utilisation) (other than the conditions specified in paragraphs 2.6, 2.11, 2.14(b) and 2.21) is satisfied on the date of this Advance Notice in respect of the proposed Utilisation.

6. We confirm that this Advance Notice is delivered within the time periods specified in Clause 4.1 of the Agreement.

Yours faithfully

authorised signatory for
Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Ltd.

SCHEDULE 5

UTILISATION SCHEDULES

Indicative Utilisation Schedule

	Amounts in \$ '000			
	Bora Term	Scirocco Term	Mistral Term	Santa Ana Term Loan
	<u>Loan</u>	<u>Loan</u>	<u>Loan</u>	
30-Nov-2010	450,000	—	—	—
31-Dec -2010	—	—	—	—
31-Jan -2011	—	—	—	84,000
28-Feb-2011	—	—	—	—
31-Mar-2011	—	200,000	—	22,000
30-Apr-11	—	—	—	—
31-May-2011	—	175,000	200,000	15,000
30-Jun-2011	—	—	—	—
31-Jul-2011	—	—	175,000	329,000
31-Aug-2011	—	—	—	—
30-Sep--2011	—	—	—	—
31-Oct-2011	—	—	—	—
30-Nov-2011	—	—	—	—
Total	450,000	375,000	375,000	450,000

This Utilisation Schedule is based on the current conservative forecast assumptions and reflects the Borrowers' current estimates. The Utilisation Schedule ultimately may vary depending upon a number of factors, including the timing of the Acceptable Charter approvals, changes in the Borrowers' capex schedule and the size of the Term Loans approved by the Lenders.

SCHEDULE 6

SHIPBUILDING CONTRACT DIRECT AGREEMENTS

1. A shipbuilding contract direct agreement between Pacific Bora Ltd., Samsung Heavy Industries Co., Ltd and the Security Trustee.
2. A shipbuilding contract direct agreement between Pacific Mistral Ltd., Samsung Heavy Industries Co., Ltd and the Security Trustee.
3. A shipbuilding contract direct agreement between Pacific Scirocco Ltd., Samsung Heavy Industries Co., Ltd and the Security Trustee.
4. A shipbuilding contract direct agreement between Pacific Santa Ana Ltd., Samsung Heavy Industries Co., Ltd and the Security Trustee.

SCHEDULE 7

MANDATORY COSTS FORMULA

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Relevant Facility Agent shall calculate, as a percentage rate, a rate (the “ **Additional Cost Rate** ”) for each Lender for which it is the Relevant Facility Agent, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by each such Facility Agent as a weighted average of the relevant affected Lenders’ Additional Cost Rates (weighted in proportion to the percentage participation of each such Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
3. The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to its Relevant Facility Agent. This percentage will be certified by that Lender in its notice to such Facility Agent to be its reasonable determination of the cost (expressed as a percentage of such Lender’s participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office. If a Lender fails to notify any Additional Cost Rate in accordance with this paragraph 3, the Relevant Facility Agent shall be entitled to assume that no such Additional Cost Rate has been incurred by such Lender.
4. The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Relevant Facility Agent as follows:

$$\frac{E}{300} \times 0.01 \text{ per cent. per annum.}$$

Where:

- E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Relevant Facility Agent as being the average of the most recent rates of charge supplied by the Reference Banks to such Facility Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.

For the purposes of this Schedule:

- (a) “ **Fees Rules** ” means the rules on periodic fees contained in the Financial Services Authority Fees Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
- (b) “ **Fee Tariffs** ” means the fee tariffs specified in the Fees Rules under Column 1 of the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and

-
- (c) “ **Tariff Base** ” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
5. If requested by a Facility Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to such Facility Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.
 6. Each Lender shall supply any information required by the Relevant Facility Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:
 - (a) the jurisdiction of its Facility Office; and
 - (b) any other information that the Relevant Facility Agent may reasonably require for such purpose.Each Lender shall promptly notify the Relevant Facility Agent of any change to the information provided by it pursuant to this paragraph.
 7. The rates of charge of each Reference Bank for the purpose of E above shall be determined by the Relevant Facility Agent based upon the information supplied to it pursuant to paragraphs 6 and 7 above and on the assumption that, unless a Lender notifies the Relevant Facility Agent to the contrary, each Lender’s obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.
 8. No Facility Agent shall have any liability to any Person if such determination results in an Additional Cost Rate that over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 6 and 7 above is true and correct in all respects.
 9. Each Facility Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders for which it is the Relevant Facility Agent on the basis of the Additional Cost Rate for each such Lender based on the information provided by each such Lender and each Reference Bank pursuant to paragraphs 3, 6 and 7 above.
 10. Any determination by a Facility Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender for which it is the Relevant Facility Agent shall, in the absence of manifest error, be conclusive and binding on all Parties.
 11. A Facility Agent may from time to time, after consultation with the Borrowers and the Lenders for which it is the Relevant Facility Agent and the other Facility Agents, determine and notify to all Parties any amendments that are required to be made to this Schedule in order to comply with any change in law, regulation or any

requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.

SCHEDULE 8**CAPITAL STOCK**

Details of each Obligor's authorised, issued and outstanding capital stock are set out in the table below.

<u>AUTHORISED SHARE CAPITAL</u>	<u>ISSUED SHARE CAPITAL</u>	<u>AUTHORISED BUT UNISSUED SHARE CAPITAL</u>	<u>SHAREHOLDER</u>
Pacific Drilling Limited 2,000,000	1,920,761	79,239	Pacific Gibco
Pacific Bora Ltd. 500	500	0	Pacific Drilling Limited
Pacific Mistral Ltd. 500	500	0	Pacific Drilling Limited
Pacific Scirocco Ltd. 500	500	0	Pacific Drilling Limited
Pacific Santa Ana Ltd. 500	500	0	Pacific Drilling Limited

SCHEDULE 9

FORM OF MORTGAGE OVER VESSEL

Dated [—]

FIRST PREFERRED MORTGAGE

[INSERT NAME]

As Shipowner

and

DNB NOR BANK ASA (NEW YORK BRANCH)

As Mortgagee

“[INSERT VESSEL NAME]”

This FIRST PREFERRED MORTGAGE (this “**Mortgage**”) dated [—], from [**INSERT NAME**], a Liberian corporation, with an office at [**INSERT ADDRESS**] (the “**Shipowner**”), to DnB NOR Bank ASA (New York Branch), as security trustee and agent for the Secured Parties, a company organized and existing under the laws of Norway, having an address at 200 Park Avenue, New York, NY 10166 (the “**Mortgagee**”), covering the Liberian flag vessel “[INSERT VESSEL NAME]”, Official No. [—], of [—] gross and [—] net tons, or thereabouts, built by Samsung Heavy Industries Co., Ltd., a corporation incorporated and existing under the laws of the Republic of Korea having its registered office at 1321-15, Seocho-Gu, Seocho-Dong, Seoul, Korea in [**INSERT LOCATION**] in [**INSERT YEAR**], and duly documented in the name of the Shipowner under the laws of the Republic of Liberia with her homeport at Monrovia, Liberia (the “**Vessel**”), to secure the repayment of up to [—] Dollars ([—] Dollars) and interest, costs and performance of mortgage covenants.

WITNESSES THAT:

- A. The Shipowner acknowledges that it is justly indebted to the Mortgagee in an amount of up to [—] Dollars ([—] Dollars) and interest, costs and performance of mortgage covenants under a project facilities agreement dated [—] 2010 (the “**Project Facilities Agreement**”), the form of which is set out as Exhibit A, made between, among others, the Shipowner and [—], [—] and [—] (together, the “**Borrowers**”) as joint and several borrowers, Pacific Drilling Limited, as guarantor, DnB NOR Bank ASA (New York Branch), Crédit Agricole Corporate & Investment Bank, as the mandated lead arrangers, the commercial facility lenders listed in schedule 3 to the Project Facilities Agreement, as the commercial facility lenders, Eksportfinans ASA, as the GIEK facility lender, Export-Import Bank of Korea, as the KEXIM facility lender, DnB NOR Bank ASA (New York Branch), as the commercial facility agent and GIEK facility agent, Crédit Agricole Corporate & Investment Bank, as the KEXIM facility agent, each hedging party that has acceded to the Project Facilities Agreement, each as a hedging party and DnB NOR Bank ASA (New York Branch), as the security trustee, intercreditor agent and accounts bank, whereunder said Borrowers are obliged to repay a loan amount of up to [—] Dollars ([—] Dollars) (the “**Loan**”) according to the terms and conditions of the Project Facilities Agreement, however the Loan shall be repaid not later than [—], and furthermore, to pay interest as further specified in the Project Facilities Agreement, on a basis applicable for the agreed individual interest periods for the agreed currency or currencies, all as provided in the Project Facilities Agreement.
- B. The Borrowers, the Guarantor, the Facility Agents, the Hedging Parties, the Mortgagee, the Intercreditor Agent, the Accounts Bank and others have entered into or, on or about the date of this Mortgage, shall enter into the Intercreditor Agreement, the form of which is set out as Exhibit B, which governs the relationship between the Secured Parties and regulates the claims of the Secured Parties against the Borrowers and the Guarantor and the enforcement by the Secured Parties of the Security.
- C. The Shipowner is the sole owner of the whole of the Vessel and in order to secure the payment of the Indebtedness (as defined below) and the performance and observance of and compliance with the other Shipowner’s Obligations (as defined below), the Shipowner duly has authorized the execution and delivery of this Mortgage under and pursuant to Chapter 3 of Title 21 of the Liberian Code of Laws of 1956, as amended.

- D. This Mortgage is made “pursuant to agreement” within the meaning of Section 106A of Chapter 3 of Title 21 of the Liberian Code of Laws of 1956, as amended.

NOW, THEREFORE, THIS MORTGAGE WITNESSES:

1. DEFINITIONS AND INTERPRETATIONS

- (a) Except as otherwise expressly provided in this Mortgage, capitalized terms used in this Mortgage shall have the meanings given to them in schedule 1 to the Project Facilities Agreement. To the extent such terms are defined by reference to any other Transaction Document, for the purposes of this Mortgage, such terms shall continue to have their original definitions (but will bear the governing law of this Mortgage) notwithstanding any termination, expiration or amendment of any such Transaction Document, except to the extent that the parties to this Mortgage agree to the contrary.
- (b) Except as otherwise expressly provided in this Mortgage, the rules of interpretation set out in clause 1.2 of the Project Facilities Agreement shall apply to this Mortgage.

2. PAYMENT OF THE INDEBTEDNESS

The Shipowner agrees to pay the Indebtedness (as defined below) in accordance with the terms of this Mortgage and the other Finance Documents and shall observe, perform and comply with all of the Shipowner’s Obligations (as defined below).

3. MORTGAGE

- (a) In consideration of the premises, as above recited and other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the Senior Debt Obligations arising in respect of and under the Project Facilities Agreement and the other Finance Documents according to the terms thereof, including any obligation for the payment of all such other sums as hereafter may become secured by this Mortgage in accordance with the terms hereof (all such Senior Debt Obligations and other sums, the “ **Indebtedness** ”), and to secure the performance and observance of and compliance with the covenants, terms and conditions contained or implied in this Mortgage and in the other Finance Documents (together with the Indebtedness, the “ **Shipowner’s Obligations** ”), the Shipowner has granted, conveyed, mortgaged, pledged, set over and confirmed and does by this Mortgage grant, convey, mortgage, pledge, set over and confirm to the Mortgagee, its respective successors and assigns (in each case for itself and the other Secured Parties), the whole of the Vessel, together with all of the boilers, engines, machinery, masts, spares, sails, rigging, boats, anchors, chains, tackle, apparel, furniture, fittings and equipment and all other appurtenances thereto appertaining or belonging, whether now owned or hereafter acquired, whether on board or not, and all additions, improvements and replacements hereafter made in or to the Vessel (together, the “ **Mortgaged Property** ”); TO HAVE AND TO HOLD the same unto the Mortgagee, its successors and assigns, to its and its successors’ and assigns’ own use and behoof on the terms and

subject to the conditions of this Mortgage PROVIDED only, and the conditions of this Mortgage are such that, if the Mortgagee confirms to the Shipowner that the Shipowner indefeasibly shall have paid, or have caused to be paid, in full the Indebtedness to the Mortgagee on or prior to the Final Discharge Date, and shall have performed, observed and complied with all of the other Shipowner's Obligations, then this Mortgage and the rights under this Mortgage shall cease, determine and be void but otherwise shall remain in full force and effect.

- (b) The Shipowner covenants and agrees with the Mortgagee that the Mortgaged Property shall be held by the Shipowner subject to the further covenants, conditions, provisions, terms, and uses set out in this Mortgage, the Project Facilities Agreement, any Acceptable Charter to which the Vessel is subject and the other Finance Documents.

4. REPRESENTATIONS AND WARRANTIES

The Shipowner hereby represents and warrants to the Mortgagee that:

- (a) It has full power and authority to own and mortgage the Vessel and (i) all actions necessary and required by any Legal Requirement for the execution and delivery of this Mortgage have been duly and effectively taken; and (ii) the Indebtedness is and shall be the valid and enforceable obligation of the Shipowner in accordance with its terms.
- (b) It lawfully owns and is lawfully possessed of the Vessel free from any Security Interest (except for Permitted Security) and shall warrant and defend the title and possession of the Vessel and to every part thereof for the benefit of the Mortgagee against the claims and demands of all Persons.

5. COVENANTS OF THE SHIPOWNER

The Shipowner covenants and agrees until the date that this Mortgage ceases, determines and/or otherwise becomes void in accordance with Clause 3(a) that it:

- (a) Shall cause this Mortgage to be duly recorded in accordance with the provisions of Chapter 3 of Title 21 of the Liberian Code of Laws of 1956, as amended (the “**Liberian Maritime Law**”), and otherwise shall comply with and satisfy all of the provisions of the Liberian Maritime Law in order to establish and maintain this Mortgage as a first preferred mortgage lien thereunder upon the Vessel and upon all renewals, replacements and improvements made in or to the same for the amount of the Indebtedness.
- (b) Shall not:
 - (i) cause or permit the Vessel to be operated in any manner contrary to any applicable Legal Requirement;
 - (ii) engage in any unlawful trade or violate any Legal Requirement or carry any cargo that shall expose the Vessel to penalty, forfeiture or capture; or

-
- (iii) do, or suffer or permit to be done, anything that could or may injuriously affect the registration of the Vessel under the Legal Requirements of the Republic of Liberia and shall at all times keep the Vessel duly documented thereunder.
 - (c) Shall pay and discharge or cause to be paid and discharged when due and payable, from time to time, all taxes, assessments, governmental charges, fines and penalties lawfully imposed on the Vessel or any income therefrom.
 - (d) Shall not, and shall ensure that no charterer, the master of the Vessel nor any other Person shall, have any right, power or authority to create, incur or permit to be placed or imposed or continued upon the Vessel any Security Interest (except Permitted Security).
 - (e) Shall place and at all times and places retain a properly certified copy of this Mortgage on board the Vessel with the Vessel's papers and shall cause each such certified copy and papers to be exhibited to any and all Persons having business with the Vessel that might give rise to any Security Interest on the Vessel (except for Permitted Security), and shall place and keep prominently displayed in the chart room and in the master's cabin of the Vessel a framed printed notice in plain type in English of such size that the paragraph of reading matter shall cover a space not less than six inches wide by nine inches high reading as follows:

“NOTICE OF MORTGAGE

This Vessel is owned by [—], a Liberian corporation, and is covered by a First Preferred Mortgage in favor of DnB NOR Bank ASA (New York Branch), under the authority of Chapter 3 of Title 21 of the Liberian Code of Laws of 1956, as amended. Under the terms of the said Mortgage, neither the Shipowner, any charterer, the master of this Vessel nor any other Person has the right, power or authority to create, incur or permit to exist upon this Vessel any lien whatsoever other than for crew's wages and salvage.”

- (f) Except for this Mortgage and any other Permitted Security, shall not suffer to be continued any Security Interest on the Vessel, and in due course and in any event within 30 days after the same becomes due and payable or within 14 days after being requested to do so by the Mortgagee, shall pay or cause to be discharged or make adequate provision for the satisfaction or discharge of all claims or demands, or shall cause the Vessel to be released or discharged from any Security Interest therefor.
- (g) If a legal proceeding is commenced against the Vessel or the Vessel otherwise is attached, levied upon or taken into custody by virtue of any legal proceeding in any court, promptly shall notify the Mortgagee thereof, and within 15 days shall cause the Vessel to be released and all Security Interests over the Vessel other than any Security Interest created pursuant to this Mortgage or any other Security Document to be discharged and promptly shall notify the Mortgagee thereof in the manner aforesaid. The Shipowner shall notify the Mortgagee within 48 hours of any average or salvage incurred by the Vessel.

-
- (h) At all times and without cost or expense to the Mortgagee, shall maintain and preserve, or cause to be maintained and preserved, the Vessel and all its equipment, outfit and appurtenances in accordance with Customary Industry Practice and the requirements of any Acceptable Charter, and shall keep the Vessel, or cause the Vessel to be kept, in such condition as will entitle her to the highest class for vessels of the same type with American Bureau of Shipping (ABS), Det Norske Veritas (DNV) or other reputable classification society approved by the Mortgagee. The Vessel shall comply, and the Shipowner covenants that at all times it shall comply, with all applicable Legal Requirements of the Republic of Liberia, and shall have on board as and when required by such Legal Requirements valid certificates showing compliance therewith. The Shipowner shall not make, or permit to be made, any substantial change in the structure, type or speed of the Vessel or change in her rig, without the prior written approval of the Mortgagee.
- (i) Shall notify the Mortgagee, or cause the Mortgagee to be notified, in writing of:
- (i) any material requirement or recommendation made by any insurer or classification society or by any competent authority that is not complied with in accordance with Customary Industry Practice;
 - (ii) any arrest of the Vessel or the exercise or purported exercise of any Security Interest on the Vessel or her earnings; or
 - (iii) any occurrence of circumstances forming the basis of an environmental claim,
- promptly upon becoming aware of the same.
- (j) Shall submit the Vessel, or cause the Vessel to be submitted, on a timely basis to such periodic or other surveys as may be required for classification purposes and, if requested by the Mortgagee, supply or cause to be supplied to the Mortgagee copies of all survey and inspection reports and confirmations of class issued in respect thereof.
- (k) Shall:
- (i) afford the Mortgagee or its authorised representative access to the Vessel as they may require, on reasonable notice and at reasonable times for the purpose of inspecting the Vessel and her cargo and papers, in each case to verify compliance with the requirements of the Finance Documents, subject to the Mortgagee and its authorised representatives complying with health and safety rules and procedures, and provided that (A) unless an Event of Default is continuing, no more than two inspection visits per calendar year shall be permitted pursuant to this Clause 5.1(k)(i); and (B) no inspection visit shall interfere with the commercial operations of the Vessel; and
 - (ii) deliver for inspection, at the reasonable request of the Mortgagee for the purpose of verifying compliance with the requirements of the Finance Documents, copies of any and all contracts and documents

relating to the Vessel, whether on board or not, provided that the delivery of any such contracts or documents shall not cause the Shipowner to be in breach of the terms of any confidentiality obligations binding on it in respect of such contracts or documents.

- (l) To the extent that such information has not been furnished to the Mortgagee in connection with the approval of an Acceptable Charter relating to the Vessel, promptly shall furnish, or use its best efforts to cause promptly to be furnished, to the Mortgagee all such information as the Mortgagee from time to time reasonably may request regarding the Vessel, her employment, position and engagements and particulars of all towages and salvages.
- (m) Shall not change the flag, registry or class of the Vessel without the prior written approval of the Mortgagee, and any such written approval to any one change of flag, registry or class shall not be construed to be a waiver of this Clause 5(m) with respect to any subsequent proposed change of flag, registry or class.
- (n) Shall not sell, mortgage, demise, charter (except in respect of the charter of the Vessel in accordance with an Acceptable Charter), change the management of, transfer or otherwise dispose of the Vessel without the prior written approval of the Mortgagee except as otherwise expressly contemplated under the Finance Documents. Any such written approval of the Mortgagee shall not be construed to be a waiver of this Clause 5(n) with respect to any subsequent proposed sale, mortgage, demise, charter or transfer. Any such sale, mortgage, demise, charter or transfer of the Vessel shall be subject to the provisions of this Mortgage and the Security created by or pursuant to this Mortgage.
- (o) Shall not put the Vessel or suffer her to be put into the possession of any Person for the purpose of work being done upon her other than routine dry dockings and ordinary maintenance:
 - (i) in an amount exceeding or likely to exceed 50,000,000 Dollars without the prior written consent of the Mortgagee (which consent shall be in the form of an approved Repair Plan in accordance with clause 19.34 of the Project Facilities Agreement); or
 - (ii) in an amount less than or likely to be less than 50,000,000 Dollars, without the prior written consent of the Mortgagee, unless such work is fully covered by insurance, subject to applicable deductibles satisfactory to the Mortgagee, or unless such Person first shall have given to the Mortgagee (and on terms satisfactory to the Mortgagee) a written undertaking not to exercise any Security Interest on the Vessel or her earnings for the cost of such work or otherwise.
- (p) Shall comply with all of its obligations under the Finance Documents with respect to the insurance of the Vessel.
- (q) Shall comply with all applicable Legal Requirements (including Legal Requirements pertaining to the environment) applicable to it or any of its assets, including the Vessel.

-
- (r) Shall perform fully its material obligations under any and all charter parties, including any Acceptable Charter, that it may enter into with respect to the Vessel.
 - (s) Shall comply with all of its covenants and obligations under each of the other Finance Documents to which it is a party.

6. EVENTS OF DEFAULT AND REMEDIES

- (a) If an Event of Default is continuing, the Security created by or pursuant to this Mortgage immediately shall become enforceable and the Mortgagee, in addition to the remedies afforded to it under the Finance Documents and in accordance with the Finance Documents, shall have the right:
 - (i) to exercise all of the rights and remedies in foreclosure and otherwise given to Mortgagee by the provisions of the laws of the Republic of Liberia or of any other jurisdiction where the Vessel may be found;
 - (ii) to bring suit at law, in equity or in admiralty, as it may elect, to recover judgment for the Indebtedness, and collect the same out of any and all property of the Shipowner, whether covered by this Mortgage or otherwise;
 - (iii) to require that all documents and records relating to the Insurance Policies or other insurances in respect of the Mortgaged Property (including details of, and correspondence concerning, any outstanding claim) immediately be delivered to the Mortgagee or its nominee;
 - (iv) to collect, recover, compromise and/or give a good discharge for any moneys or claims in respect of the Vessel and to permit any brokers through which collection or recovery is effected to charge the usual brokerage for doing so;
 - (v) to settle, refer to arbitration, compromise and/or arrange any claims, accounts, disputes, questions and demands with or by any Person that relate to the Vessel;
 - (vi) without any notice, to take and enter into possession of the Vessel, at any time, wherever the same may be, without legal process and without being responsible for loss or damage, and the Shipowner or other Person in possession upon demand of the Mortgagee immediately shall surrender to the Mortgagee possession of the Vessel and the Mortgagee, without being responsible for loss or damage, may hold, lay up, lease, charter, operate or otherwise use the Vessel for such time and upon such terms as it may deem appropriate, in its sole discretion, and demand, collect and retain all hire, freights, earnings, issues, revenues, income, profits, return premiums, salvage awards or recoveries, recoveries in general average, and all other sums due or to become due in respect of the Vessel or in respect of any insurance maintained in respect of the Vessel from any Person whomsoever, accounting only for the net profits, if any, arising from such use of the Vessel and charging upon all receipts from the use of the Vessel or

from the sale thereof by court proceedings or pursuant to Clause 6(a)(vii), all costs, expenses, charges, damages, or losses by reason of such use; and if at any time the Mortgagee shall avail itself of the right given to it in this Mortgage to take the Vessel, the Mortgagee shall have the right to dock the Vessel, for a reasonable time at any dock, pier or other premises of the Shipowner without charge, or to dock the Vessel at any other place at the cost and expense of the Shipowner;

- (vii) without any notice, to take and enter into possession of the Mortgaged Property, at any time, wherever the same may be, without legal process, and if it seems desirable to the Mortgagee and without being responsible for loss or damage, sell the Mortgaged Property at any place and at such time as the Mortgagee may specify and in such manner and upon such terms and conditions as the Mortgagee may deem advisable, free from any claim by the Shipowner in admiralty, in equity, at law or by any other Legal Requirement, at public or private sale, by sealed bids or otherwise. Any sale may be held at such place and at such time as the Mortgagee may have specified, or may be adjourned by the Mortgagee from time to time by announcement at the time and place appointed for such sale or for such adjourned sale, and, without any notice or publication, the Mortgagee may make any such sale at the time and place to which the same shall be so adjourned, and any sale may be conducted without bringing the Mortgaged Property to the place designated for such sale and in such manner as the Mortgagee in its sole discretion may deem to be appropriate, and the Mortgagee may become the purchaser at any sale.
- (b) Any sale of the Mortgaged Property pursuant to this Mortgage, whether under the power of sale granted under this Mortgage or any judicial proceedings, shall operate to divest all right, title and interest of any nature whatsoever of the Shipowner in the Mortgaged Property and shall bar the Shipowner, its successors and assigns, and all Persons claiming by, through or under them. No purchaser shall be bound to inquire whether notice has been given, or whether any default has occurred, or as to the propriety of the sale, or as to the application of the proceeds thereof. In case of any such sale, the Mortgagee, if it is the purchaser, shall be entitled, for the purpose of making settlement or payment for the Mortgaged Property, to use and apply the Indebtedness in order that there may be credited against the amount remaining due and unpaid the sums payable out of the net proceeds of such sale to the Mortgagee after allowing for the costs and expense of sale and other related charges; and thereupon such purchaser shall be credited, on account of such purchase price, with the net proceeds that shall have been so credited upon the Indebtedness. At any such sale, the Mortgagee may bid for and purchase the Mortgaged Property and upon compliance with the terms of sale may hold, retain and dispose of the Mortgaged Property without further accountability therefor.
- (c) Whenever any right to enter and take possession of the Mortgaged Property accrues to the Mortgagee, it may require the Shipowner to deliver, and the Shipowner on demand and at its own cost and expense shall deliver to the Mortgagee, the Mortgaged Property as demanded.

- (d) If any legal proceeding shall be taken to enforce any right under this Mortgage, the Mortgagee shall be entitled as a matter of right to the appointment of a receiver of the Mortgaged Property and of the freights, hire, earnings, issues, revenues, income and profits due, or to become due, and arising from the operation of the Vessel.
- (e) The Shipowner authorizes and empowers the Mortgagee or its appointee to appear in the name of the Shipowner, its successors and assigns, in any court of any country or nation of the world where a suit is pending against the Mortgaged Property because of, or on account of, any alleged Security Interest against the Mortgaged Property from which the Mortgaged Property has not been released and to take such proceedings as the Mortgagee may deem necessary in the defence of such suit and the purchase or discharge of such Security Interest, and all expenditures made or incurred by it for the purpose of such defense or purchase or discharge shall form part of the Senior Debt Obligations.
- (f) The Mortgagee shall apply any proceeds from time to time held by it and the net proceeds of any collection, recovery, receipt, appropriation, realization or sale with respect to the Vessel or any other Mortgaged Property, in accordance with clause 12.1 of the Intercreditor Agreement.
- (g) Until the occurrence of an Event of Default that is continuing, the Shipowner, subject to the terms of the Finance Documents, shall:
 - (i) be permitted to retain actual possession and use of the Vessel; and
 - (ii) have the right, from time to time, in accordance with Finance Documents, to dispose of, free from the Security created by or pursuant to this Mortgage, any boilers, engines, machinery, masts, spars, sails, rigging, boats, anchors, chains, tackle, apparel, furniture, fittings or equipment or any other appurtenances of the Vessel that are no longer useful, necessary, profitable or advantageous in the operation of the Vessel, first or simultaneously replacing the same by new boilers, engines, machinery, masts, spars sails, rigging, boats, anchors, chains, tackle, apparel, furniture, fittings or equipment, or other appurtenances of substantially equal value to the Shipowner, which immediately shall become subject to the Security Interests created pursuant to this Mortgage as a preferred mortgage thereon.

7. LIABILITY AND INDEMNITY

- (a) Neither the Mortgagee nor any Secured Party shall be liable in any way to the Shipowner (whether as mortgagee in possession or otherwise) to account or be liable for any loss upon realization, or for any neglect or default of any nature whatsoever in connection therewith, for which a mortgagee may be liable as such.
- (b) The Shipowner will indemnify and hold harmless and keep indemnified the Mortgagee and each other Indemnified Person in respect of all Losses that any of them may sustain as a consequence of:
 - (i) anything done or omitted in the exercise or purported exercise of the powers contained in this Mortgage or arising pursuant to this Mortgage;

-
- (ii) any breach by the Shipowner of any of its obligations under this Mortgage; or
 - (iii) any environmental claim made or asserted against an Indemnified Person that would not have arisen if this Mortgage had not been executed,

save where such Losses arise as a consequence of the gross negligence, willful misconduct or fraud of an Indemnified Person.

8. POWER OF ATTORNEY

- (a) The Shipowner, by way of security, irrevocably appoints the Mortgagee and any receiver and/or manager appointed by the Mortgagee and any delegates or sub-delegates appointed by the Mortgagee, any receiver and/or manager severally to be its attorney with power (in the name of the Shipowner or otherwise):
 - (i) to execute, deliver and perfect all documents and do all things that the attorney may consider to be required for carrying out any obligation imposed on the Shipowner under this Mortgage; and
 - (ii) if an Event of Default is continuing, to do all acts that the Shipowner could do in connection with the Mortgaged Property, including, without limitation, to execute and deliver a bill of sale transferring title in the Vessel to a third party.
- (b) The Shipowner, to the greatest extent possible in light of relevant Legal Requirements, hereby ratifies and confirms, and agrees to ratify and confirm, whatever an attorney does or purports to do under its appointment pursuant to this Clause 8.

9. FURTHER ASSURANCE

- (a) The Shipowner covenants and agrees that, on demand, at its own cost and expense, it shall:
 - (i) execute and deliver such other documents and/or instruments and do such things that may be necessary or desirable or that the Mortgagee in its sole discretion may deem necessary or desirable in order to perfect and protect any Security Interests granted or purported to be granted pursuant to this Mortgage, or to enable the Mortgagee to exercise and enforce, in accordance with this Mortgage, its rights and remedies under this Mortgage with respect to any Mortgaged Property; and
 - (ii) do any and all things that the Mortgagee may specify to facilitate the Mortgagee's entitlements as described in Clause 6 or elsewhere in this Mortgage.

-
- (b) The Mortgagee may take any action to remedy any breach by the Shipowner of its undertakings under this Mortgage.

10. MISCELLANEOUS

- (a) All of the covenants and other obligations of the Shipowner in this Mortgage shall bind the Shipowner and its successors and assigns and shall inure to the benefit of the Mortgagee and its successors and assigns.
- (b) Any right, power or authority granted or given to the Mortgagee under this Mortgage may be exercised in all cases by the Mortgagee or such agent or agents as it may appoint, and the act or acts of such agent or agents when taken shall constitute the act of the Mortgagee.
- (c) This Mortgage may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.
- (d) In the event that this Mortgage or any of the documents or instruments that from time to time may be delivered hereunder, or any provision of this Mortgage shall be deemed invalid or shall be deemed to affect adversely the preferred status of this Mortgage under any applicable Legal Requirement or by a decision of any court, such provision shall cease to be a part of this Mortgage and shall not affect the validity and/or enforceability of all or any other part of this Mortgage or such other documents or instruments, which shall remain in full force and effect.
- (e) All notices and other communications under or in connection with this Mortgage shall be sent in accordance with the provisions of clause 37.1 of the Project Facilities Agreement, the provisions of which are incorporated by reference as if set out in this Mortgage in full.
- (f) Notwithstanding anything to the contrary contained in this Mortgage, it is intended that nothing in this Mortgage shall waive the preferred status of this Mortgage and that, if any provision or portion thereof in this Mortgage shall be construed to waive the preferred status of this Mortgage, then such provision to such extent shall be void and of no effect.
- (g) The Security created by or pursuant to this Mortgage shall be cumulative and shall be in addition to every other Security Interest that the Secured Parties may at any time hold for any of the Senior Debt Obligations, whether or not under the Security Documents. Each and every power and remedy given to the Mortgagee under this Mortgage or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other power or remedy. No delay or omission by the Mortgagee in the exercise of any right or power or in the pursuance of any remedy accruing upon any default shall impair any such right, power or remedy or be construed to be a waiver of any such default or to be an acquiescence therein; nor shall the acceptance by the Mortgagee of any Security Interest or of any payment of, or on account of, the Indebtedness

maturing after any Event of Default or of any payment on account of any past Event of Default be construed to be a waiver of any right to take advantage of any future Event of Default or of any past Event of Default not completely cured thereby.

- (h) This Mortgage shall be read together with the Project Facilities Agreement and the Intercreditor Agreement and in the event of a conflict between the terms of this Mortgage and the terms of the Project Facilities Agreement or the Intercreditor Agreement, the terms of the Project Facilities Agreement or the Intercreditor Agreement (as applicable) shall prevail to the extent not contrary to any relevant Legal Requirement relating to the creation, validity and enforceability of the Security Interests purported to be created pursuant to this Mortgage and provided further that this Clause 10(h) shall not be construed to limit in any way any covenant or obligation of the Shipowner under this Mortgage.
- (i) For the purpose of recording this Mortgage under Chapter 3 of Title 21 of the Liberian Code of Law of 1956, as amended, the total maximum amount is [—] Dollars ([—] Dollars), or an equivalent amount in any alternate unit of account, and interest and costs and performance of mortgage covenants. The maturity date is [—].⁴ The discharge amount is the same as the total maximum amount.
- (j) This Mortgage shall be governed by, and construed under, the laws of the Republic of Liberia without regard to principles of conflict of laws.

⁴ Final maturity date to be determined at the time that this Mortgage is entered into in accordance with the provisions of the Project Facilities Agreement.

EXHIBIT A

PROJECT FACILITIES AGREEMENT

EXHIBIT B
INTERCREDITOR AGREEMENT

IN WITNESS WHEREOF, the Shipowner has caused this Mortgage to be duly executed the day and year first above written.

[INSERT SHIPOWNER'S NAME]

Name:

Title:

ACKNOWLEDGEMENT

[—])

[—])

On the day of [—] in the year [—] 2010, before me, the undersigned, personally appeared [—], personally known to me or proved to me on the basis of satisfactory evidence, to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s) or the person upon behalf of which the individual(s) acted, executed this instrument.

Notary Public/Deputy Commissioner

SCHEDULE 10

FORM OF INTEREST PERIOD SELECTION NOTICE

From: Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Ltd.

To: [—] as Commercial Facility Agent
[—] as GIEK Facility Agent
[—] as KEXIM Facility Agent
[—] as Intercreditor Agent

Dated:

Dear Sirs

1. We refer to the Project Facilities Agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the “**Agreement**”).
2. Defined terms used in this Selection Notice shall have the meanings given to them in the Agreement.
3. This is a Selection Notice as referred to in the Agreement.
4. We refer to the following Loan[s] made or to be made available to the Borrower in Dollars [with an Interest Period ending on [—]]: [—]
5. [We request that the next Interest Period for the above Loan[s] is [—] months].
6. This Selection Notice is irrevocable.

Yours faithfully

authorised signatory for
Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] Ltd.

SCHEDULE 11

SPECIFIED TIMES

	Specified Time
Delivery of a duly completed Utilisation Request or Selection Notice to the Intercreditor Agent, the Commercial Facility Agent, the KEXIM Facility Agent and the GIEK Facility Agent (Clause 4.1(a) (<i>Delivery of a Utilisation Request</i>) or Clause 7.1 (<i>Selection of Interest Periods</i>))	U-4 Business Days 9.30 a.m. (New York time)
Delivery of a duly completed Advance Notice to the KEXIM Facility Agent (Clause 4.1(a) (<i>Delivery of Utilisation Requests and Advance Notice</i>))	U-10 Business Days 9.30 a.m. (New York time)
The Commercial Facility Agent and the GIEK Facility Agent notify each Commercial Facility Lender and the GIEK Facility Lender respectively of the amount of that Lender's participation in a Loan (Clause 4.5(c) (<i>Lenders' participation</i>))	U-4 Business Days Noon (New York time)
The KEXIM Facility Agent notifies the KEXIM Facility Lender of the amount of the KEXIM Facility Lender's participation in a Loan (Clause 4.5(c) (<i>Lenders' participation</i>))	U-10 Business Days Noon (New York time)
A Reference Bank has not supplied a quotation on a Quotation Day (Clause 8.1 (<i>Absence of quotations</i>))	Quotation Day 9.30 a.m. (New York time)
The Intercreditor Agent calculates the interest rate (Clause 6.4 (<i>Notification of rates of interest</i>))	Quotation Day 11:00 a.m. (New York time)

For the purposes of this Schedule 11, “ U ” means the Utilisation Date or the last day of the current Interest Period (as applicable).

SCHEDULE 12

KYC DOCUMENTS

In respect of each Obligor, QPIL, QPML, Pacific Gibco and each other member of the Guarantor Group that is party to any Transaction Document at that time (each a “**KYC Entity**”), an electronic copy of an Officer’s Certificate signed by a director or company secretary of such entity and that attaches each of the following documents, to the extent not otherwise required to be provided in accordance with Part 1 of Schedule 2:

- (a) the Certificate of Incorporation of such KYC Entity;
- (b) the Articles of Incorporation of such KYC Entity;
- (c) in respect of the directors of such KYC Entity, a list of all directors’ names, nationalities, dates of birth, and residential addresses, together with documentary evidence confirming such items;
- (d) the minutes of the general assembly of the shareholders of such KYC Entity, appointing the directors of such KYC Entity;
- (e) a list of the names and business addresses of the shareholders of such KYC Entity;
- (f) resolutions of the board of directors of such KYC Entity:
- (i) authorising such KYC Entity’s entry into the Transaction Documents to which it is a party and the transactions contemplated thereby;
- (ii) authorising a specified Person or Persons (including any applicable attorney) who may execute the Transaction Documents to which such KYC Entity is a party on behalf of such KYC Entity; and
- (iii) confirming that such KYC Entity itself is assuming all obligations under each such Transaction Document and is not acting as an agent on behalf of any other entity in such regard;
- (g) in respect of such KYC Entity, a list of the specimen signatures of each of the authorised signatories referred to in paragraph (f)(ii) of this Schedule 12; and
- (h) a copy of the share register (or equivalent documentation evidencing ownership) of such KYC Entity.

SCHEDULE 13

FORM OF ASSIGNMENT AGREEMENT

To: [—] as [Commercial][GIEK][KEXIM] Facility Agent

From:[the *Existing Lender*] (the “ **Existing Lender** ”) and [the *New Lender*] (the “ **New Lender** ”)

Dated: [—]

Dear Sirs,

1. We refer to the project facilities agreement dated as of [—] between Pacific Bora Limited, Pacific Mistral Limited, Pacific Scirocco Limited and Pacific Santa Ana Limited as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons, as such agreement may be amended from time to time (the “ **Project Facilities Agreement** ”).
2. This is an Assignment Agreement. Terms defined in the Project Facilities Agreement have the same meaning in this Assignment Agreement unless given a different meaning in this Assignment Agreement.
3. We refer to Clause 30.1 of the Project Facilities Agreement:
 - (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Project Facilities Agreement and the other Finance Documents that relate to that portion of the Existing Lender’s Commitment and participations in Loans under the Project Facilities Agreement as specified in the schedule to this Assignment Agreement.
 - (b) The Existing Lender is released from all the obligations of the Existing Lender that correspond to that portion of the Existing Lender’s Commitment and participations in Loans under the Project Facilities Agreement specified in the schedule to this Assignment Agreement.
 - (c) The New Lender becomes a Party as a [Commercial] [GIEK] [KEXIM] Facility Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph 3 (b) above.
4. The proposed Transfer Date is [—].
5. On or about the date of this Assignment Agreement, the New Lender shall enter into an Accession Deed pursuant to which, with effect from the Transfer Date, the New Lender shall become a Party to the Project Facilities Agreement and the Intercreditor Agreement [and any other relevant Finance Documents] as a [Commercial] [GIEK] [KEXIM] Facility Lender.

-
6. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out Clause 30.4 of the Agreement.
 7. This Assignment Agreement acts as notice to the [Commercial] [GIEK] [KEXIM] Facility Agent (on behalf of each [Commercial] [GIEK] [KEXIM] Facility Lender) and, upon delivery in accordance with Clause 30.7 of the Agreement, to the Guarantor (on behalf of each Obligor) of the assignment referred to in this Assignment Agreement.
 8. This Assignment Agreement may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.
 9. This Assignment Agreement and any non-contractual obligations arising out of or in connection with it are governed by English Law.
 10. This Assignment Agreement has been entered into on the date stated at the beginning of this Assignment Agreement.

THE SCHEDULE

Rights to be assigned and obligations to be released and undertaken

[*insert relevant details*]

[Existing Lender]
By:

[New Lender]
By:

This Assignment Agreement is accepted by the [Commercial][GIEK][KEXIM] Facility Agent and the Transfer Date is confirmed as [—].

Signature of this Assignment Agreement by the [Commercial][GIEK][KEXIM] Facility Agent constitutes confirmation by the [Commercial] [GIEK][KEXIM] Facility Agent of receipt of notice of the assignment referred to herein, which notice the [Commercial] [GIEK][KEXIM] Facility Agent receives on behalf of each [Commercial] [GIEK] [KEXIM] Facility Lender.

[Commercial][GIEK][KEXIM] Facility Agent
By:

SCHEDULE 14

FORM OF TRANSFER CERTIFICATE

To: [—] as [Commercial][GIEK][KEXIM] Facility Agent

From: [*The Existing Lender*] (the “ **Existing Lender** ”) and [*The New Lender*] (the “ **New Lender** ”)

Dated: [—]

Dear Sirs,

1. We refer to the project facilities agreement dated as of [—] between Pacific Bora Limited, Pacific Mistral Limited, Pacific Scirocco Limited and Pacific Santa Ana Limited as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons, as such agreement may be amended from time to time (the “ **Project Facilities Agreement** ”).
2. This is a Transfer Certificate. Terms defined in the Project Facilities Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
3. We refer to Clause 30.5 of the Project Facilities Agreement:
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender’s Commitment, rights and obligations referred to in the schedule to this Transfer Certificate in accordance with Clause 30.5 of the Project Facilities Agreement.
 - (b) The proposed Transfer Date is [—].
4. On or about the date of this Transfer Certificate, the New Lender shall enter into an Accession Deed pursuant to which, with effect from the Transfer Date, the New Lender shall become Party to the Project Facilities Agreement and the Intercreditor Agreement [and any other relevant Finance Documents] as a [Commercial] [GIEK] [KEXIM] Facility Lender.
5. The New Lender expressly acknowledges the limitations on the Existing Lender’s obligations set out in Clause 30.4 of the Project Facilities Agreement.
6. This Transfer Certificate may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.
7. This Transfer Certificate and any non-contractual obligations arising out of or in connection with it are governed by English Law.
8. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

THE SCHEDULE

Commitment/rights and obligations to be transferred

[insert relevant details]

[Existing Lender]

By:

[New Lender]

By:

This Transfer Certificate is accepted by the [Commercial][GIEK][KEXIM] Facility Agent and the Transfer Date is confirmed as [—].

[Commercial][GIEK][KEXIM] Facility Agent

By:

SCHEDULE 15

LEGAL OPINIONS

Part A: Initial Legal Opinions.

<u>Legal opinion provider</u>	<u>Relevant law/opinion type</u>	<u>Documents covered</u>	<u>Scope of opinion ⁵</u>
Latham & Watkins	English/enforceability	Project Facilities Agreement, Intercreditor Agreement, each Debenture, each Share Pledge, each Shipbuilding Contract Direct Agreement and each Refund Guarantee Direct Agreement (the “ English Law Documents ”)	<ul style="list-style-type: none">• The obligations of each of the Borrowers, the Guarantor and QPIL (the “PDL Parties”) under each English Law Document to which they are a party constitute the legal, valid, binding and enforceable obligations of such PDL Party;• English courts would recognise the choice of law in each English Law Document;• English courts would recognise the submission of each PDL Party to the jurisdiction of the English courts in each English Law Document;• No consents, approvals, authorizations, orders or licenses are required in the UK by any PDL Party in connection with the performance of any English Law Document by such PDL Party;• No registrations or filings in the UK are required in connection with the execution, delivery or performance of any English Law Document by any PDL Party; and• The security expressed to be created by each Debenture and each Share Pledge is valid under English law.

⁵ The “Scope of opinion” column is intended to be indicative only with respect to the language used to cover each topic. The precise wording to be used in any individual opinion and exceptions, assumptions and qualifications to certain opinions will differ depending upon the jurisdiction and the particular legal counsel issuing the opinion. All opinions will contain and will be subject to certain assumptions, qualifications, exceptions and other caveats customary in the relevant jurisdiction. Additionally, certain opinions may require qualification by reference to disclosures, including, among others, to required consents or filings.

Latham & Watkins LLP	New York/ enforceability	Each Account Pledge Agreement and each Account Control Agreement (the “ New York Documents ”)	<ul style="list-style-type: none"> • Each New York Document constitutes the legally valid and binding obligation of each Obligor party thereto and is enforceable against each such Obligor in accordance with its terms; • Each Account Pledge Agreement creates a valid security interest in favour of the Secured Parties in the relevant collateral and a valid security interest may be created under the Uniform Commercial Code in effect in the State of New York (the “UCC”), which security interest secures the Senior Debt Obligations; and • Each Accounts Control Agreement is effective under the UCC to perfect the security interest granted by the Obligor that is a party thereto.
Blank Rome LLP	Liberian/ capacity and building blocks	Project Facilities Agreement, Intercreditor Agreement, each Debenture, each Share Pledge (other than the Share Pledge to be entered into by QPIL), each Shipbuilding Contract Direct Agreement, each Refund Guarantee Direct Agreement, each Account Pledge Agreement, each Account Control Agreement and each Shipbuilding Contract (or associated novation agreement) (the “ Obligor Documents ”)	<ul style="list-style-type: none"> • Each of the Obligors is in existence and good standing in Liberia, is capable of suing or being sued and has the power to own its assets and carry on its business as contemplated by the Obligor Documents; • Each Obligor has duly authorized, executed and delivered the Obligor Documents to which it is a party and the Obligor Documents are legal, valid, binding and enforceable obligations of the Obligors party thereto; • Each Liberian Corporation has the requisite corporate capacity and power to enter into the Loan Documents and to perform its obligations thereunder; • There are no filing or registration requirements with respect to the Obligor Documents in Liberia; • No consents, approvals or authorizations are required with respect to the Obligor Documents in Liberia; • The Obligor Documents do not conflict with the constitutional documents or by-laws of the relevant Obligor or violate any statute or regulation in Liberia;

-
- No Obligor has immunity from legal proceedings or from obtaining execution of a judgment in Liberia;
 - No Obligor is required or entitled to make any tax withholding or deduction in respect of any Obligor Document;
 - The choice of law provisions of the Obligor Documents should be recognized by the Liberian courts as valid and do not conflict with Liberian law;
 - The submission by each Liberian Corporation to the jurisdictions stated in each Obligor Document to which it is a party does not contravene the laws of Liberia;
 - A final judgment of the English or New York courts against any Liberian Corporation on any Obligor Document to which it is a party should be enforceable in Liberia;
 - There are no stamp or registration duties payable in Liberia in respect of the Obligor Documents;
 - None of the Secured Parties will be deemed resident in Liberia or subject to any taxation in Liberia by reason of any Obligor Document;
 - None of the Secured Parties are required to be licensed to carry on business in Liberia in respect of any Obligor Document;
 - The obligations of the Obligors under the Obligor Documents will rank at least pari passu with all other of their unsecured and unsubordinated indebtedness except as required by law; and
 - Liberian laws contains no requirements in respect of the pledge of shares of a Liberian company.

Maples and Calder	British Virgin Islands (“ BVI ”) / capacity and building blocks	Share Pledge to be entered into by QPIL (the “ QPIL Pledge ”)	<ul style="list-style-type: none"> • QPIL is registered, in good standing and validly existing under the laws of the BVI and has the capacity to sue or be sued; • QPIL has the power and authority to enter into, execute and perform its obligations under the QPIL Pledge; • The execution, delivery and performance of the QPIL Pledge do not conflict with QPIL’s constitutional documents or applicable law or regulation in the BVI; • The execution, delivery and performance of the QPIL Pledge have been authorized by QPIL; • The QPIL Pledge has been duly executed and delivered on behalf of QPIL and constitutes the legal, valid, binding and enforceable obligations of QPIL; • No authorizations, consents or approvals are required in the BVI with respect to the creation, execution, delivery, enforcement or performance of the QPIL Pledge; • Except for filing fees at the Registry of Corporate Affairs, no taxes, fees or charges are payable in the BVI with respect to the QPIL Pledge; • The courts of the BVI will give effect to the governing law of the QPIL Pledge; • There are no actions or petitions pending against QPIL in the BVI; • There are no pending orders or resolutions for the winding up of QPIL and no notices of the appointment of a receiver in respect of QPIL; • There are no charges registered against QPIL; • The submission by QPIL to the English courts is valid and will be upheld by the BVI courts;
-------------------	--	--	---

-
- A judgment obtained against QPIL in respect of the QPIL Pledge in the courts of England and Wales may be enforced by the BVI courts;
 - There is no requirement for any Person to be licensed in the BVI in order to enforce the QPIL Pledge;
 - There are no filing requirements in the BVI with respect to the QPIL Pledge;
 - No other party to the QPIL Charge will be deemed to be resident or carrying on business in the BVI as a result of the QPIL Pledge;
 - QPIL is subject to the jurisdiction of the courts of the BVI and is not entitled to claim any immunity from suit or execution of any judgment;
 - The courts of the BVI will recognize the security created by the QPIL Pledge;
 - There are no actions under BVI law that are required to be taken in order to perfect the QPIL Pledge; and
 - Provided that it is registered with the Registrar of Corporate Affairs, the QPIL Pledge will have priority over any third party claims.

Part B: Other Legal Opinions

Any opinion in respect of any Transaction Document entered into after the Financing Date as may be required by the Intercreditor Agent from time to time and including enforceability (other than with respect to the enforceability of any Material Agreement) ⁶ and capacity/building blocks ⁷ opinions in respect of each relevant jurisdiction in respect of:

- (a) each Acceptable Charter or Alternative Charter;
- (b) each Acceptable Charter Direct Agreement;
- (c) each Account Security Agreement and any amendment thereto entered into for the purpose of creating security over any additional accounts;
- (d) each Hedging Instrument;
- (e) each Mortgage (which opinion shall be consistent with the requirements of the table below);
- (f) each agreement purporting to create or perfect security over any Local Account;
- (g) each agreement purporting to create or perfect security over any Operating Account;
- (h) each Vessel Management Agreement;
- (i) each Vessel Services Agreement;
- (j) each Vessel Management Agreement Direct Agreement;
- (k) each Vessel Services Agreement Direct Agreement;
- (l) each Manager Security Agreement and each other security agreement purporting to assign any Person's rights under a Vessel Management Agreement or a Vessel Services Agreement to the Security Trustee; and
- (m) each agreement purporting to create security over any equipment as contemplated by the definition of Equity in Schedule 1;
- (n) the Pacific Gibco Share Pledge;
- (o) the Put Option Undertaking Agreement;
- (p) the Guarantor Guarantee Reaffirmation; and

⁶ Each enforceability opinion shall be consistent with the scope of the enforceability opinions (as applicable) provided in accordance with in Part A of this Schedule 15 to the extent customary in the relevant jurisdiction. All such opinions shall be subject to the customary assumptions, reservations and other caveats as set out therein.

⁷ Each capacity/building blocks opinion shall be consistent with the scope of the capacity/building blocks opinions (as applicable) provided in accordance with in Part A of this Schedule 15 to the extent customary in the relevant jurisdiction. All such opinions shall be subject to the customary assumptions, reservations and other caveats as set out therein.

(q) each other Transaction Document.

<u>Legal opinion provider</u>	<u>Relevant law</u>	<u>Documents covered</u>	<u>Scope of opinion</u> ⁸
Blank Rome LLP	Liberian	Mortgage	<ul style="list-style-type: none">• The relevant Borrower is in existence and good standing in Liberia, is capable of suing or being sued and has the power to own its assets and carry on its business as contemplated by the Mortgage;• The Borrower has duly authorized, executed and delivered the Mortgage and the Mortgage is the legal, valid, binding and enforceable obligation of the Borrower;• The Borrower has the requisite corporate capacity and power to enter into the Mortgage and to perform its obligations thereunder;• The Vessel the subject of the Mortgage is registered in the name of the relevant Borrower under the Liberian flag;• The Mortgage has been duly recorded in the [<i>office</i>] of the Liberian Deputy Commissioner of Maritime Affairs on [<i>date</i>] at [<i>time</i>], in Book PM 62, at Page [<i>page</i>];• The Mortgage constitutes a valid preferred mortgage lien on the Vessel under the laws of Liberia and there are no other liens of record on the Vessel filed prior in time to the Mortgage;• No periodic re-recording or periodic

⁸ The “Scope of opinion” column is intended to be indicative only with respect to the language used to cover each topic. The precise wording to be used in any individual opinion and exceptions, assumptions and qualifications to certain opinions will differ depending upon the jurisdiction and the particular legal counsel issuing the opinion. All opinions will contain and will be subject to certain assumptions, qualifications, exceptions and other caveats customary in the relevant jurisdiction. Additionally, certain opinions may require qualification by reference to disclosures, including, among others, to required consents or filings.

-
- No periodic re-recording or periodic re-filing of the Mortgage is necessary to continue the lien of the Mortgage;
 - There are no filing or registration requirements with respect to the Mortgage in Liberia;
 - No consents, approvals or authorizations are required with respect to the Mortgage in Liberia;
 - The Mortgage does not conflict with the constitutional documents or by-laws of the Borrower or violate any statute or regulation in Liberia;
 - Neither the Borrower nor its assets has immunity from legal proceedings nor from the obtaining or execution of a judgment in Liberia;
 - The Borrower is not required or entitled to make any tax withholding or deduction in respect of the Mortgage;
 - The choice of law provisions of the Mortgage should be recognized by the Liberian courts as valid and do not conflict with Liberian law;
 - The submission by the Borrower to the jurisdictions stated in the Mortgage does not contravene the laws of Liberia;
 - A final judgment of the English or New York courts against the Borrower in respect of the Mortgage should be enforceable in Liberia;
 - There are no stamp or registration duties payable in Liberia in respect of the Mortgage except for in respect of recordation of the Mortgage;
 - None of the Secured Parties will be deemed resident in Liberia or subject to any taxation in Liberia by reason of the Mortgage;
 - None of the Secured Parties are required to be licensed to carry on business in Liberia in respect of the Mortgage; and
 - The obligations of the Borrower under the Mortgage will rank at least pari passu with all other of its unsecured and unsubordinated indebtedness except as required by law.

SCHEDULE 16

PART 1: DELIVERY OBLIGATIONS

Each Borrower shall ensure that prior to the Delivery Date of its Vessel the Intercreditor Agent has received each of the following documents and other evidence and each Facility Agent has confirmed to the Intercreditor Agent that all of such documents and other evidence are in form and substance satisfactory to such Facility Agent:

- (a) evidence that such Borrower has complied with its obligations under the Shipbuilding Contract for its Vessel in full together with a report from the Technical Consultant confirming the same and confirming that its report provided in accordance with paragraph 1.11 of Schedule 2 remains valid and need not be altered or modified in any way;
- (b) evidence that such Borrower is in compliance with its obligations under Clause 19.10 and 25 with respect to the Required Insurances for its Vessel together with confirmation from the Insurance Consultant regarding the same;
- (c) evidence that the Guarantor has complied with its Cost Overrun Undertaking to the extent applicable in respect of such Vessel or confirmation that the Guarantor has no obligations under the Cost Overrun Undertaking in respect of such Vessel, in each case together with confirmation from the Technical Consultant regarding the same;
- (d) evidence that such Borrower's Collection Account has been pre-funded by such Borrower with funds sufficient to complete the Vessel for operation, to mobilise the Vessel and to provide working capital until receipt of first charter payments; and
- (e) if the first Utilisation of such Borrower's Term Loan has occurred (or will occur on or before the Delivery Date of its Vessel), evidence that such Borrower's Debt Service Reserve Account is funded with the Debt Service Reserve Account Required Balance, which funding may include an Acceptable Letter of Credit in accordance with Clause 26.16.

PART 2: DELIVERY DOCUMENTS AND DELIVERY OBLIGATIONS

In respect of its Vessel, a Borrower shall deliver to the Intercreditor Agent on or prior to (as applicable) the Delivery Date of its Vessel:

- (a) signed protocols of delivery and acceptance of such Vessel and any other document required to be delivered by the Shipbuilder in accordance with the relevant Shipbuilding Contract on or in connection with the Delivery Date of such Vessel and provided that a Borrower shall not be required to deliver all of the drawings and plans required to be delivered by the relevant Shipbuilder in accordance with the relevant Shipbuilding Contract and only shall be required to deliver those drawings that relate to the general arrangement of the relevant Vessel;
- (b) the Delivery Certificate (which shall attach each document referenced in the definition of Delivery Certificate to the extent not delivered in accordance with paragraph (a) above);
- (c) evidence of its compliance with the ISM Code and the ISPS Code and other safety requirements of applicable Legal Requirements in respect of such Vessel;
- (d) evidence (in the form of a transcript of register (or equivalent) issued by the relevant ship registry) that title to such Vessel is held by such Borrower free and clear except for the Mortgage of such Vessel granted in favour of the Security Trustee;
- (e) a copy of the provisional certificate of registry for such Vessel certified in an Officer's Certificate of the Relevant Borrower;
- (f) evidence of the acceptance of appointment of each service of process agent appointed or required to be appointed under the Mortgage of such Vessel;
- (g) copies of the class certificates issued by one of Det Norske Veritas, the American Bureau of Shipping or another reputable classification society with the highest class for Vessels of the same type as the Vessel that is satisfactory to the Intercreditor Agent and which copies shall be certified in an Officer's Certificate of the Relevant Borrower; and
- (h) a copy of the Hurricane/Emergency Preparedness Plan in respect of such Vessel.

SCHEDULE 17

FORM OF OFFICER'S CERTIFICATE

[Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] [Drilling] [Ltd.] [Limited]] [Quantum Pacific Management Limited] [Pacific Gibco Ltd.]

I, [—], being an Authorised Representative of [Pacific [Bora] [Mistral] [Scirocco] [Santa Ana] [Drilling] [Ltd.] [Limited]] [Quantum Pacific Management Limited] [Pacific Gibco Ltd.] (the “ **Company** ”), a corporation organised and existing under the laws of [Liberia] [Cyprus] [Gibraltar], HEREBY CERTIFY as follows:

1. [**THAT** in accordance with Clause 16.3 of the Project Facilities Agreement, on [—], the Company intends to make a distribution in the amount of [—] (the “ **Equity Refund Distribution** ”); and
2. **THAT** as at the date of this Officer's Certificate and as at the date of the proposed Equity Refund Distribution and for the purposes of Clause 16.3(a) of the Project Facilities Agreement (a) an [Acceptable Charter/ Alternative Charter] is in place in respect of the Company's Vessel; (b) the Effective Date of such [Acceptable Charter/ Alternative Charter] has occurred; and (c) the Equity contributed (and that remains contributed) to the Company is greater than the Company's Allocable Equity Share and that, following the Equity Refund Distribution the Equity contributed to the Company shall not be less than the Company's Allocable Equity Share. ⁹]
3. [**THAT** in accordance with Clause 16.3 of the Project Facilities Agreement, on [—], [*insert name of Borrower*] intends to make a distribution in the amount of [—] (the “ **Equity Refund Distribution** ”); and
4. **THAT** (a) as at the date of the Equity Refund Distribution, the Contributed Equity will not be less than the Required Equity Amount; (b) following the Equity Refund Distribution the Contributed Equity shall not be less than the Required Equity Amount; and (c) as at the date of this Officer's Certificate and as at the date of the proposed Equity Refund Distribution (i) there is no Vessel Cost Overrun that has not been funded in accordance with Clause 16.2 of the Project Facilities Agreement; (ii) no Event of Default or Potential Event of Default shall be continuing or would result from the Equity Refund Distribution; and (iii) each of the Obligors and Quantum Pacific Management Limited is in compliance with all of their obligations under each Finance Document. ¹⁰]
5. [**THAT** (a) the Financial Statements provided together with this Officer's Certificate and in accordance with [Clause 19.4(a) and/or Clause 19.4(b)] of the Project Facilities Agreement fairly represent the consolidated financial condition of the Company as at the date that such Financial Statements were drawn up; and (b) the Summary Financial Statements provided together with this Officer's Certificate and in accordance with Clause 19.4(c) of the Project Facilities Agreement fairly represent the financial condition of each Obligor as at the date that such Summary Financial Statements were drawn up;

⁹ Language in paragraphs 1 and 2 to be included if this certificate is being delivered in accordance with Clause 16.3(a) of this Agreement.

¹⁰ Language in paragraphs 3 and 4 to be included if this certificate is being delivered in accordance with Clause 16.3(b) of this Agreement.

6. **THAT** the Company is in compliance with all of its covenants in Clause 16 and Clause 18 (to the extent required to be tested as at the last Business Day of the fiscal quarter to which the Financial Statements provided together with this Officer's Certificate relate) of the Project Facilities Agreement as evidenced by the reasonably detailed calculations set out in Annex 1 to this Officer's Certificate; and
7. **[THAT** each of the Company and each of the Borrowers, Quantum Pacific Management Limited and Pacific Gibco Ltd. is in compliance with all of its other obligations under the Finance Documents to which it is a party as at the date of this Officer's Certificate. ¹¹]
8. **[THAT** the [Construction Budget] [Initial Operating Budget] [Annual Operating Budget] provided together with this Officer's Certificate and in accordance with Clause 19.9 of the Project Facilities Agreement, together with each update thereto provided together with this Officer's Certificate is true, complete and accurate in all respects. ¹²]
9. **[THAT** no Event of Default or Potential Event of Default is continuing as at the date of this Officer's Certificate. ¹³]
10. **[THAT** the [provisional certificate of registry] [the permanent certificate of registry] provided together with this Officer's Certificate and to the Intercreditor Agent in accordance with Clause 19.16 is a true, complete and accurate copy of the original document issued by the Deputy Commissioner of Maritime Affairs of Liberia. ¹⁴]
11. **[THAT** each Delivery Document delivered together with this Officer's Certificate and in accordance with Clause 19.28(a) of the Project Facilities Agreement is a true, complete and accurate copy of the original document of which it purports to be a copy. ¹⁵]
12. **[THAT** , subject to the conditions of Clause 26.9 of the Project Facilities Agreement being met on such date, the Company intends to make a Distribution from the funds on deposit in the Collection Account on [—] (the "**Distribution Date**") in the amount of [—];
13. **THAT** the Distribution Date falls no earlier than the later to occur of (a) 1 January 2014; and (b) the date falling three years after the occurrence of the Delivery Date of the first Vessel to be delivered;

¹¹ Language in paragraphs 5,6 and 7 to be included if this certificate is being delivered in accordance with Clause 19.4(d) of this Agreement.

¹² Language in paragraph 8 to be included if this certificate is being delivered in accordance with Clause 19.9 of this Agreement.

¹³ Language in paragraph 9 to be included if this certificate is being delivered in accordance with Clause 19.11(b)(i) of this Agreement.

¹⁴ Language in paragraph 10 to be included if this certificate is being delivered in accordance with Clause 19.16 of this Agreement.

¹⁵ Language in paragraph 11 to be included if this certificate is being delivered in accordance with Clause 19.28(a) of this Agreement

14. **THAT** as at the date of this Officer's Certificate and as at the Distribution Date, no Event of Default or Potential Event of Default has occurred and is continuing or would result from the Distribution;
15. **THAT** as at the date of this Officer's Certificate and as at the Distribution Date, each Obligor shall be in compliance with all of its obligations under each Finance Document, both before and after giving effect to such Distribution;
16. **THAT** as at the date of this Officer's Certificate and as at the Distribution Date, a fully effective [Acceptable Charter/ Alternative Charter] is in place for each Vessel;
17. **THAT** as at the date of this Officer's Certificate and as at the Distribution Date, each Borrower's Debt Service Reserve Account is funded with the Debt Service Reserve Account Required Balance [which funding includes an Acceptable Letter of Credit in accordance with Clause 26.16].
18. **THAT** the aggregate amount of all Distributions made by all Borrowers in [insert year] (including the proposed Distribution) is [—], which amount does not exceed [—], being 40 per cent. of the aggregate net income of all Borrowers in [insert previous year] (as demonstrated by the audited consolidated Financial Statements of the Guarantor and the Summary Financial Statements, in each case in respect of [insert previous year] and excluding for the purposes of such calculation any non-cash tax expenses and any unrealized gains or losses on any financial instruments (including any equity securities)); and
19. **THAT** the Projected DSCR in respect of which the Company is able to give these certifications (as relevant) and in order to make the proposed Distribution in accordance with the Project Facilities Agreement is based only on revenues under effective Acceptable Charters [or Alternative Charters] and does not include any assumption as to the renewal of any Acceptable Charter [or Alternative Charter] that is due to expire or terminate or as to any charter day rate. ¹⁶]
20. [**THAT** the execution of the [describe applicable amendment/supplement/waiver] authorised in accordance with Clause 37.4 of the Project Facilities Agreement is permitted by the Project Facilities Agreement and the other Finance Documents. ¹⁷]
21. [*To set out required certification.* ¹⁸]

Unless otherwise defined in this Officer's Certificate, capitalised terms used in this Officer's Certificate shall have the meanings given to them in the Project Facilities Agreement dated [—] to which the Company is a party (the "**Project Facilities Agreement**").

IN WITNESS WHEREOF, I have hereunto signed my name this day of , 20 .

¹⁶ Language in paragraphs 12 to 19 to be included if this certificate is being delivered in accordance with Clause 26.9(c) of this Agreement.

¹⁷ Language in paragraph 20 to be included if this certificate is being delivered in accordance with Clause 37.4 of this Agreement.

¹⁸ Appropriate language to be included as may be required in an Officer's Certificate required to be delivered in any other circumstance pursuant to any Finance Document.

The [*Insert title*] of

[—]

4

To: DnB NOR Bank ASA (New York Branch)

From: Pacific Drilling Limited

Date: [—]

FINANCIAL COVENANTS

18.1 Projected DSCR – GROUP

MINIMUM REQUIRED: (a) 1.1: 1.0 up to and including 30 June 2012
 (b) 1.2: 1.0 after June 30 2012

ACTUAL (Projected 12 months):

(I) Projected EBITDA*	\$ [—]
(II) Projected debt service* (as set out in the Definitions of the Agreement)	\$ [—]
Actual Projected DSCR: (I) divided by (II)	[—] : 1.0

18.2 Historical DSCR – GROUP

MINIMUM REQUIRED: (a) 1.1: 1.0 up to and including 31 December 2013
 (b) 1.2: 1.0 after 31 December 2013

ACTUAL (Previous 12 months):

(I) EBITDA*	\$ [—]
(II) Debt service* (as set out in the Definitions of the Agreement)	\$ [—]
Actual Historical DSCR: (I) divided by (II)	[—] : 1.0

18.3 Maximum Leverage – GUARANTOR GROUP

MAXIMUM ALLOWED: 65 per cent

ACTUAL (Previous 12 months):

(I) Financial Indebtedness (as in the Leverage Ratio definition):	\$ [—]
(II) Retained Equity (as in the Leverage Ratio definition):	\$ [—]
Actual Leverage Ratio: (I) divided by (I) plus (II) (expressed as a percentage)	[—] per cent

¹⁹ Calculations with respect to compliance with Clause 16 to be included as applicable.

18.4 Minimum Liquidity – GUARANTOR

MINIMUM REQUIRED: \$ [—]

Actual Liquidity \$ [—]

* See enclosed spreadsheet [Spreadsheet outlining these calculations to be provided by the Guarantor. EBITDA to be shown on an individual Vessel basis. Projected EBITDA to show number of days of revenues that are projected per Vessel using assumed rates.]

SCHEDULE 18

FORM OF CONFIDENTIALITY UNDERTAKING

[Letterhead of Seller]

To:
[insert name of Potential Purchaser]

Re: **The Project Facilities Agreement (the “Agreement”)**

Borrowers:

Guarantor:

Date:

Amount:

Agent:

Dear Sirs

We understand that you are considering acquiring an interest in the Agreement which, subject to the Agreement, may be by way of novation, assignment, the entering into, whether directly or indirectly, of a sub-participation or any other transaction under which payments are to be made or may be made by reference to one or more Finance Documents and/or one or more Obligors or by way of investing in or otherwise financing, directly or indirectly, any such novation, assignment, sub-participation or other transaction (the “**Acquisition**”). In consideration of us agreeing to make available to you certain information, by your signature of a copy of this letter you agree as follows:

1. CONFIDENTIALITY UNDERTAKING

You undertake (a) to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by paragraph 2 below and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to your own confidential information, and (b) until the Acquisition is completed to use the Confidential Information only for the Permitted Purpose.

2. PERMITTED DISCLOSURE

We agree that you may disclose:

- 2.1** to any of your Affiliates and any of your or their officers, directors, employees, professional advisers and auditors such Confidential Information as you shall consider appropriate if any Person to whom the Confidential Information is to be given pursuant to this paragraph 2.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information, except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

2.2 subject to the requirements of the Agreement, to any Person:

- (a) to (or through) whom you assign or transfer (or may potentially assign or transfer) all or any of your rights and/or obligations which you may acquire under the Agreement such Confidential Information as you shall consider appropriate if the Person to whom the Confidential Information is to be given pursuant to this sub-paragraph (a) of paragraph 2.2 has delivered a letter to you in equivalent form to this letter;
- (b) with (or through) whom you enter into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to the Agreement or any Obligor such Confidential Information as you shall consider appropriate if the Person to whom the Confidential Information is to be given pursuant to this sub-paragraph (b) of paragraph 2.2 has delivered a letter to you in equivalent form to this letter;
- (c) to whom information is required or requested to be disclosed by any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation such Confidential Information as you shall consider appropriate; and

2.3 notwithstanding paragraphs 2.1 and 2.2. above, Confidential Information to such Persons to whom, and on the same terms as, a Secured Party is permitted to disclose Confidential Information under the Agreement, as if such permissions were set out in full in this letter and as if references in those permissions to Secured Party were references to you.

3. NOTIFICATION OF DISCLOSURE

You agree (to the extent permitted by law and regulation) to inform us:

- 3.1** of the circumstances of any disclosure of Confidential Information made pursuant to sub-paragraph (c) of paragraph 2.2 above except where such disclosure is made to any of the Persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
- 3.2** upon becoming aware that Confidential Information has been disclosed in breach of this letter.

4. RETURN OF COPIES

If you do not enter into the Acquisition and we so request in writing, you shall return all Confidential Information supplied to you by us and destroy or permanently erase (to the extent technically practicable) all copies of Confidential Information made by you and use your reasonable endeavours to ensure that anyone to whom you have supplied any Confidential Information destroys or permanently erases (to the extent

technically practicable) such Confidential Information and any copies made by them, in each case save to the extent that you or the recipients are required to retain any such Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body or in accordance with internal policy, or where the Confidential Information has been disclosed under sub-paragraph (c) of paragraph 2.2 above.

5. CONTINUING OBLIGATIONS

The obligations in this letter are continuing and, in particular, shall survive and remain binding on you until (a) if you acquire an interest in the Agreement by way of novation, the date on which you acquire such an interest; (b) if you enter into the Acquisition other than by way of novation, the date falling twelve months after completion of that Acquisition; or (c) in any other case twelve months after the date of this letter.

6. NO REPRESENTATION; CONSEQUENCES OF BREACH, ETC

You acknowledge and agree that:

- 6.1** neither we, nor any member of the Group nor any of our or their respective officers, employees or advisers (each a “ **Relevant Person** ”) (i) make any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy, reliability or completeness of any of the Confidential Information or any other information supplied by us or the assumptions on which it is based or (ii) shall be under any obligation to update or correct any inaccuracy in the Confidential Information or any other information supplied by us or be otherwise liable to you or any other Person in respect of the Confidential Information or any such information; and
- 6.2** we or members of the Group may be irreparably harmed by the breach of the terms of this letter and damages may not be an adequate remedy; each Relevant Person may be granted an injunction or specific performance for any threatened or actual breach of the provisions of this letter by you.

7. ENTIRE AGREEMENT: NO WAIVER; AMENDMENTS, ETC

- 7.1** This letter constitutes the entire agreement between us in relation to your obligations regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.
- 7.2** No failure or delay in exercising any right or remedy under this letter will operate as a waiver thereof nor will any single or partial exercise of any right or remedy preclude any further exercise thereof or the exercise of any other right or remedy under this letter.
- 7.3** The terms of this letter and your obligations under this letter may only be amended or modified by written agreement between us.

8. INSIDE INFORMATION

You acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or

prohibited by applicable legislation including securities law relating to insider dealing and market abuse and you undertake not to use any Confidential Information for any unlawful purpose.

9. NATURE OF UNDERTAKINGS

The undertakings given by you under this letter are given to us and are also given for the benefit of each member of the Group.

10. THIRD PARTY RIGHTS

10.1 Subject to this paragraph 10 and to paragraphs 6 and 9, a Person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 (the “**Third Parties Act**”) to enforce or to enjoy the benefit of any term of this letter.

10.2 The Relevant Persons may enjoy the benefit of the terms of paragraphs 6 and 9 subject to and in accordance with this paragraph 10 and the provisions of the Third Parties Act.

10.3 Notwithstanding any provisions of this letter, the parties to this letter do not require the consent of any Relevant Person to rescind or vary this letter at any time.

11. GOVERNING LAW AND JURISDICTION

11.1 This letter (including the agreement constituted by your acknowledgement of its terms) (the “**Letter**”) and any non-contractual obligations arising out of or in connection with it (including any non-contractual obligations arising out of the negotiation of the transaction contemplated by this Letter) are governed by English law.

11.2 The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter (including a dispute relating to any non-contractual obligation arising out of or in connection with either this Letter or the negotiation of the transaction contemplated by this Letter).

12. DEFINITIONS

In this letter (including the acknowledgement set out below) terms defined in the Agreement shall, unless the context otherwise requires, have the same meaning and:

“**Confidential Information**” means all information relating to the Group, the Finance Documents and/or the Acquisition that is provided to you in relation to the Finance Documents by us or any of our affiliates or advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (a) is or becomes public information other than as a direct or indirect result of any breach by you of this letter; or
- (b) is identified in writing at the time of delivery as non-confidential by us or our advisers; or

-
- (c) is known by you before the date the information is disclosed to you by us or any of our affiliates or advisers or is lawfully obtained by you after that date, from a source which is, as far as you are aware, unconnected with the Group and which, in either case, as far as you are aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

“ **Permitted Purpose** ” means considering and evaluating whether to enter into the Acquisition.

Please acknowledge your agreement to the above by signing and returning the enclosed copy.

Yours faithfully

For and on behalf of
[Seller]
To: [Seller]
The Guarantor and each Borrower

We acknowledge and agree to the above:

For and on behalf of
[**Potential Purchaser**]

SCHEDULE 19

REFUND GUARANTEES

1. Refund guarantee letter from The Export-Import Bank of Korea dated 26 July 2007, originally granted in favour of Pamol Shipping Ltd., and now in favour of Pacific Bora Ltd.
2. Refund guarantee letter from New Hampshire Insurance Company (which is a division of AIG) dated 2 January 2008, originally granted in favour of Pefsen Shipping Ltd., and now in favour of Pacific Mistral Ltd.
3. Refund guarantee letter from The Royal Bank of Scotland N.V. dated 14 May 2008, originally granted in favour of Candal Shipping Inc., and now in favour of Pacific Scirocco Ltd.
4. Refund guarantee letter from DBS Bank Ltd dated 16 May 2008, originally granted in favour of Sizzan Shipping Inc., and now in favour of Pacific Santa Ana Ltd.

SCHEDULE 20

RESERVATIONS

1. The UCC filings with respect to the Account Pledge Agreements can only be completed following the date of execution of this Agreement.
2. The registration of the document entitled "Charge Over Shares" entered into by QPIL at the Registry of Corporate Affairs in the British Virgin Islands can only be completed following the date of execution of this Agreement.

SCHEDULE 21

Part A: SHIPBUILDING CONTRACTS

1. Contract for the construction and sale of a drillship Hull No. 1809 dated 24 July 2007, between Pacific Bora Ltd. (formerly Pamol Shipping Ltd.) and Samsung Heavy Industries Co., Ltd. (the “**Bora Shipbuilding Contract**”).
2. Contract for the construction and sale of a drillship Hull No. 1864 dated 21 December 2007, between Pacific Mistral Ltd. (formerly Pefsen Shipping Ltd.) and Samsung Heavy Industries Co., Ltd. (the “**Mistral Shipbuilding Contract**”).
3. Contract for the construction and sale of a drillship Hull No. 1867 dated 14 March 2008, between Mosvold Drilling I Ltd. (transferred by novation to Pacific Scirocco Ltd. (formerly Candal Shipping Inc.)) and Samsung Heavy Industries Co., Ltd. (the “**Scirocco Shipbuilding Contract**”).
4. Contract for the construction and sale of a drillship Hull No. 1868 dated 14 March 2008, between Mosvold Drilling II Ltd. (transferred by novation to Pacific Santa Ana Ltd. (formerly Sizzan Shipping Inc.)) and Samsung Heavy Industries Co., Ltd. (the “**Santa Ana Shipbuilding Contract**”).

Part B: AMENDMENTS TO SHIPBUILDING CONTRACTS

1. Novation agreement, dated 30 April 2008, among Mosvold Drilling I Ltd., Mosvold Drilling Ltd., Pacific Drilling Ltd., Pacific Scirocco Ltd. (formerly Candal Shipping Inc.), Tanker Pacific Management (Singapore) Pte Ltd. and Samsung Heavy Industries Co., Ltd.
2. Novation agreement, dated 30 April 2008, among Mosvold Drilling II Ltd., Mosvold Drilling Ltd., Pacific Drilling Ltd., Pacific Santa Ana Ltd. (formerly Sizzan Shipping Inc.), Tanker Pacific Management (Singapore) Pte Ltd. and Samsung Heavy Industries Co., Ltd.
3. Addendum No. 1 to the Bora Shipbuilding Contract, dated 26 February 2009, between Pacific Bora Ltd. (formerly Pamol Shipping Ltd.) and Samsung Heavy Industries Co., Ltd.
4. Addendum No. 2 to the Bora Shipbuilding Contract, dated 30 April 2009, between Pacific Bora Ltd. (formerly Pamol Shipping Ltd.) and Samsung Heavy Industries Co., Ltd.
5. Addendum No. 3 to the Bora Shipbuilding Contract, dated 12 July 2010, between Pacific Bora Ltd. (formerly Pamol Shipping Ltd.) and Samsung Heavy Industries Co., Ltd.
6. Addendum No. 1 to the Mistral Shipbuilding Contract, dated 30 April 2009, between Pacific Mistral Ltd. (formerly Pefsen Shipping Ltd.) and Samsung Heavy Industries Co., Ltd.

-
7. Addendum No. 2 to the Mistral Shipbuilding Contract, dated 28 October 2009, between Pacific Mistral Ltd. (formerly Pefsen Shipping Ltd.) and Samsung Heavy Industries Co., Ltd.
 8. Addendum No. 3 to the Mistral Shipbuilding Contract, dated 12 July 2010, between Pacific Mistral Ltd. (formerly Pefsen Shipping Ltd.) and Samsung Heavy Industries Co., Ltd.
 9. Addendum No. 1 to the Scirocco Shipbuilding Contract, dated 14 March 2008, between Mosvold Drilling I Ltd. and Samsung Heavy Industries Co., Ltd.
 10. Addendum No. 2 to the Scirocco Shipbuilding Contract, dated 28 October 2009, between Pacific Scirocco Ltd. (formerly Candal Shipping Inc.) and Samsung Heavy Industries Co., Ltd.
 11. Addendum No. 3 to the Scirocco Shipbuilding Contract, dated 12 July 2010, between Pacific Scirocco Ltd. (formerly Candal Shipping Inc.) and Samsung Heavy Industries Co., Ltd.
 12. Addendum No. 4 to the Scirocco Shipbuilding Contract, dated 12 July 2010, between Pacific Scirocco Ltd. (formerly Candal Shipping Inc.) and Samsung Heavy Industries Co., Ltd.
 13. Addendum No. 1 to the Santa Ana Shipbuilding Contract, dated 14 March 2008, between Mosvold Drilling II Ltd. and Samsung Heavy Industries Co., Ltd.
 14. Addendum No. 2 to the Santa Ana Shipbuilding Contract, dated 28 October 2009, between Pacific Santa Ana Ltd. (formerly Sizzan Shipping Inc.) and Samsung Heavy Industries Co., Ltd.
 15. Addendum No. 3 to the Santa Ana Shipbuilding Contract, dated 12 July 2010, between Pacific Santa Ana Ltd. (formerly Sizzan Shipping Inc.) and Samsung Heavy Industries Co., Ltd.
 16. Addendum No. 4 to the Santa Ana Shipbuilding Contract, dated 19 October 2010, between Pacific Santa Ana Ltd. (formerly Sizzan Shipping Inc.) and Samsung Heavy Industries Co., Ltd.

17. The following change orders:

BORA - HULL 1809

<u>Change order #</u>	<u>Item / Description</u>	<u>COR REC'D</u>	<u>DATE APP</u>	<u>Total Commitment</u>
CO 1809 E 001	Modification of furniture type	22 June 09	24 June 09	(6,800)
CO 1809 E 002	Hull interface of burner boom installation	07 Sept 07	10 Sept 09	121,000
CO 1809 E 007	additional BOP test stump on port side	05 Sep 07	09 Mar 09	6,000
CO 1809 E 009	increased accomodation to 200 POB	20 Sept 07	24 Sept 07	5,000,000
CO 1809 E 011	double isolation for reserve mud pit piping	22 Jan 08	22 Jan 08	39,500
CO 1809 E 012	hull modifications in association with trip saver trolley & moon pool step change	22 Jan 08	22 Jan 08	70,000
CO 1809 E 013	hull modifications in association with ROV launch guidance system	22 Jan 08	22 Jan 08	23,000
CO 1809 E 015	Rearrangement of wheelhouse	22 Jan 08	22 Jan 08	110,000
CO 1809 E 016	Increased base oil & brine capacity	21 Mar 08	25 Apr 08	440,000
CO 1809 E 017	Hull burner boom piping installation	11 Mar 08	25 Apr 08	215,000
CO 1809 E 018	Subdivision of HFO tanks	18 Mar 08	19 Mar 08	870,000
CO 1809 E 019	Rearrangement of cabins			0
CO 1809 E 020	Change of port of registry			0
CO 1809 E 021	Change of main generator fuel system	17 Nov 07	12 Mar 09	77,800
CO 1809 E 023	hull modifications in association with ROV launch guidance system. Port side	19 Feb 09	24 Mar 09	40,500
CO 1809 E 025	Installation preparation for Vsat system	02 Sep 08	03 Sep 08	77,000
CO 1809 E 027	Change of HV cable	09 Feb 09	12 Feb 09	150,500
CO 1809 E 028	Upgrade Inmarsat C to include LRIT function	09 Feb 09	12 Feb 09	2,200
CO 1809 E 029	Increased lifeboat platforms	09 Feb 09	12 Feb 09	2,000
CO 1809 E 030	Access companionway to reserve mud space	09 Feb 09	12 Feb 09	94,600
CO 1809 E 033	Vsat PABX interface card	09 Feb 09	12 Feb 09	3,000
CO 1809 E 034	Additional black water isolation valves in accomodation	13 Feb 09	12 Mar 09	13,800
CO 1809 E 039	Blue wave line along shipside	28 Apr 09	19 May 09	113,000

CO	1809	E	041	APOS software for BOP control	15 May 09	16 May 09	14,600
CO	1809	E	043	Reinforcement work for Burner boom rest	12 Jun 09	06 Jul 09	23,700
CO	1809	E	045	Damping Appendages for Moonpool area	03 Jul 09	06 Jul 09	94,100
CO	1809	E	046	Re-Arrangement of Navigation Instrument	22-Jul-09	10-Sep-09	40,800
CO	1809	E	047	Installation of No.2 Inmarsat FF	26-Aug-09	15-Sep-09	116,800
CO	1809	E	049	Sea Chest Isolation	03-Dec-09	09-Dec-09	54,500
CO	1809	E	050	Modification of Upper Deck Moonpool Area	03-Dec-09	15-Dec-09	54,100
CO	1809	E	051	Modification for Agitator Maintenance	09-Nov-09	17-Nov-09	5,900
CO	1809	E	053	Additional Engineering Manpower for PC Network System	20-Oct-09	17-Nov-09	14,700
CO	1809	E	057	Compressed Air System Modification	26-Apr-10	10-May-10	35,600
CO	1809	E	059	Certification of Green Passport	31-May-10	03-Jun-10	7,604
CO	1809	E	060	Upgrade of Existing DPC-2 to DPC-3	17-Jun-10	25-Jun-10	315,427
CO	1809	E	061	Bilge Well Level Switches Upgrade to IP68	30-Jun-10	06-Jul-10	7,660
Total							8,247,591

BORA - TOP SIDE 7068

<u>Change order #</u>	<u>Item / Description</u>	<u>COR REC'D</u>	<u>DATE APP</u>	<u>Total Commitment</u>
CO 7068 E 1	Modify HPU to accommodate later installation of additional pump unit	09-Feb-09	11-Feb-09	55,714
CO 7068 E 002	hydratong casing jaw sets	12-Feb-09	14-Feb-09	182,569

CO 7068 E 003	supply remote controller for main & aux Hydratong & Casing tong	11-Feb-09	11-Feb-09	129,755
CO 7068 E 004	Modifications to knuckle boom crane for man riding	11-Feb-09	12-Mar-09	187,028
CO 7068 E 005	HPU E stop at cyberbase	14-Feb-09	14-Feb-09	6,111
CO 7068 E 006	Delete aux well hyd cathed from NOV scope of supply	14-Feb-09	14-Feb-09	(79,660)
CO 7068 E 007	Delete main & aux well mouse hole	14-Feb-09	14-Feb-09	(235,533)
CO 7068 E 010	Changes to Drillers control system, additional s/w functions and add imperial units to DCDA Cyberbase & MCS	17-Feb-09	17-Feb-09	215,000
CO 7068 E 011	Supply & install Varco mousehole	20-Feb-09	12-Mar-09	2,929,024
CO 7068 E 012	Supply & install personnel elevator in derrick	08-May-09	11-May-09	999,750
CO 7068 E 013	Additional flow lines for burner boom system	11-May-09	12-May-09	240,242
CO 7068 E 014	Supply Larox valves & positional actuators in bulk cement system	11-May-09	12-May-09	100,765
CO 7068 E 015	Cement standpipe increased to 90ft elevation & repositioned at CL between both well ctrs	26-Feb-09	12-Mar-09	246,032
CO 7068 E 016	Modified choke & kill manifold	11-May-09	12-May-09	354,725
CO 7068 E 017	Grey lock hubs to be used on rotary hoses / standpipe / topdrive	26-Feb-09	12-Mar-09	16,429
CO 7068 E 023	Supply & instal derrick windwall logo	13-Apr-09		61,034
CO 7068 E 024	Deletion of Water Coolers	26-Jun-09	30-Jun-09	(17,462)
CO 7068 E 025	Supply & install burner boom system	08-May-09	14-May-09	1,889,330
CO 7068 E 027	Installation of hoists for material handling	12-May-09	16-May-09	79,403
CO 7068 E 028	Removal of Aux CMC, AHC Installation	30-Jun-09		(183,099)
CO 7068 E 029	Additional Bus Tie Breaker System and Modification	10-Jun-09	10-Jun-09	126,768

CO 7068 E 032	Installaton of PC Network System	07-Dec-09	14-Dec-09	112,480
CO 7068 E 033	Incorporation of the ability to run Riser Running Tool from Cyberbase	14-Jul-09	14-Jul-09	98,172
CO 7068 E 034	Replace Well Head Connector. Rev.2	17-Jul-09	18-Jul-09	27,500
CO 7068 E 037	Bottle Configuration NOV VOR V2400-037	14-Jul-09	14-Jul-09	126,163
CO 7068 E 038	Bottle Configuration NOV VOR V2400-038. Rev. 1	14-Jul-09	14-Jul-09	77,000
CO 7068 E 039	Bottle Configuration Rev.1 NOV VOR V2400-039	14-Jul-09	14-Jul-09	375,375
CO 7068 E 041	ILF Doors (Rev.1)	14-Jul-09	14-Jul-09	0
CO 7068 E 042	Additional HPU Pump (Rev.1)	14-Jul-09	14-Jul-09	(110,524)
CO 7068 E 043	Credit for Removal of FRS. Rev.1	14-Jul-09	14-Jul-09	(75,000)
CO 7068 E 044	Bottle Racks	14-Jul-09	14-Jul-09	9,955
CO 7068 E 045	Bottle Rack - in Hull	14-Jul-09	14-Jul-09	78,320
CO 7068 E 046	Relocation of connection on Slip joint and cancellation of Termination and Keel Joints	15-Jul-09	20-Jul-09	268,201
CO 7068 E 047	BOP Gantry Crane- Load Cell/Remote Control(Rev.2)	15-Jul-09	17-Jul-09	84,027
CO 7068 E 049	Installation of Additional Guiding Structure to Improve LMRP Handling system.	04-Jul-09	07-Jul-09	43,478
CO 7068 E 050	Telescopic Boom for Mux Reel and Hotline Reel Handling	06-Jul-09	29 Jul 09	271,900
CO 7068 E 051	Supports for additonal HPU pump & 2 Test Pump Unit and Removal of FRS skd	16-Jul-09	29-Jul-09	102,800
CO 7068 E 052	Additional Bulk Head in HPU Room	16-Jul-09		151,406
CO 7068 E 053	Additional 5-Bottle Rack in HPU Room	16-Jul-09	29-Jul-09	11,534
CO 7068 E 054	Riser Yoke(STBD) Level up to get it within range for Port side crane.	14-Jul-09	14-Jul-09	17,619
CO 7068 E 055	Reinforcement of CO/1809/TS-E-030 Mud Resistant Cable	15-Jul-09	15-Jul-09	12,338
CO 7068 E 060	Re-Arrangement of Riser Storage	17-Aug-09		80,138
CO 7068 E 061	Reibursement - Engineering MH Cost, Cancelled COR 058	17-Aug-09		13,709
CO 7068 E 063	Platform for Cement Control Cabin	30-Sep-09	07-Oct-09	52,225

CO 7068	E 065-1	Revision 1 - Additional Duct Supply and Installation in Mud Pump Room	28-Oct-09	26-Nov-09	0
CO 7068	E 66-1	Guide Spears on LMRP for Handling	19-Jan-10	19-Jan-10	46,000
CO 7068	E 067	Removal of Riser Fill Valve Joint and one 5' Pup Jt and add on 55' Pup Jt	28-Sep-09		0
CO 7068	E 068	Additional Work - Drawing Revision for Derrick Sign Board re-location to FWD and AFT.	20-Oct-09	02-Nov-09	6,638
CO 7068	E 70-1	Rev 1 - Additional 2 pcs Off Swivels 2.5" for Hydraulic Hoses - VOR 055 (Moonpool to Gooseneck)	19-Jan-10	19-Jan-10	63,250
CO 7068	E 071	Sea Fixing Guide Clamp + all other 4 options	23-Nov-09	04-Dec-09	45,454
CO 7068	E 076	Additional LMRP Maintenance Platform	09-Dec-09	14-Dec-09	36,900
CO 7068	E 078	Anti Recoil Software - Disable / Remove the electronic Over Speed Function (NOV VOR V2400-029 Rev 2)	06-Jan-10	07-Jan-10	6,325
CO 7068	E 080	Tension Ring Control Umbilical	12-Jan-10	20-Jan-10	13,800
CO 7068	E 084	Credit on Mux Clamp (NOV VOR 065)	11-Feb-10	24-Feb-10	(166,540)
CO 7068	E 087	HMI Screen on the Driller Panel (NOV VOR 068)	12-Feb-10	12-Feb-10	88,148
CO 7068	E 088	Pod and Panel Upgrades (NOV VOR 069)	12-Feb-10	12-Feb-10	43,805
CO 7068	E 091	Mux Test Bench Re-Location	29-Mar-10	13-Apr-10	34,349
CO 7068	E 092	Retractable Test Stump Improvement	05-Mar-10	08-Mar-10	11,560
CO 7068	E 094	Additional Work - Change of Power Slip to B&V PS-1000	10-Mar-10	24-Mar-10	3,983
CO 7068	E 095	Modification and Extension 3M of LMRP Guiding Structure in Height. Rev # 1.	29-Apr-10	29-Apr-10	26,207
CO 7068	E 098	Umbilical Hose Re-Arrangement	01-Apr-10	01-Apr-10	40,665
CO 7068	E 102	Telescopic Joint Swage Addition	20-May-10		14,289

CO	7068	E	105	90' Slick Joint without Lines	14-Jun-10	15-Jun-10	0
CO	7068	E	106	EBT Extended Vertical Travel	14-Jul-10	14-Jul-10	74,750
CO	7068	E	108	Additional Reinforcement on Utility Winches	27-Jul-10		
CO	7068	E	109	Installation of Cement Unit	08-Jul-10	13-Jul-10	403,904
CO	7068	E	111	Control of PS-30 Slips from Cyberbase	09-Aug-10	11-Aug-10	11,903
CO	7068	E	TBA	Tie ins, foundations for Schlumberger Control Cabin			50,000
CO	7068	E	TBA	Retractable Test Stump			100,000
Total							10,088,131

MISTRAL - HULL 1864

<u>Change order #</u>	<u>Item / Description</u>	<u>COR REC'D</u>	<u>DATE APP</u>	<u>Total Commitment</u>
CO 1864 E 001	Modification of furniture type	22 June 09	24 June 09	(16,300)
CO 1864 E 002	Hull interface of burner boom installation			121,000
CO 1864 E 007	Additional BOP test stump on port side			6,000
CO 1864 E 011	Double isolation for reserve mud pit piping	22 Jan 08	22 Jan 08	39,500
CO 1864 E 012	Hull modifications in association with trip saver trolley & moon pool step change	22 Jan 08	22 Jan 08	70,000
CO 1864 E 013	Hull modifications in association with ROV launch guidance system	22 Jan 08	22 Jan 08	23,000
CO 1864 E 015	Rearrangement of wheelhouse	22 Jan 08	22 Jan 08	110,000
CO 1864 E 016	Increased base oil & brine capacity	21 Mar 08	25 Apr 08	440,000
CO 1864 E 017	Hull burner boom piping installation	11 Mar 08	25 Apr 08	215,000
CO 1864 E 018	Subdivision of HFO tanks	18 Mar 08	19 Mar 08	800,000
CO 1864 E 019	Rearrangement of cabins			0
CO 1864 E 020	Change of port of registry			0
CO 1864 E 021	Change of main generator fuel system	17 Nov 08	12 Mar 09	78,000

CO 1864 E 023	hull modifications in association with ROV launch guidance system. Port side	19 Feb 09	24 Mar 09	30,100
CO 1864 E 025	Installation preparation for Vsat system	02 Sep 08	03 Sep 08	77,000
CO 1864 E 027	Change of HV cable	09 Feb 09	12 Feb 09	152,000
CO 1864 E 028	Upgrade Inmarsat C to include LRIT function	09 Feb 09	12 Feb 09	2,200
CO 1864 E 029	Increased lifeboat platforms	09 Feb 09	12 Feb 09	2,000
CO 1864 E 030	Access companionway to reserve mud space	09 Feb 09	12 Feb 09	96,200
CO 1864 E 033	Vsat PABX interface card	09 Feb 09	12 Feb 09	3,000
CO 1864 E 034	Additional black water isolation valves in accomodation	13 Feb 09	12 Mar 09	14,100
CO 1864 E 039	Blue wave line along shipside	28 Apr 09	16 May 09	104,000
CO 1864 E 041	APOS software for BOP control	15 May 09	16 May 09	14,600
CO 1864 E 042	HN1809 (PDC D/S) Engineering Our Reimbursement of CO/1864/E-042	08 Jul 09	21 Jul 09	13,900
CO 1864 E 043	Reinforcement work for Burner boom rest	12 Jun 09	06 Jul 09	13,600
CO 1864 E 045	Damping Appendages for Moonpool area	03 Jul 09	06 Jul 09	87,400
CO 1864 E 047	Installation of No.2 Inmarsat FF	26-Aug-09	15-Sep-09	97,900
CO 1864 E 049	Sea Chest Isolation	03-Dec-09	09-Dec-09	46,800
CO 1864 E 050	Modification of Upper Deck Moonpool Area	05-Nov-09	15-Dec-09	34,200
CO 1864 E 051	Modification for Agitator Maintenance	09-Nov-09	17-Nov-09	2,600
CO 1864 E 057	Compressed Air System Modification	26-Apr-10	10-May-10	7,700
CO 1864 E 059	Certification of Green Passport	31-May-10	03-Jun-10	7,670
CO 1864 E 060	Upgrade of Existing DPC-2 to DPC-3	30-Jun-10	05-Jul-10	248,100
CO 1864 E 061	Bilge Well Level Switches Upgrade to IP68	30-Jun-10	08-Jul-10	2,070

CO 1864 E 062	Change of Fuel Oil for S/T, DP and SIT	16-Jul-10	131,400
Total			3,074,740

MISTRAL - TOP SIDE 7074

<u>Change order #</u>	<u>Item / Description</u>	<u>COR REC'D</u>	<u>DATE APP</u>	<u>Total Commitment</u>
CO 7074 E 001	Modify HPU to accommodate later installation of additional pump unit	19 Feb 09	12 Mar 09	60,159
CO 7074 E 002	hydratong casing jaw sets	19 Feb 09	12 Mar 09	182,569
CO 7074 E 003	supply remote controller for main & aux Hydratong & Casing tong	19 Feb 09	12 Mar 09	129,870
CO 7074 E 004	Modifications to knuckle boom crane for man riding	19 Feb 09	12 Mar 09	187,028
CO 7074 E 005	HPU E stop at cyberbase	20 Feb 09	12 Mar 09	6,111
CO 7074 E 006	Delete aux well hyd cathead from NOV scope of supply	20 Feb 09	12 Mar 09	(89,889)
CO 7074 E 007	Delete main & aux well mouse hole	20 Feb 09	12 Mar 09	(263,730)
CO 7074 E 010	Changes to Drillers control system, additional s/w functions and add imperial units to DCDA Cyberbase & MCS	26 Feb 09	24 Mar 09	215,000
CO 7074 E 011	Supply & install Varco mousehole	11 May 09	12 May 09	2,894,701
CO 7074 E 012	Supply & install personnel elevator in derrick	08 May 09	11 May 09	998,004
CO 7074 E 013	Additional flow lines for burner boom system	11 May 09	12 May 09	243,339
CO 7074 E 014	Supply Larox valves & positional actuators in bulk cement system	11 May 09	12 May 09	100,938
CO 7074 E 015	Cement standpipe increased to 90ft elevation & repositioned at CL between both well ctrs	26 Feb 09	12 May 09	265,079
CO 7074 E 016	Modified choke & kill manifold	11 May 09	12 May 09	354,942

CO 7074 E 017	Grey lock hubs to be used on rotary hoses / standpipe / topdrive	26 Feb 09	12 Mar 09	16,429
CO 7074 E 023	Supply & instal derrick windwall logo	13 Apr 09	23 Apr 09	58,639
CO 7074 E 024	Deletion of Water Coolers	26 Jun 09	30 Jun 09	(24,462)
CO 7074 E 025	Supply & install burner boom system	08 May 09	14 May 09	1,887,867
CO 7074 E 027	Installation of hoists for material handling	12 May 09	16 May 09	79,786
CO 7074 E 028	Removal of Aux CMC, AHC Installation	03-Apr-00		(210,047)
CO 7074 E 029	Additional Bus Tie Breaker System and Modification	10 Jun 09	10 Jun 09	63,817
CO 7074 E 032		07-Dec-09	14-Dec-09	114,350

Rev #1 Installation of PC Network System

CO 7074 E 033	Incorporation of the ability to run Riser Running Tool from Cyberbase	14 Jul 09	14 Jul 09	98,172
CO 7074 E 034	Replace Well Head Connector. Rev.2	15-Sep-09	23-Sep-09	27,500
CO 7074 E 035	Inverted Cavity Replacement	15-Sep-09	23-Sep-09	28,875
CO 7074 E 037	Bottle Configuration NOV VOR V2400-037 (Removal of Bladder Tyre)	15-Sep-09	23-Sep-09	126,163
CO 7074 E 038	Bottle Configuration NOV VOR V2400-038. Rev. 1	15-Sep-09	23-Sep-09	77,000
CO 7074 E 039	Bottle Configuration Rev.1 NOV VOR V2400-039	15-Sep-09	23-Sep-09	375,375
CO 7074 E 041	ILF on all 14" Doors	16-Sep-09	23-Sep-09	0
CO 7074 E 042	Additional HPU Pump (Rev.1)	22-Sep-09	23-Sep-09	(110,524)
CO 7074 E 043	Credit for Removal of FRS. Rev.1	15-Sep-09	23-Sep-09	(75,000)
CO 7074 E 044	Bottle Racks	16-Sep-09	23-Sep-09	9,955
CO 7074 E 045	Bottle Rack - in Hull	16-Sep-09	23-Sep-09	78,320

CO 7074 E 046	Relocation of connection on Slip joint and cancellation of Termination and Keel Joints	16-Sep-09	23-Sep-09	268,201
CO 7074 E 047	BOP Gantry Crane- Load Cell/Remote Control(Rev.2)	30-Sep-09	07-Oct-09	86,350
CO 7074 E 049	Installation of Additional Guiding Structure to Improve LMRP Handling system	04 Jul 09	07 Jul 09	39,856
CO 7074 E 050	Telescopic Boom for Mux Reel and Hotline Reel Handling	06-Jul-09	29-Jul-09	265,231
CO 7074 E 051	Supports for Additional HPU Pump	27-Aug-09		81,446
CO 7074 E 052	Additional Bulk Head in HPU Room	28-Aug-09		114,883
CO 7074 E 053	Additional 5 Bottle rack in HPU Room	28-Aug-09		7,550
CO 7074 E 054	Riser Yoke (STBD) Level up to be accessible from Port side crane	28-Aug-09		17,619
CO 7074 E 063	Relocation of Remote Control Cabin for Cement System.	11-Feb-10	04-Mar-10	35,049
CO 7074 E 064	Credit AHC Aux Well & CMC Aux Well including Piping and Electro	08-Oct-09		(1,950,000)
CO 7074 E 065-3	Revision # 3 - Mud Pump Room Ventillation Improvement	20-Jan-10	11-Mar-10	25,036
CO 7074 E 66-1	Guide Spears on LMRP for Handling (Extended up to Riser)	19-Jan-10	19-Jan-10	46,000
CO 7074 E 068	Additional Work - Drawing Revision for Derrick Sign Board re-location to FWD and AFT.	20-Oct-09	02-Nov-09	6,782
CO 7074 E 70-1	Rev 1 - Additional 2 pcs Off Swivels 2.5" for Hydraulic Hoses - VOR 055 (Moonpool to Gooseneck)	19-Jan-10	19-Jan-10	63,250
CO 7074 E 071	Sea Fixing Guide Clamp + all other 4 options	23-Nov-09	04-Dec-09	42,884
CO 7074 E 074	Line Placement and Sewage Installation	02-Dec-09		
CO 7074 E 076	Additional LMRP Maintenance Platform	09-Dec-09	14-Dec-09	34,005
CO 7074 E 078	Anti Recoil Software - Disable / Remove the electronic Over Speed Function (NOV VOR V5700-024 Rev 2)	06-Jan-10	07-Jan-10	6,325
CO 7074 E 080	Tension Ring Control Umbilical	20-Jan-10	20-Jan-10	13,800
CO 7074 E 081	Turning Dual Idler Sheaves	20-Jan-10	21-Jan-10	0

CO	7074	E	084	Credit on Mux Clamp (NOV VOR 053)	11-Feb-10	24-Feb-10	(166,540)
CO	7074	E	087	HMI Screen on Driller's Panel	12-Apr-10	19-Apr-10	73,456
CO	7074	E	088	Pod and Panel Upgrades	12-Apr-10	19-Apr-10	43,805
CO	7074	E	095	Modification and Extension 3M of LMRP Guiding Structure in Height. Rev # 1.	29-Apr-10	29-Apr-10	18,789
CO	7074	E	104	Credit Lower Cavity Decision	14-Jun-10	15-Jun-10	(28,875)
CO	7074	E	105	90' Landing Joint (Slick Riser)	30-Jul-10	09-Aug-10	0
CO	7074	E	106	EBT Extended Vertical Travel	14-Jul-10	14-Jul-10	74,750
CO	7074	E	108	Additional Reinforcement on Utility Winches	27-Jul-10		
CO	7074	E	109	Installation of Cement Unit	08-Jul-10	13-Jul-10	389,987
CO	7074	E	110	Lower BOP Reversible Lower Cavity (Converted from a test cavity to a reversible cavity)	30-Jul-10	09-Aug-10	58,081
CO	7074	E	TBA	Tie ins, foundations for Schlumberger Control Cabin			50,000
CO	7074	E	TBA	Retractable Test Stump			100,000
Total							7,724,056

SCIROCCO - HULL 1867

<u>Change order #</u>	<u>Item / Description</u>	<u>COR REC'D</u>	<u>DATE APP</u>	<u>Total Commitment</u>
CO 1867 E 1	Additional dirty water tank and subdividing of waste mud tank.			474,085
CO 1867 E 1	Mud remix & transfer pump for dirty waste tank			
CO 1867 E 1	Pipe connection between mud transfer pump and shore manifold			
CO 1867 E 2	Transfer pump and rehardening filter capacity increase			60,134
CO 1867 E 3	Add automatic disinfection dosing unit of 20m3			18,566
CO 1867 E 4	Addition of carbon filter			72,669
CO 1867 E 5	Isolating valve for sea water transfer system			3,059
CO 1867 E 6	Supply and installation of isolating valve for compressed control air			6,703
CO 1867 E 7	Steam pipe heat insulation			67,729

CO 1867 E 8	Add sea chest chemical dosing pipe (shipside) 40A and shipside valve 9ea	14,207
CO 1867 E 9	Material change from STPG to SUS316L for potable water	129,540
CO 1867 E 10	Additional communication near mud tank	16,900
CO 1867 E 11	Additional oil tanks	76,580
CO 1867 E 12	Cutting discharge line modification	56,471
CO 1867 E 13	Add DO settling tank (2 ea) and tank remote level indicator (2 ea)	147,445
CO 1867 E 14	Add D.O. purifier heater (2 ea)	37,097
CO 1867 E 15	Installation of Oil detector 6ea	85,971
CO 1867 E 16	Add duplex strainer (4ea) for MGE D.O. supply pump.	8,254
CO 1867 E 17	20ft container loading guide in hold store	26,190
CO 1867 E 18	Modification of the access to the agitator room (Vertical ladder --> Inclined ladder)	60,375
CO 1867 E 19	Type change of main G/E D.O. supply pumps and aux. boiler D.O. supply pump.	21,460
CO 1867 E 20	Local Fire Fighting System remote & control panel add	31,801
CO 1867 E 21	Request of modification in moonpool area (Dog step)	20,609
CO 1867 E 22	Foam system for agitator room	37,874
CO 1867 E 23	Upgrade Inmarsat C to include LRIT function	2,200
CO 1867 E 24	Modification from 4P cabin w/toilet to 2*2P cabin with shared toilet.	223,180
CO 1867 E 25	Installation preparation for Vsat system	109,630
CO 1867 E 26	hull modifications in association with ROV launch guidance system single side only	106,830
CO 1867 E 27	Additional Galley equipment	59,500
CO 1867 E 28	Additional W-T door for provision handling	54,390
CO 1867 E 29	Hydraulic hatch for provisions store	65,460
CO 1867 E 30	Additional black water isolation valves in accommodation	11,740
CO 1867 E 31	Flag change - liferaft radar reflector change	4,540
CO 1867 E 32	APOS software for BOP control	14,680
CO 1867 E 33	Modification of wooden furniture	3,750
CO 1867 E 34	Double isolating valves for LP Mud Pits	72,570
CO 1867 E 35	No. 2 Inmarsat F	102,000
CO 1867 E 36	Dampening appendage moonpool	96,730

CO	1867	E	37	Colour change of instrument cables				6,850
CO	1867	E	38A	Reimbursement for Additional Bilge Line	21-Jul-09			3,800
CO	1867	E	40	Modification - BOP & LMRP Test Stump				41,130
CO	1867	E	42A	Hull modifications according to Access / Trip hazid report	24-Sep-09	25-Sep-09		25,155
CO	1867	E	43	Auto Change Over - Cooling Sea Water Pump for Burner Boom Spray	10-Sep-09	23-Sep-09		25,030
CO	1867	E	44	Additional TV Set Brackets for all Cabins	08-Oct-09	15-Oct-09		38,760
CO	1867	E	45B	Accommodation Modifications due to cabin allocation, additional bridge watchkeepers alarms	16-Dec-09	17-Dec-09		10,750
CO	1867	E	46	Sea Chest and below water closure covers	01-Dec-09			53,680
CO	1867	E	47	Change order for change in hull painting specification deletion 1 cost of AC add one coat of AF	23-Nov-09	24-Nov-09		172,750
CO	1867	E	48	Fender Hooks	29-Jan-10	05-Feb-10		34,730
CO	1867	E	49	Power Source Change of Knuckle Boom Crane	25-Feb-10	03-Mar-10		46,174
CO	1867	E	50	Hull Modification of Sea Chest for Future DGD	14-Apr-10	19-Apr-10		62,392
CO	1867	E	51	Addition of TEPRI CARD in PABX	01-Apr-10	03-Apr-10		2,020
CO	1867	E	52	Change of PCB for PA Line Monitoring System	01-Apr-10	03-Apr-10		3,571
CO	1867	E	54	Certification of Green Passport	31-May-10	03-Jun-10		25,530
CO	1867	E	55	Helicopter Starting System	04-Jun-10	10-Jun-10		44,502
CO	1867	E		Proposed installation of CO2 or FM200 system including detector in Laundry Dryer Exhaust.	18-Feb-10			
Total								<u>2,997,743</u>

SCIROCCO - TOP SIDE 7077

<u>Change order #</u>	<u>Item / Description</u>	<u>COR REC'D</u>	<u>DATE APP</u>	<u>Total Commitment</u>
CO 7077 E 1	Installation of Schlumberger diesel driven cement unit			480,105
CO 7077 E 2	Supply & instal derrick windwall logo			62,420
CO 7077 E 3	Supply & install Larox valves in cement bulk system			64,130
CO 7077 E 4	Two(2) air receiver tanks are to be deleted at Vortex room and drill floor			(37,500)
CO 7077 E 5	The cathead no 32 & 34 are to be deleted			(32,400)
CO 7077 E 6	Delete Main & Aux well mousehole . Supply & install drill collar protection casing at Aux. well center(27m) and adapter to be provided below Aux. rotary table by SHI as per Saipem detail drawing.			66,487
CO 7077 E 7	Direct Access Riser Catwalk to RGC			30,963
CO 7077 E 8	CCTV for Riser Gantry Crane			35,200
CO 7077 E 9	Leg extension 1000mm on the BOP Gantry crane to increase the available headroom.			123,310
CO 7077 E 10	Pad eye for drill collar protection			5,267
CO 7077 E 11	Deletion of Potable Water Cooler Units			(12,280)
CO 7077 E 12	Additional Bus Tie Breaker			63,745
CO 7077 E 13	Installation of additional double isolation valve on LP Active Mud System			194,805
CO 7077 E 14	Installation of additional knife gate valve on chute			26,823
CO 7077 E 15	Installation of additional guiding structure to improve BOP/ LMRP handling system			45,625
CO 7077 E 16	Modification of HP cement manifold and Choke and Kill Manifold			258,529
CO 7077 E 17	Incorporation of ability to run riser running tool from Cyberbase. RRT will be used with 1000T elevator Link 5" 1/2 200, Hydraulic, mechanical and electrical parts, included hydraulic tilt. Drawing and document updates			98,172
CO 7077 E 18	Imperial Units, Mud Control and Cyberspace		11-Aug-09	48,400
CO 7077 E 19	Additional Functions to Drawworks Control System		11-Aug-09	96,228
CO 7077 E 20	Telescopic Booms for Mux Cable and Hotline Hose	13-Aug-09	20-Aug-09	277,432
CO 7077 E 21	Modification of BOP Stack	21-Aug-09		0

CO 7077 E 22	Modification of Slip Joint	21-Aug-09		0
CO 7077 E 23	Remove FRS Skid - Modification of Sub Sea Control System	21-Aug-09		0
CO 7077 E 24	Modification of Well Head Connector - Vetco H-4 18 3/4	21-Aug-09		0
CO 7077 E 21	Modification of BOP Stack (NOV's VOR-035 rev.2)	09-Oct-09	15-Oct-09	578,538
CO 7077 E 22	Modification of Slip Joint (NOV's VOR-036-Rev.1)	09-Oct-09	15-Oct-09	268,201
CO 7077 E 23	Remove FRS Skid - Modification of Sub Sea Control System NOV's VOR-037-Rev.2)	09-Oct-09	15-Oct-09	263,031
CO 7077 E 24	Modification of Well Head Connector - Vetco H-4 18 3/4	21-Aug-09	15-Oct-09	56,375
CO 7077 E 25	Additional 5 Bottle Rack in HPU Room	25-Aug-09	01-Sep-09	6,898
CO 7077 E 26	Application of additional partition wall inside of Subsea Room. Included PAGA/F&G	21-Sep-09	23-Sep-09	116,030
CO 7077 E 27	Mud Pump Belt Slip Monitoring and Alarm (NOV,s VOR-045)	09-Oct-09	15-Oct-09	22,000
CO 7077 E 28	Installation of Drilling HPU Shutdown Buttons in Driller's Cabin (NOV's VOR-046)	09-Oct-09	15-Oct-09	4,235
CO 7077 E 30	Riser Type change from FT-I class to FT-H Class	14-Oct-09	16-Oct-09	(4,000,000)
7077 E 29	Bouynacy Type change from FT-I class to FT-H Class	14-Oct-09	16-Oct-09	(1,500,000)
CO 7077 E 31	Retractable Test Stump (SHI scope of supply)	30-Oct-09		198,535
CO 7077 E 32	Adjustment of Samson Posts for Riser Stacking	04-Nov-09	09-Nov-09	47,500
CO 7077 E 34	Cancellation of Forklift	12-Nov-09	16-Nov-09	(22,500)
CO 7077 E TBA	Access Platform for MUX Cable			100,000
CO 7077 E 35	Installation of Remote Control Cabin for Cement System	20-Jan-10	02-Feb-10	105,547
CO 7077 E 35-01	Piping from LAS Storage Tote Tank to Remote Control Cabin of Cement Unit	20-Jan-10	21-Jan-10	12,789
CO 7077 E 36	Glycol Line Deletion	11-Nov-09	12-Nov-09	(400,000)
CO 7077 E 37	Relocation of termination joint control panel	01-Dec-09		6,186
CO 7077 E 38	Top Side PC Network System	16-Dec-09	17-Dec-09	18,603

CO	7077	E 39	LMRP Maintenance Platform	15-Dec-09		36,900
CO	7077	E 40	DeActivation of Anti Recoil Electronic Overspeed Function on the Dual Wireline Riser Tensioner	03-Dec-09		6,050
CO	7077	E 41	7 foot shortening of lines for the hydraulic, C/K and booster and Increase of stroke length of the TJ from 65 foot to 70 foot	15-Dec-09	17-Dec-09	0
CO	7077	E 42	Improvement of Mud Pump Room Ventillation	16-Dec-09	19-Jan-10	25,036
CO	7077	E 43	Additional scope (SHI) for installation of 3rd BOP HPU Pump	21-Dec-09		68,568
CO	7077	E 44	Options: 1 Seafixing Guide Clamp; 2 LMRP Maintenance Platform; 3 Access Platform to top of LMRP; 4 BOP Trolley Working Platform	22-Dec-09	21-Dec-09	40,483
CO	7077	E 45	Greylock Hubs on Rotary Hose, Stand Pipe and Top Drive	14-Jan-09	19-Jan-10	16,638
CO	7077	E 47	Tension Ring Control Umbilical	14-Jan-10	15-Jan-10	13,200
CO	7077	E 48	Riser Tensioner L.P. Accumulator Fill System	15-Jan-10	18-Jan-10	18,810
CO	7077	E TBA	Riser Shim Slick Joint (deduct from NOV supply)			(50,000)
CO	7077	E 49	LMRP guide spears	20-Jan-10	21-Jan-10	44,000
CO	7077	E 50	Installation of additional degasser	20-Jan-10	21-Jan-10	180,987
CO	7077	E 51	Additional One Swivel for Hydraulic Line	22-Jan-10	01-Feb-10	24,967
CO	7077	E 52	Implementation of Muddy Water Agitator to MCS	12-Feb-10	23-Feb-10	2,750
CO	7077	E 57	Pod and Panels Upgrade	12-Apr-10	19-Apr-10	41,900
CO	7077	E 58	HMI Screen on Driller's Panel	12-Apr-10	19-Apr-10	70,263
CO	7077	E 59	Credit - Mux Clamps Supplied by NOV	19-Apr-10	20-Apr-10	(166,540)
CO	7077	E 66	Control of B+V Slips Through NOV Standard PS-30 Slips Control for Cyberspace.	22-Jun-10	12-Aug-10	32,450
CO	7077	E 67	Extend LMRP Guiding Structure by 3M in Height	05-Jul-10	30-Jul-10	25,317
CO	7077	E 69	Converting the Lower Cavity of the Lower Ram BOP from a Test Cavity to a Reversible Cavity	13-Jul-10	13-Jul-10	55,556
CO	7077	E 70	Conversion of 10 ft Pup Joints to 55 ft Pup Joints	20-Jul-10		
CO	7077	E 74	90 FT Landing Joint	28-Jul-10	29-Jul-10	0
Total						<u>(1,735,236)</u>

SANTA ANA - HULL 1868

<u>Change order #</u>			<u>Item / Description</u>	<u>COR</u>	<u>DATE</u>	<u>Total</u>
				<u>REC'D</u>	<u>APP</u>	<u>Commitment</u>
CO 1868	E	1	Additional dirty water tank and subdividing of waste mud tank.			474,085
CO 1868	E	1	Mud remix & transfer pump for dirty waste tank			
CO 1868	E	1	Pipe connection between mud transfer pump and shore manifold			
CO 1868	E	2	Transfer pump and rehardening filter capacity increase			60,134
CO 1868	E	3	Add automatic disinfection dosing unit of 20m3			18,566
CO 1868	E	4	Addition of carbon filter			72,669
CO 1868	E	5	Isolating valve for sea water transfer system			3,059
CO 1868	E	6	Supply and installation of isolating valve for compressed control air			6,703
CO 1868	E	7	Steam pipe heat insulation			67,729
CO 1868	E	8	Add sea chest chemical dosing pipe (shipside) 40A and shipside valve 9ea			14,207
CO 1868	E	9	Material change from STPG to SUS316L for potable water			129,540
CO 1868	E	10	Additional communication near mud tank			16,900
CO 1868	E	11	Additional oil tanks			76,580
CO 1868	E	12	Cutting discharge line modification			56,471
CO 1868	E	13	Add DO settling tank (2 ea) and tank remote level indicator (2 ea)			147,445
CO 1868	E	14	Add D.O. purifier heater (2 ea)			37,097
CO 1868	E	15	Installation of Oil detector 6ea			85,971
CO 1868	E	16	Add duplex strainer (4ea) for MGE D.O. supply pump.			8,254
CO 1868	E	17	20ft container loading guide in hold store			26,190
CO 1868	E	18	Modification of the access to the agitator room (Vertical ladder --> Inclined ladder)			60,375
CO 1868	E	19	Type change of main G/E D.O. supply pumps and aux. boiler D.O. supply pump.			21,460

CO 1868 E 20	Local Fire Fighting System remote & control panel add				31,801
CO 1868 E 21	Request of modication in moonpool area (Dog step)				20,609
CO 1868 E 22	Foam system for agitator room				37,874
CO 1868 E 23	Upgrade Inmarsat C to include LRIT function				2,200
CO 1868 E 24	Modification from 4P cabin w/toilet to 2*2P cabin with shared toilet.				135,440
CO 1868 E 25	Installation preparation for Vsat system				99,350
CO 1868 E 26	hull modifications in association with ROV launch guidance system both sides				92,580
CO 1868 E 27	Additional Galley equipment				54,560
CO 1868 E 28	Additional W-T door for provision handling				52,920
CO 1868 E 29	Hydraulic hatch for provisions store				54,490
CO 1868 E 30	Additional black water isolation valves in accomodation				9,550
CO 1868 E 31	Flag change - liferaft radar reflector change				3,500
CO 1868 E 32	APOS software for BOP control				14,680
CO 1868 E 33	Modification of wooden furniture				3,750
CO 1868 E 34	Double Isolation valve for LP Mud pits				45,430
CO 1868 E 35	No. 2 Inmarsat F				93,090
CO 1868 E 36	Dampening appendange for moonpool				90,150
CO 1868 E 37	Colour change of instrument cables				1,371
CO 1868 E 40	Modification - BOP & LMRP Test Stump				4,110
CO 1868 E 42A	Hull modifications according to Access / Trip Hazard Report	24-Sep-09	25-Sep-09		22,545
CO 1868 E 43	Auto Change Over - Cooling Sea Water Pump for Burner Boom Spray	10-Sep-09	23-Sep-09		22,290
CO 1868 E 44	Additional TV Set brackets for all Cabins	08-Oct-09			25,050
CO 1868 E 45B	Accommodation Modifications due to cabin allocation, additional bridge watchkeepers alarms	10-Nov-09	17-Dec-09		9,380
CO 1868 E 46	Sea Chest and below water closure covers	01-Dec-09	02-Dec-09		48,200
CO 1868 E 47	Change order for change in hull painting specification	23-Nov-09	24-Nov-09		172,750
CO 1868 E 48	Fender Hooks	29-Jan-10	05-Feb-10		30,620
CO 1868 E 49	Power Source Change of Knuckle Boom Crane	25-Feb-10	03-Mar-10		44,666

CO	1868	E	50	Addition of TEPRI CARD in PABX	01-Apr-10	03-Apr-10	2,020
CO	1868	E	51	Hull Modification for DGD	23-Mar-10	24-Mar-10	601,794
CO	1868	E	52	Reimbursemet of Engineering Cost for the Preparation of Change Order for DGD Electric Facility.	14-May-10	19-May-10	12,350
CO	1868	E	54	Certification of Green Passport	31-May-10	03-Jun-10	7,604
CO	1868	E	55	Helicopter Starting System	04-Jun-10	10-Jun-10	26,320
CO	1868	E	TBA	DGD - 2x500 KW Feeders			250,000
Total							3,506,479

SANTA ANA - TOP SIDE 7081

<u>Change order #</u>				<u>Item / Description</u>	<u>COR REC'D</u>	<u>DATE APP</u>	<u>Total Commitment</u>
CO	7081	E	1	Installation of Schlumberger diesel driven cement unit			480,105
CO	7081	E	2	Supply & instal derrick windwall logo			62,420
CO	7081	E	3	Supply & install Larox valves in cement bulk system			64,130
CO	7081	E	4	Two(2) air receiver tanks are to be deleted at Vortex room and drill floor			(37,500)
CO	7081	E	5	The cathead no 32 & 34 are to be deleted			(32,400)
CO	7081	E	6	Delete Main & Aux well mousehole. Supply & install drill collar protection casing at Aux. well center(27m) and adapter to be provided below Aux. rotary table by SHI as per Saipem detail drawing.			66,487
CO	7081	E	7	Direct Access Riser Catwalk to RGC			30,963
CO	7081	E	8	CCTV for Riser Gantry Crane			35,200
CO	7081	E	9	Leg extension 1000mm on the BOP Gantry crane to increase the available headroom.			123,310
CO	7081	E	10	Pad eye for drill collar protection			5,267
CO	7081	E	11	Deletion of Potable Water Cooler Units			(12,280)
CO	7081	E	12	Additional Bus Tie Breaker			63,745
CO	7081	E	13	Installation of additional double isolation valve on LP Active Mud System			174,242

CO 7081 E 14	Installation of additional knife gate valve on chute			25,452
CO 7081 E 15	Installation of additional guiding structure to improve BOP/ LMRP handling system			37,400
CO 7081 E 16	Modification of HP cement manifold and Choke and Kill Manifold			248,248
CO 7081 E 17	Incorporation of ability to run riser running tool from Cyberbase. RRT will be used with 1000T elevator Link 5" 1/2 200, Hydraulic, mechanical and electrical parts, included hydraulic tilt. Drawing and document updates			98,172
CO 7081 E 18	Imperial Units, Mud Control and Cyberspace		11-Aug-09	48,400
CO 7081 E 19	Additional Functions to Drawworks Control System		11-Aug-09	96,228
CO 7081 E 20	Telescopic Booms for Mux Cable and Hotline Hose	13-Aug-09	20-Aug-09	260,982
CO 7081 E 21	Modification of BOP Stack	21-Aug-09		0
CO 7081 E 22	Modification of Slip Joint	21-Aug-09		0
CO 7081 E 23	Remove FRS - Modification of Sub Sea Control System	21-Aug-09		0
CO 7081 E 20	Modification of Well Head Connector - Vetco H-4 18 3/4	21-Aug-09		0
CO 7081 E 21	Modification of BOP Stack	16-Dec-09		637,592
CO 7081 E 22	Modification of Slip Joint	21-Aug-09		291,796
CO 7081 E 23	Remove FRS Skid - Modification of Sub Sea Control System	16-Dec-09		284,063
CO 7081 E 24	Modification of Well Head Connector - Vetco H-4 18 3/4	21-Aug-09	15-Oct-09	56,375
CO 7081 E 25	Additional 5 Bottle Rack in HPU Room	25-Aug-09	01-Sep-09	2,786
CO 7081 E 26	Application of additional partition wall inside of Subsea Room. Included PAGA/F&G	21-Sep-09	23-Sep-09	96,906
CO 7081 E 27	Mud Pump Belt Slip Monitoring and Alarm (NOV's VOR-045)	09-Oct-09	15-Oct-09	22,000
CO 7081 E 28	Installation of Drilling HPU Shutdown Buttons in Driller's Cabin (NOV's VOR-046)	09-Oct-09	15-Oct-09	4,235

CO 7081 E 29	Riser Type change from FT-I class to FT-H Class	16-Nov-09	16-Nov-09	(4,000,000)
CO 7081 E 30	Change of Buoyancy When Changing Riser from I to H Class	16-Nov-09	16-Nov-09	(1,500,000)
CO 7081 E 31	BOP Retractable Test Stump Unit	30-Oct-09	04-Nov-09	198,535
CO 7081 E 34	Cancellation of Forklift	12-Nov-09	16-Nov-09	(22,500)
CO 7081 E TBA	Access Platform for MUX Cable			50,000
CO 7081 E 35	Installation of Remote Control Cabin for Cement System	20-Jan-10	02-Feb-10	85,258
CO 7081 E 35-1	Piping from LAS Storage Tote Tank to Remote Control Cabin of Cement Unit	20-Jan-10	21-Jan-10	10,184
CO 7081 E 36	Glycol Line Deletion	11-Nov-09	12-Nov-09	(400,000)
CO 7081 E 37	Relocation of termination joint control panel	01-Dec-09		4,267
CO 7081 E 38	Top Side PC Network System	16-Dec-09	17-Dec-09	16,547
CO 7081 E 39	LMRP Maintenance Platform	15-Dec-09		34,005
CO 7081 E 40	DeActivation of Anti Recoil Electronic Overspeed Function on the Dual Wireline Riser Tensioner	03-Dec-09		6,050
CO 7081 E 41	7 foot shortening of lines for the hydraulic, C/K and booster and Increase of stroke length of the TJ from 65 foot to 70 foot	15-Dec-09	17-Dec-09	0
CO 7081 E 42	Improvement of Mud Pump Room Ventillation	16-Dec-09	19-Jan-10	25,036
CO 7081 E 43	Additional scope (SHI) for installation of 3rd BOP HPU Pump	21-Dec-09		58,287
CO 7081 E 44	Sea fixing guide clamp, LMRP maintenance, Access platform for top of LMRP, BOP trolley working platform	21-Dec-09		39,533
CO 7081 E 45-1	Rev #1-Greylock Hubs on Rotary Hose, Stand Pipe and Top Drive	14-Jan-09	19-Jan-10	16,638
CO 7081 E 47	Tension Ring Control Umbilical	14-Jan-10	15-Jan-10	13,200
CO 7081 E 48	Riser Tensioner L.P. Accumulator Fill System	15-Jan-10	18-Jan-10	18,810
CO 7081 E TBA	Riser Shim Slick Joint (deduct from NOV supply)			(50,000)
CO 7081 E 49	LMRP guide spears	20-Jan-10	21-Jan-10	44,000

CO 7081 E 50	Installation of additional degasser	20-Jan-10	21-Jan-10	159,053
CO 7081 E 51	Additional One Swivel for Hydraulic Line	22-Jan-10	01-Feb-10	24,967
CO 7081 E 52	Implementation of Muddy Water Agitator to MCS	12-Feb-10	23-Feb-10	2,750
CO 7081 E 53	COR Riser Bay Samson Post Spacing back to 58 inch.	16-Mar-10	17-Mar-10	200,000
CO 7081 E 54	Engineer's Meeting in Houston	16-Mar-10	17-Mar-10	8,623
CO 7081 E 55	DGD Engineering Study	15-Apr-10	19-Apr-10	100,072
CO 7081 E 56	DGD - Additional Piping for DGD Overflow Line	23-Jul-10	24-Jul-10	220,513
CO 7081 E 56-1	DGD - Mechanical	20-Apr-10	30-Apr-10	88,831
CO 7081 E 56-2	DGD - Structural	20-Apr-10	30-Apr-10	218,448
CO 7081 E 56-3	DGD - Piping	20-Apr-10	30-Apr-10	544,712
CO 7081 E 56-4	DGD - Electrical	20-Apr-10	30-Apr-10	658,371
CO 7081 E 56-5	DGD - Instrument	20-Apr-10	30-Apr-10	86,017
CO 7081 E 56-6	DGD - HVAC	20-Apr-10	30-Apr-10	256,470
CO 7081 E TBA	DGD - HP Pipework (Engineering only)			60,000
CO 7081 E TBA	DGD - Trip Tank Scope			1,609,325
CO 7081 E 57	Pod and Panels Upgrade	12-Apr-10	19-Apr-10	41,900
CO 7081 E 58	HMI Screen on Driller's Panel	12-Apr-10	19-Apr-10	70,263
CO 7081 E 59	Credit - Mux Clamps Supplied by NOV	19-Apr-10	20-Apr-10	(166,540)
CO 7081 E 61	DGD - Acceleration Cost Related to M130 Block, P210 Block, Including New Fabrication of Trip Tank and Seawater Tank.	23-Apr-10	06-May-10	337,500

CO	7081	E	62-A	Mud Process Module Modification Due to Increased Size of Mud Trip Tank.	05-Jul-10	12-Jul-10	907,419
CO	7081	E	62-B	Mud Process Module Modification Due to New Seawater Tank and Additional Trip Tank.	05-Jul-10		412,138
CO	7081	E	63	Riser Change from FT-H Type 90' - 7000 ft Riser to FT-HDGD Type 90' - 10000 ft Riser.	28-Apr-10	28-Apr-10	293,748
CO	7081	E	64	Reimbursemet of Engineering Cost for the Preparation of Change Order for DGD Electric Facility.	18-May-10	19-May-10	12,350
CO	7081	E	65	DGD - Extra Sea Water LP Pumps	10-Jun-10	10-Jun-10	74,697
CO	7081	E	66	Control of B+V Slips Through NOV Standard PS-30 Slips Control for Cyberspace.	22-Jun-10	12-Aug-10	32,450
CO	7081	E	67	Extend LMRP Guiding Structure by 3M in Height	28-Jul-10	30-Jul-10	21,479
CO	7081	E	68	Cement Unit Modification due to the Installation of Additional Surge Tank.	09-Jul-10		298,238
CO	7081	E	69	Converting the Lower Cavity of the Lower Ram BOP from a Test Cavity to a Reversible Cavity	20-Jul-10		55,556
CO	7081	E	73	DGD - Accommodation of 2 DGD Reels and 1 Control Panel	30-Jul-10	09-Aug-10	250,999
CO	7081	E	74	90 FT Landing Joint	28-Jul-10	29-Jul-10	0
CO	7081	E	75	Mud Seal Length Increase on Mud Gas Separator	29-Jul-10	30-Jul-10	28,638
CO	7081	E	76	DGD (2) Tripping Pumps	29-Jul-10		
CO	7081	E	77	Mud Booster Line Modification	30-Jul-10	09-Aug-10	539,062
CO	7081	E	TBA	DGD - Procurement of HP Valves, Pipes, Spec Blinds and Fittings			400,000
CO	7081	E	TBA	DGD - Sub Contract Super Duplex Spool and Support Fabrication			250,000
CO	7081	E	TBA	DGD - GOM Installation Scope			100,000
CO	7081	E	TBA	DGD - Sea Water Treatment	07-Jun-10		923,200
CO	7081	E	TBA	DGD - HP Seawater Discharge Lines from HP Mud Pumps	26-Jul-10		
CO	7081	E	TBA	DGD - Safety Line from HP Pumps and HP Relief Valve Arrangement	26-Jul-10		
CO	7081	E	TBA	DGD - Booster Line Modification Platform for Valve Maintenance	26-Jul-10		
Total							<u>7,003,423</u>

SCHEDULE 22

FORMS OF DIRECT AGREEMENT

**Part A: FORM OF VESSEL MANAGEMENT AGREEMENT DIRECT
AGREEMENT**

VESSEL MANAGEMENT AGREEMENT DIRECT AGREEMENT

between

PACIFIC [BORA] LTD.

as the Borrower

[PACIFIC DRILLING OPERATIONS LIMITED]

as the Manager

and

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

This **VESSEL MANAGEMENT AGREEMENT DIRECT AGREEMENT** (this “ **Agreement** ”) is dated _____ and made between:

- (1) **PACIFIC [BORA] LTD .**, a corporation organised and existing under the laws of Liberia (the “ **Borrower** ”);
- (2) [**PACIFIC DRILLING OPERATIONS LIMITED**], a corporation organised and existing under the laws of the [British Virgin Islands] (the “ **Manager** ”); and
- (3) **DNB NOR BANK ASA (NEW YORK BRANCH)** (the “ **Security Trustee** ”),

each a “ **Party** ” and together the “ **Parties** ”.

WHEREAS:

- (A) The Borrower will be the registered owner of an ultra-deepwater dynamically positioned drill ship named Pacific [Bora] with hull number [1809] (the “ **Vessel** ”) to be built by Samsung Heavy Industries Co., Ltd. (the “ **Shipbuilder** ”) in accordance with a contract for the construction and sale of a drillship dated [24 July 2007], [now] between the Borrower and the Shipbuilder.
- (B) The Borrower, Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd., Pacific [Santa Ana] Ltd., Pacific Drilling Limited, the Security Trustee, DnB NOR Bank ASA (New York Branch) and Crédit Agricole Corporate & Investment Bank, as the mandated lead arrangers, the commercial facility lenders listed in schedule 3 thereto as the commercial facility lenders, Eksportfinans ASA, as the GIEK facility lender, Export-Import Bank of Korea, as the KEXIM facility lender, DnB NOR Bank ASA (New York Branch), as the commercial facility agent and GIEK facility agent, Crédit Agricole Corporate & Investment Bank, as the KEXIM facility agent, each hedging party that has acceded thereto each as a hedging party and DnB NOR Bank ASA (New York Branch) as intercreditor agent and accounts bank, among others, are party to a project facilities agreement dated [•] 2010 (the “ **Project Facilities Agreement** ”) and certain other related finance documents (together with the Project Facilities Agreement, the “ **Finance Documents** ”), pursuant to which the senior credit providers have agreed to make available to the Borrower and each of Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd. and Pacific [Santa Ana] Ltd. certain loan facilities to finance the construction, operation and other costs and expenses associated with the acquisition of four drill ships, including the Vessel.
- (C) The Borrower and the Manager have entered into a vessel management agreement, dated [•] (the “ **Contract** ”), pursuant to which the Manager has agreed to manage, and to provide certain equipment and services relating to, the operations of the Vessel. In order to discharge certain of its obligations under the Management Agreement, the Manager has entered into a vessel services agreement with Pacific Drilling Services Inc. (the “ **Service Provider** ”) (the “ **Services Agreement** ”).
- (D) As security for the Borrower’s obligations under the Finance Documents, by way of a debenture dated [•] 2010 (the “ **Debenture** ”) the Borrower has granted: (a) an assignment by way of first ranking continuing security of all of its present and future rights, title, benefit and interest in, to and under the Contract; and (b) a first priority floating charge over certain of its assets and undertakings, in each case to the Security Trustee.

- (E) The Finance Documents require that the Borrower cause the execution, delivery and effectiveness of this Agreement and it is a condition precedent to the lenders making available funds to the Borrower under the Finance Documents that the Manager execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“ **Assignment** ” means the assignment by way of first ranking continuing security of the Assigned Interests by the Borrower in favour of the Security Trustee (for and on behalf of the Secured Parties) pursuant to and in accordance with the Debenture;

“ **Assigned Interests** ” means all of the Borrower’s rights, title, benefit and interest in, to and under the Contract (including any amounts due or to become due to the Borrower, and any claims, judgments and awards in favour of the Borrower, under or in connection with the Contract);

“ **Business Day** ” means any day other than a Saturday, Sunday or any other day that is a legal holiday or a day on which banking institutions are permitted to be closed in London, Paris, Oslo, Seoul or New York and that is also a day on which dealings in United States dollar deposits are carried out in the London interbank market;

“ **Person** ” means any individual, firm, company, corporation, partnership, joint venture, association, government body or any other entity whether acting in an individual, fiduciary or other capacity (whether or not having separate legal personality); and

“ **Secured Parties** ” means the secured parties represented by the Security Trustee under the Finance Documents.

1.2 Rules of interpretation

(a) In this Agreement, except to the extent specified to the contrary or where the context otherwise requires:

- (i) the headings are for convenience only and shall not affect the interpretation of this Agreement;
- (ii) references to “ **Clauses** ” and “ **Schedules** ” are references to clauses of, and schedules to, this Agreement;
- (iii) references to an “ **amendment** ” includes a variation, supplement, replacement, novation, restatement or re-enactment and “ **amended** ” is to be construed accordingly;

- (iv) references to any document or agreement, including this Agreement, shall be deemed to include references to such document or agreement as amended, from time to time in accordance with its terms;
- (v) references to any Party, party or to any other Person shall include its successors, permitted assigns and permitted transferees;
- (vi) words importing the singular include the plural and vice versa;
- (vii) references to “ **days** ” shall mean calendar days, unless the term “ **Business Days** ” is used;
- (viii) the words “ **include** ”, “ **includes** ” and “ **including** ” are not limiting;
- (ix) words importing the masculine include the feminine and vice versa; and
- (x) the word “ **or** ” is not exclusive.

2. NOTICE AND ACKNOWLEDGEMENT ETC.

2.1 Notice and acknowledgment of Assignment

- (a) The Borrower hereby gives notice of the Assignment to the Manager.
- (b) The Manager acknowledges the notice of the Assignment and the right of the Security Trustee (or its nominee), in the exercise of the Security Trustee’s rights and remedies under the Finance Documents after the occurrence and during the continuation of an event of default under the Finance Documents, to make all demands, give all notices, take all actions and exercise all rights of the Borrower under the Contract, as and when permitted by the Finance Documents.

2.2 No previous assignment

The Manager confirms, as of the date of this Agreement, that it has not received any notice of assignment from the Borrower with respect to the Contract, other than the notice contained in this Agreement.

2.3 Amendment, termination or assignment of the Contract

Without the prior written consent of the Security Trustee, the Manager shall not:

- (a) enter into or agree to or acquiesce in any consensual suspension, cancellation, amendment or termination of the Contract;
- (b) assign or otherwise transfer any of its rights, title or interest under the Contract save as permitted under the Contract; or
- (c) consent to any assignment or transfer by the Borrower, other than the Assignment.

2.4 Right to cure

In the event of a default or breach by the Borrower in the performance of any of its obligations under the Contract, or upon the occurrence or non-occurrence of any event or condition under the Contract that immediately or with the passage of the applicable grace period or the giving of notice, or both, would enable the Manager to make a demand, or suspend its obligations under or terminate the Contract (a “**Default**”) the Manager shall not make a demand, or suspend its obligations under or terminate the Contract until it first gives prompt written notice of such Default to the Security Trustee and affords the Security Trustee (or its nominee) a period of 30 days from receipt by the Security Trustee of such notice, to cure the circumstances giving rise to such suspension or termination rights.

2.5 Replacement agreement

In the event of any bankruptcy, insolvency proceeding or other similar proceeding affecting the Borrower, at the option of the Security Trustee, the Manager shall enter into a new agreement with the Security Trustee (or its transferee or nominee) on terms the same as the terms of the Contract (other than with respect to any amendment to those terms as may be necessary to reflect the change of party and similar consequential amendments).

2.6 No liability

Neither the Security Trustee nor any of its designees shall have any liability or obligation under the Contract as a result of this Agreement, nor shall the Security Trustee or any of its designees be obliged or required to:

- (a) perform any of the Borrower’s obligations under the Contract; or
- (b) take any action to collect or enforce any claim for payment assigned under the Finance Documents.

2.7 Performance under the Contract

Subject to the other provisions of this Agreement, the Manager shall:

- (a) except where a failure to perform or comply with its obligations is caused by a default by the Service Provider under the Services Agreement, perform and comply with its obligations under the Contract; and
- (b) provided that it is not illegal for the Manager to do so, maintain the Contract in full force and effect in accordance with its terms.

2.8 Delivery of notices

The Manager shall deliver to the Security Trustee (and any nominee of the Security Trustee), a copy of each notice, request, demand or other communication given by the Manager pursuant to the Contract at the same time and in the same manner as such notice, request, demand or other communication is required under the terms of the Contract to be delivered by the Manager.

2.9 Disclosure of information

The Manager and the Borrower each authorise the Security Trustee to provide to each other Secured Party all financial statements, notices, requests, demands, or other information that the Security Trustee receives from the Manager or the Borrower in accordance with this Agreement or the Contract.

2.10 Waiver of immunity

To the extent that the Manager now or hereafter has or acquires any immunity, including, without limitation, sovereign immunity, from the jurisdiction of any court or from any legal process with respect to itself or its property, the Manager, to the fullest extent permitted by applicable law, waives such immunity in respect of all of its obligations under this Agreement and under the Contract.

3. PAYMENTS UNDER THE CONTRACT

- (a) The Borrower and the Security Trustee authorise and instruct the Manager, and the Manager irrevocably and unconditionally agrees, to pay all amounts payable by it under the Contract without any offsets, recoupment, abatement, withholding or defence, to the credit of the account specified in Schedule 1 or to such other account as may be specified by notice in writing from time to time by the Security Trustee to the Manager (such notice, a “**New Account Notice**”). The Manager agrees that its payment obligations under the Contract shall not be discharged by payment in another form or to any other account or Person.
- (b) The Security Trustee agrees with the Borrower that it shall issue a New Account Notice to the Manager only if an event of default under the Project Facilities Agreement is continuing.
- (c) Notwithstanding Clause 3(b), the Parties agree that upon receipt by the Manager of a New Account Notice, the Manager shall not be put on enquiry as to whether an event of default under the Project Facilities Agreement is continuing and the Manager shall be entitled to treat the receipt of such New Account Notice as conclusive evidence of the Security Trustee’s right to issue such notice.

4. MISCELLANEOUS

4.1 Notices

Any notice, claim, request, demand, consent, designation, direction, instruction, certificate, report or other communication to be given under or in connection with this Agreement shall be given in writing and shall be deemed duly given when:

- (a) personally delivered;
- (b) sent by facsimile transmission (with written confirmation or acknowledgment of receipt, whether written or oral);
- (c) sent by electronic mail (with electronic confirmation of receipt); or
- (d) five days have elapsed after mailing by certified or registered mail, postage pre-paid, return receipt requested,

in each case addressed to a Person at its address, e-mail address, or facsimile transmission number as indicated in Schedule 2 or to such other address, e-mail address, or facsimile transmission number of which such Person has given not less than three Business Days' prior written notice to each other Party to this Agreement.

4.2 Further assurances

The Manager shall cooperate fully with the Security Trustee and perform all additional acts reasonably requested by the Security Trustee to give effect to the purposes of this Agreement.

4.3 No increased liability

Except as provided herein (including, for the avoidance of doubt, in Clause 4.2), nothing in this Agreement is intended to increase the obligations or liability of the Manager under the terms of the Contract and the Manager shall be entitled to rely on any limitation or exclusion of liability under the Contract.

4.4 Amendments

This Agreement may not be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and executed by each Party and is otherwise made in accordance with the terms of the Finance Documents.

4.5 Counterparts

This Agreement may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.

4.6 Entire agreement

This Agreement reflects the entire agreement and understanding of the Parties, and supersedes all prior agreements and understanding (both written and oral), between or among the Parties relating to the transactions contemplated by this Agreement.

4.7 Successors and assigns

The provisions of this Agreement shall be binding on and inure to the benefit of each Party, and its respective successors and assigns.

4.8 Severability

In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby in any way.

4.9 Consequential damages

Notwithstanding any provision of this Agreement, in no event shall any Party or any officer, director, employee, representative or agent of any Party be liable under or in connection with this Agreement for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits or loss of opportunity, whether or not foreseeable, even if such Party or Person has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

4.10 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document, a Person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Finance Document, the consent of any Person that is not a Party is not required to rescind or vary this Agreement at any time.

4.11 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law, without regard to the principles of conflict-of-laws.

4.12 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute (a “ **Dispute** ”) arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement).
- (b) The Manager and the Borrower agree that the courts of England are the most appropriate and convenient courts to settle Disputes and, accordingly, shall not argue to the contrary.
- (c) This Clause 4.12 is for the benefit of the Security Trustee only. As a result and notwithstanding Clause 4.12(a) the Security Trustee is not prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by any applicable law the Security Trustee may take concurrent proceedings in any number of jurisdictions.

(Signature pages follow)

IN WITNESS WHEREOF , the Parties have caused this Agreement to be duly executed by their officers thereunto duly authorised as of the day and year first above written.

PACIFIC [BORA] LTD.

as the Borrower

By: _____
Name:
Title:

[PACIFIC DRILLING OPERATIONS LIMITED]

as the Manager

By: _____
Name:
Title:

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

By: _____
Name:
Title:

SCHEDULE 1 – ACCOUNT DETAILS

[Note: Details of Borrower's Collection Account to be included.]

SCHEDULE 2 – NOTICES

Borrower

Pacific Drilling Limited
c/o S.A.M.A.M.A.
Villa Saint Jean
3 Ruelle Saint Jean
MC 98000
MONACO
Fax: +377 (99) 99 51 09
Attention: Frank Megginson

Manager

[Pacific Drilling Operations Limited]
[address]

Security Trustee

DnB NOR Bank ASA
Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900
Attention: Credit Administration Department

VESSEL SERVICES AGREEMENT DIRECT AGREEMENT

between

[PACIFIC DRILLING OPERATIONS LIMITED]

as the Manager

PACIFIC DRILLING SERVICES INC.

as the Service Provider

and

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

This **VESSEL SERVICES AGREEMENT DIRECT AGREEMENT** (this “**Agreement**”) is dated _____ and made between:

- (1) **[PACIFIC DRILLING OPERATIONS LIMITED]** , a corporation organised and existing under the laws of [the British Virgin Islands] (the “**Manager**”);
- (2) **PACIFIC DRILLING SERVICES INC.** , a corporation organised and existing under the laws of the State of Delaware (the “**Service Provider**”); and
- (3) **DNB NOR BANK ASA (NEW YORK BRANCH)** (the “**Security Trustee**”),

each a “**Party**” and together the “**Parties**”.

WHEREAS:

- (A) Pacific [Bora] Ltd. (the “**Borrower**”) will be the registered owner of an ultra-deepwater dynamically positioned drill ship named Pacific [Bora] with hull number [1809] (the “**Vessel**”) to be built by Samsung Heavy Industries Co., Ltd. (the “**Shipbuilder**”) in accordance with a contract for the construction and sale of a drillship dated [24 July 2007], [now] between the Borrower and the Shipbuilder.
- (B) The Borrower, Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd., Pacific [Santa Ana] Ltd., Pacific Drilling Limited, the Security Trustee, DnB NOR Bank ASA (New York Branch) and Crédit Agricole Corporate & Investment Bank, as the mandated lead arrangers, the commercial facility lenders listed in schedule 3 thereto as the commercial facility lenders, Eksportfinans ASA, as the GIEK facility lender, Export-Import Bank of Korea, as the KEXIM facility lender, DnB NOR Bank ASA (New York Branch), as the commercial facility agent and GIEK facility agent, Crédit Agricole Corporate & Investment Bank, as the KEXIM facility agent, each hedging party that has acceded thereto each as a hedging party and DnB NOR Bank ASA (New York Branch) as intercreditor agent and accounts bank, among others, are party to a project facilities agreement dated [—] 2010 (the “**Project Facilities Agreement**”) and certain other related finance documents (together with the Project Facilities Agreement, the “**Finance Documents**”), pursuant to which the senior credit providers have agreed to make available to the Borrower and each of Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd. and Pacific [Santa Ana] Ltd. certain loan facilities to finance the construction, operation and other costs and expenses associated with the acquisition of four drill ships, including the Vessel.
- (C) The Borrower and the Manager have entered into a vessel management agreement, dated [—] (the “**Management Agreement**”), pursuant to which the Manager has agreed to manage, and to provide certain equipment and services relating to, the operations of the Vessel. In order to discharge certain of its obligations under the Management Agreement, the Manager has entered into a vessel services agreement with the Service Provider (the “**Services Agreement**”).
- (D) As security for the Borrower’s and certain other borrowers’ obligations under the Finance Documents, by way of a manager security agreement dated [—] 2010 (the “**Manager Security Agreement**”) the Manager has granted to the Security Trustee an assignment by way of first ranking continuing security of all of its present and future rights, title, benefit and interest in, to and under the Services Agreement.

-
- (E) The Finance Documents require that the Borrower cause the execution, delivery and effectiveness of this Agreement and it is a condition precedent to the lenders making available funds to the Borrower under the Finance Documents that the Manager and the Service Provider execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“ **Assignment** ” means the assignment by way of first ranking continuing security of the Assigned Interests by the Manager in favour of the Security Trustee (for and on behalf of the Secured Parties) pursuant to and in accordance with the Manager Security Agreement;

“ **Assigned Interests** ” means all of the Manager’s rights, title, benefit and interest in, to and under the Services Agreement (including any amounts due or to become due to the Manager, and any claims, judgments and awards in favour of the Manager, under or in connection with the Services Agreement);

“ **Business Day** ” means any day other than a Saturday, Sunday or any other day that is a legal holiday or a day on which banking institutions are permitted to be closed in London, Paris, Oslo, Seoul or New York and that is also a day on which dealings in United States dollar deposits are carried out in the London interbank market;

“ **Person** ” means any individual, firm, company, corporation, partnership, joint venture, association, government body or any other entity whether acting in an individual, fiduciary or other capacity (whether or not having separate legal personality); and

“ **Secured Parties** ” means the secured parties represented by the Security Trustee under the Finance Documents.

1.2 Rules of interpretation

(a) In this Agreement, except to the extent specified to the contrary or where the context otherwise requires:

- (i) the headings are for convenience only and shall not affect the interpretation of this Agreement;
- (ii) references to “ **Clauses** ” and “ **Schedules** ” are references to clauses of, and schedules to, this Agreement;

- (iii) references to an “ **amendment** ” includes a variation, supplement, replacement, novation, restatement or re-enactment and “ **amended** ” is to be construed accordingly;
- (iv) references to any document or agreement, including this Agreement, shall be deemed to include references to such document or agreement as amended, from time to time in accordance with its terms;
- (v) references to any Party, party or to any other Person shall include its successors, permitted assigns and permitted transferees;
- (vi) words importing the singular include the plural and vice versa;
- (vii) references to “ **days** ” shall mean calendar days, unless the term “ **Business Days** ” is used;
- (viii) the words “ **include** ”, “ **includes** ” and “ **including** ” are not limiting;
- (ix) words importing the masculine include the feminine and vice versa; and
- (x) the word “ **o r** ” is not exclusive.

2. NOTICE AND ACKNOWLEDGEMENT ETC.

2.1 Notice and acknowledgment of Assignment

- (a) The Manager hereby gives notice of the Assignment to the Service Provider.
- (b) The Service Provider acknowledges the notice of the Assignment and the right of the Security Trustee (or its nominee), in the exercise of the Security Trustee’s rights and remedies under the Finance Documents after the occurrence and during the continuation of an event of default under the Finance Documents, to make all demands, give all notices, take all actions and exercise all rights of the Manager under the Services Agreement, as and when permitted by the Finance Documents.

2.2 No previous assignment

The Service Provider confirms, as of the date of this Agreement, that it has not received any notice of assignment from the Manager with respect to the Services Agreement, other than the notice contained in this Agreement.

2.3 Amendment, termination or assignment of the Services Agreement

Without the prior written consent of the Security Trustee, the Service Provider shall not:

- (a) enter into or agree to or acquiesce in any consensual suspension, cancellation, amendment or termination of the Services Agreement;
- (b) assign or otherwise transfer any of its rights, title or interest under the Services Agreement save as permitted under the Services Agreement; or

(c) consent to any assignment or transfer by the Manager, other than the Assignment.

2.4 Right to cure

In the event of a default or breach by the Manager in the performance of any of its obligations under the Services Agreement, or upon the occurrence or non-occurrence of any event or condition under the Services Agreement that immediately or with the passage of the applicable grace period or the giving of notice, or both, would enable the Service Provider to make a demand, or suspend its obligations under or terminate the Services Agreement (a “**Default**”) the Service Provider shall not make a demand, or suspend its obligations under or terminate the Services Agreement until it first gives prompt written notice of such Default to the Security Trustee and affords the Security Trustee (or its nominee) a period of 30 days from receipt by the Security Trustee of such notice, to cure the circumstances giving rise to such suspension or termination rights.

2.5 Replacement agreement

In the event of any bankruptcy, insolvency proceeding or other similar proceeding affecting the Manager, at the option of the Security Trustee, the Service Provider shall enter into a new agreement with the Security Trustee (or its transferee or nominee) on terms the same as the terms of the Services Agreement (other than with respect to any amendment to those terms as may be necessary to reflect the change of party and similar consequential amendments).

2.6 No liability

Neither the Security Trustee nor any of its designees shall have any liability or obligation under the Services Agreement as a result of this Agreement, nor shall the Security Trustee or any of its designees be obliged or required to:

- (a) perform any of the Manager’s obligations under the Services Agreement; or
- (b) take any action to collect or enforce any claim for payment assigned under the Finance Documents.

2.7 Performance under the Services Agreement

Subject to the other provisions of this Agreement, the Service Provider shall:

- (a) perform and comply with its obligations under the Services Agreement; and
- (b) to the extent that the Service Provider is able to do so in its capacity as Service Provider, maintain the Services Agreement in full force and effect in accordance with its terms.

2.8 Delivery of notices

The Service Provider shall deliver to the Security Trustee (and any nominee of the Security Trustee), a copy of each notice, request, demand or other communication given by the Service Provider pursuant to the Services Agreement at the same time and in the same manner as such notice, request, demand or other communication is required under the terms of the Services Agreement to be delivered by the Service Provider.

2.9 Disclosure of information

The Manager and the Service Provider each authorise the Security Trustee to provide to each other Secured Party all financial statements, notices, requests, demands, or other information that the Security Trustee receives from the Manager or the Service Provider in accordance with this Agreement or the Services Agreement.

2.10 Waiver of immunity

To the extent that the Service Provider now or hereafter has or acquires any immunity, including, without limitation, sovereign immunity, from the jurisdiction of any court or from any legal process with respect to itself or its property, the Service Provider, to the fullest extent permitted by applicable law, waives such immunity in respect of all of its obligations under this Agreement and under the Services Agreement.

3. MISCELLANEOUS**3.1 Notices**

Any notice, claim, request, demand, consent, designation, direction, instruction, certificate, report or other communication to be given under or in connection with this Agreement shall be given in writing and shall be deemed duly given when:

- (a) personally delivered;
- (b) sent by facsimile transmission (with written confirmation or acknowledgment of receipt, whether written or oral);
- (c) sent by electronic mail (with electronic confirmation of receipt); or
- (d) five days have elapsed after mailing by certified or registered mail, postage pre-paid, return receipt requested,

in each case addressed to a Person at its address, e-mail address, or facsimile transmission number as indicated in Schedule 1 or to such other address, e-mail address, or facsimile transmission number of which such Person has given not less than three Business Days' prior written notice to each other Party to this Agreement.

3.2 Further assurances

The Service Provider shall cooperate fully with the Security Trustee and perform all additional acts reasonably requested by the Security Trustee to give effect to the purposes of this Agreement.

3.3 No increased liability

Except as provided herein (including, for the avoidance of doubt, in Clause 3.2), nothing in this Agreement is intended to increase the obligations or liability of the Service Provider under the terms of the Services Agreement and the Service Provider shall be entitled to rely on any limitation or exclusion of liability under the Services Agreement.

3.4 Amendments

This Agreement may not be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and executed by each Party and is otherwise made in accordance with the terms of the Finance Documents.

3.5 Counterparts

This Agreement may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.

3.6 Entire agreement

This Agreement reflects the entire agreement and understanding of the Parties, and supersedes all prior agreements and understanding (both written and oral), between or among the Parties relating to the transactions contemplated by this Agreement.

3.7 Successors and assigns

The provisions of this Agreement shall be binding on and inure to the benefit of each Party, and its respective successors and assigns.

3.8 Severability

In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby in any way.

3.9 Consequential damages

Notwithstanding any provision of this Agreement, in no event shall any Party or any officer, director, employee, representative or agent of any Party be liable under or in connection with this Agreement for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits or loss of opportunity, whether or not foreseeable, even if such Party or Person has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

3.10 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document, a Person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Finance Document, the consent of any Person that is not a Party is not required to rescind or vary this Agreement at any time.

3.11 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law, without regard to the principles of conflict-of-laws.

3.12 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute (a “ **Dispute** ”) arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement).
- (b) The Manager and the Service Provider agree that the courts of England are the most appropriate and convenient courts to settle Disputes and, accordingly, shall not argue to the contrary.
- (c) This Clause 3.12 is for the benefit of the Security Trustee only. As a result and notwithstanding Clause 3.12(a) the Security Trustee is not prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by any applicable law the Security Trustee may take concurrent proceedings in any number of jurisdictions.

(Signature pages follow)

IN WITNESS WHEREOF , the Parties have caused this Agreement to be duly executed by their officers thereunto duly authorised as of the day and year first above written.

[PACIFIC DRILLING OPERATIONS LIMITED]

as the Manager

By: _____

Name:

Title:

PACIFIC DRILLING SERVICES INC.

as the Service Provider

By: _____

Name:

Title:

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

By: _____

Name:

Title:

SCHEDULE 1 – NOTICES

Manager

[Pacific Drilling Operations Limited]

[address]

Service Provider

Pacific Drilling Services Inc.

[address]

Security Trustee

DnB NOR Bank ASA

Shipping, Offshore & Logistics

200 Park Avenue

New York

NY 10166

Fax: +1 212 681 3900

Attention: Credit Administration Department

SCHEDULE 23

FORMS OF SHIPBUILDING CONTRACT AND REFUND GUARANTEE DIRECT AGREEMENTS

Part A

FORM OF SHIPBUILDING CONTRACT DIRECT AGREEMENT

SHIPBUILDING CONTRACT DIRECT AGREEMENT

between

PACIFIC [BORA] LTD.

as the Borrower

SAMSUNG HEAVY INDUSTRIES CO., LTD

as the Shipbuilder

and

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

This **SHIPBUILDING CONTRACT DIRECT AGREEMENT** (this “**Agreement**”) is dated 2010 and made between:

- (1) **PACIFIC [BORA] LTD.**, a corporation organised and existing under the laws of Liberia (the “**Borrower**”);
- (2) **SAMSUNG HEAVY INDUSTRIES CO., LTD**, a corporation organised and existing under the laws of the Republic of Korea (the “**Shipbuilder**”); and
- (3) **DNB NOR BANK ASA (NEW YORK BRANCH)** (the “**Security Trustee**”),

each a “**Party**” and together the “**Parties**”.

WHEREAS:

- (A) The Borrower will be the registered owner of an ultra-deepwater dynamically positioned drill ship named Pacific [Bora] with hull number [1809] (the “**Vessel**”) to be built by the Shipbuilder in accordance with a contract for the construction and sale of a drillship dated [24 July 2007], [now] between the Borrower and the Shipbuilder (the “**Contract**”).
- (B) The Borrower, Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd., Pacific [Santa Ana] Ltd., Pacific Drilling Limited, the Security Trustee, DnB NOR Bank ASA (New York Branch) and Crédit Agricole Corporate & Investment Bank, as the mandated lead arrangers, the commercial facility lenders listed in schedule 3 thereto as the commercial facility lenders, Eksportfinans ASA, as the GIEK facility lender, Export-Import Bank of Korea, as the KEXIM facility lender, DnB NOR Bank ASA (New York Branch), as the commercial facility agent and GIEK facility agent, Crédit Agricole Corporate & Investment Bank, as the KEXIM facility agent, each hedging party that has acceded thereto each as a hedging party and DnB NOR Bank ASA (New York Branch) as intercreditor agent and accounts bank, among others, are party to a project facilities agreement dated [•] 2010 (the “**Project Facilities Agreement**”) and certain other related finance documents (together with the Project Facilities Agreement, the “**Finance Documents**”), pursuant to which the senior credit providers have agreed to make available to the Borrower and each of Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd. and Pacific [Santa Ana] Ltd. certain loan facilities to finance the construction, operation and other costs and expenses associated with the acquisition of four drill ships, including the Vessel.
- (C) As security for the Borrower’s obligations under the Finance Documents, by way of a debenture dated [—] 2010 (the “**Debenture**”) the Borrower has granted: (a) an assignment by way of first ranking continuing security of all of its present and future rights, title, benefit and interest in, to and under the Contract; and (b) a first priority floating charge over certain of its assets and undertakings, in each case to the Security Trustee.
- (D) The Finance Documents require that the Borrower cause the execution, delivery and effectiveness of this Agreement and it is a condition precedent to the lenders making available funds under the Finance Documents that the Shipbuilder execute and deliver this Agreement.

NOW, THEREFORE , in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“ **Assignment** ” means the assignment by way of first ranking continuing security of the Assigned Interests by the Borrower in favour of the Security Trustee (for and on behalf of the Secured Parties) pursuant to and in accordance with the Debenture;

“ **Assigned Interests** ” means all of the Borrower’s rights, title, benefit and interest in, to and under the Contract (including any amounts due or to become due to the Borrower, and any claims, judgments and awards in favour of the Borrower, under or in connection with the Contract);

“ **Business Day** ” means any day other than a Saturday, Sunday or any other day that is a legal holiday or a day on which banking institutions are permitted to be closed in London, Paris, Oslo, Seoul or New York and that is also a day on which dealings in United States dollar deposits are carried out in the London interbank market;

“ **Person** ” means any individual, firm, company, corporation, partnership, joint venture, association, government body or any other entity whether acting in an individual, fiduciary or other capacity (whether or not having separate legal personality); and

“ **Secured Parties** ” means the secured parties represented by the Security Trustee under the Finance Documents.

1.2 Rules of interpretation

(a) In this Agreement, except to the extent specified to the contrary or where the context otherwise requires:

- (i) the headings are for convenience only and shall not affect the interpretation of this Agreement;
- (ii) references to “ **Clauses** ” and “ **Schedules** ” are references to clauses of, and schedules to, this Agreement;
- (iii) references to an “ **amendment** ” includes a variation, supplement, replacement, novation, restatement or re-enactment and “ **amended** ” is to be construed accordingly;
- (iv) references to any document or agreement, including this Agreement, shall be deemed to include references to such document or agreement as amended, from time to time in accordance with its terms;
- (v) references to any Party, party or to any other Person shall include its successors, permitted assigns and permitted transferees;

- (vi) words importing the singular include the plural and vice versa;
- (vii) references to “ **days** ” shall mean calendar days, unless the term “ **Business Days** ” is used;
- (viii) the words “ **include** ”, “ **includes** ” and “ **including** ” are not limiting;
- (ix) words importing the masculine include the feminine and vice versa; and
- (x) the word “ **or** ” is not exclusive.

2. NOTICE AND ACKNOWLEDGEMENT ETC.

2.1 Notice and acknowledgment of Assignment

- (a) The Borrower hereby gives notice of the Assignment to the Shipbuilder.
- (b) The Shipbuilder acknowledges the notice of the Assignment and the right of the Security Trustee (or its nominee), in the exercise of the Security Trustee’s rights and remedies under the Finance Documents after the occurrence and during the continuation of an event of default under the Finance Documents, to make all demands, give all notices, take all actions and exercise all rights of the Borrower under the Contract, as and when permitted by the Finance Documents.

2.2 No previous assignment

The Shipbuilder confirms, as of the date of this Agreement, that it has not received any notice of assignment from the Borrower with respect to the Contract, other than the notice contained in this Agreement.

2.3 Amendment, termination or assignment of the Contract

Without the prior written consent of the Security Trustee, the Shipbuilder shall not:

- (a) enter into or agree to or acquiesce in any consensual suspension, cancellation, amendment or termination of the Contract;
- (b) assign or otherwise transfer any of its rights, title or interest under the Contract save as permitted under the Contract; or
- (c) consent to any assignment or transfer by the Borrower, other than the Assignment.

2.4 Right to cure

In the event of a default or breach by the Borrower in the performance of any of its obligations under the Contract, or upon the occurrence or non-occurrence of any event or condition under the Contract that immediately or with the passage of the applicable grace period or the giving of notice, or both, would enable the Shipbuilder to make a demand, or suspend its obligations under or terminate the Contract (a “Default”) the Shipbuilder shall not make a demand, or suspend its obligations under or terminate the Contract until it first gives prompt written notice of such Default to the Security Trustee and affords the Security Trustee (or its nominee) a period of 30 days from receipt by the Security Trustee of such notice, to cure the circumstances giving rise to such suspension or termination rights.

2.5 Replacement agreement

In the event of any bankruptcy, insolvency proceeding or other similar proceeding affecting the Borrower, at the option of the Security Trustee, the Shipbuilder shall enter into a new agreement with the Security Trustee (or its transferee or nominee) on terms the same as the terms of the Contract (other than with respect to any amendment to those terms as may be necessary to reflect the change of party and similar consequential amendments).

2.6 No liability

Neither the Security Trustee nor any of its designees shall have any liability or obligation under the Contract as a result of this Agreement, nor shall the Security Trustee or any of its designees be obliged or required to:

- (a) perform any of the Borrower's obligations under the Contract; or
- (b) take any action to collect or enforce any claim for payment assigned under the Finance Documents.

2.7 Performance under the Contract

Subject to the other provisions of this Agreement, the Shipbuilder shall:

- (a) perform and comply with its obligations under the Contract; and
- (b) maintain the Contract in full force and effect in accordance with its terms.

2.8 Delivery of notices

The Shipbuilder shall deliver to the Security Trustee (and any nominee of the Security Trustee), a copy of each notice, request, demand or other communication given by the Shipbuilder pursuant to the Contract at the same time and in the same manner as such notice, request, demand or other communication is required under the terms of the Contract to be delivered by the Shipbuilder.

2.9 Disclosure of information

The Shipbuilder and the Borrower each authorise the Security Trustee to provide to each other Secured Party all financial statements, notices, requests, demands, or other information that the Security Trustee receives from the Shipbuilder or the Borrower in accordance with this Agreement or the Contract.

2.10 Waiver of immunity

To the extent that the Shipbuilder now or hereafter has or acquires any immunity, including, without limitation, sovereign immunity, from the jurisdiction of any court or from any legal process with respect to itself or its property, the Shipbuilder, to the fullest extent permitted by applicable law, waives such immunity in respect of all of its obligations under this Agreement and under the Contract.

3. PAYMENTS UNDER THE CONTRACT

- (a) The Borrower and the Security Trustee authorise and instruct the Shipbuilder, and the Shipbuilder irrevocably and unconditionally agrees, to pay all amounts payable by it under the Contract without any offsets, recoupment, abatement, withholding or defence, to the credit of the account specified in Schedule 1 or to such other account as may be specified by notice in writing from time to time by the Security Trustee to the Shipbuilder (such notice, a “ **New Account Notice** ”). The Shipbuilder agrees that its payment obligations under the Contract shall not be discharged by payment in another form or to any other account or Person.
- (b) The Security Trustee agrees with the Borrower that it shall issue a New Account Notice to the Shipbuilder only if an event of default under the Project Facilities Agreement is continuing.
- (c) Notwithstanding Clause 3(b), the Parties agree that upon receipt by the Shipbuilder of a New Account Notice, the Shipbuilder shall not be put on enquiry as to whether an event of default under the Project Facilities Agreement is continuing and the Shipbuilder shall be entitled to treat the receipt of such New Account Notice as conclusive evidence of the Security Trustee’s right to issue such notice.

4. MISCELLANEOUS

4.1 Notices

Any notice, claim, request, demand, consent, designation, direction, instruction, certificate, report or other communication to be given under or in connection with this Agreement shall be given in writing and shall be deemed duly given when:

- (a) personally delivered;
- (b) sent by facsimile transmission (with written confirmation or acknowledgment of receipt, whether written or oral);
- (c) sent by electronic mail (with electronic confirmation of receipt); or
- (d) five days have elapsed after mailing by certified or registered mail, postage pre-paid, return receipt requested,

in each case addressed to a Person at its address, e-mail address, or facsimile transmission number as indicated in Schedule 2 or to such other address, e-mail address, or facsimile transmission number of which such Person has given not less than three Business Days’ prior written notice to each other Party to this Agreement.

4.2 Further assurances

The Shipbuilder shall cooperate fully with the Security Trustee and perform all additional acts reasonably requested by the Security Trustee to give effect to the purposes of this Agreement.

4.3 No increased liability

Except as provided herein (including, for the avoidance of doubt, in Clause 4.2), nothing in this Agreement is intended to increase the obligations or liability of the Shipbuilder under the terms of the Contract and the Shipbuilder shall be entitled to rely on any limitation or exclusion of liability under the Contract.

4.4 Amendments

This Agreement may not be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and executed by each Party and is otherwise made in accordance with the terms of the Finance Documents.

4.5 Counterparts

This Agreement may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.

4.6 Entire agreement

This Agreement reflects the entire agreement and understanding of the Parties, and supersedes all prior agreements and understanding (both written and oral), between or among the Parties relating to the transactions contemplated by this Agreement.

4.7 Successors and assigns

The provisions of this Agreement shall be binding on and inure to the benefit of each Party, and its respective successors and assigns.

4.8 Severability

In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby in any way.

4.9 Consequential damages

Notwithstanding any provision of this Agreement, in no event shall any Party or any officer, director, employee, representative or agent of any Party be liable under or in connection with this Agreement for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits or loss of opportunity, whether or not foreseeable, even if such Party or Person has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

4.10 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document, a Person who is not a Party has no right under the Third Parties Act to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Finance Document, the consent of any Person that is not a Party is not required to rescind or vary this Agreement at any time.

4.11 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law, without regard to the principles of conflict-of-laws.

4.12 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute (a “ **Dispute** ”) arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement).
- (b) The Shipbuilder and the Borrower agree that the courts of England are the most appropriate and convenient courts to settle Disputes and, accordingly, shall not argue to the contrary.
- (c) This Clause 4.12 is for the benefit of the Security Trustee only. As a result and notwithstanding Clause 4.12(a) the Security Trustee is not prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by any applicable law the Security Trustee may take concurrent proceedings in any number of jurisdictions.

IN WITNESS WHEREOF , the Parties have caused this Agreement to be duly executed by their officers thereunto duly authorised as of the day and year first above written.

PACIFIC [BORA] LTD.

as the Borrower

By: _____
Name:
Title:

SAMSUNG HEAVY INDUSTRIES CO., LTD.

as the Shipbuilder

By: _____
Name:
Title:

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

By: _____
Name:
Title:

SCHEDULE 1 – ACCOUNT DETAILS

[Note: Details of Borrower's Collection Account to be included.]

SCHEDULE 2 – NOTICES

Borrower

Pacific Drilling Limited
c/o S.A.M.A.M.A.
Villa Saint Jean
3 Ruelle Saint Jean
MC 98000
MONACO
Fax: +377 (99) 99 51 09
Attention: Frank Megginson

Shipbuilder

Samsung Heavy Industries Co., Ltd.
P.O. Box Gohyun 9
530, Jangpyung-ri, Sinhyun-up
Geoje-city, Gyungnam
Korea
Fax: (+82) 5 5630 6070

Security Trustee

DnB NOR Bank ASA
Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900
Attention: Credit Administration Department

Part B

FORM OF REFUND GUARANTEE DIRECT AGREEMENT

REFUND GUARANTEE DIRECT AGREEMENT

between

PACIFIC [BORA] LTD.

as the Borrower

[THE EXPORT-IMPORT BANK OF KOREA]

as the Refund Guarantor

and

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

This **REFUND GUARANTEE DIRECT AGREEMENT** (this “ **Agreement** ”) is dated 2010 and made between:

- (1) **PACIFIC [BORA] LTD.** , a corporation organised and existing under the laws of Liberia (the “ **Borrower** ”);
 - (2) **[THE EXPORT-IMPORT BANK OF KOREA]** , as the guarantor under the Guarantee (as defined below) (the “ **Refund Guarantor** ”); and
 - (3) **DNB NOR BANK ASA (NEW YORK BRANCH)** (the “ **Security Trustee** ”),
- each a “ **Party** ” and together the “ **Parties** ”.

WHEREAS:

- (A) The Borrower will be the registered owner of an ultra-deepwater dynamically positioned drill ship named Pacific [Bora] with hull number [1809] (the “ **Vessel** ”) to be built by Samsung Heavy Industries Co., Ltd. (the “ **Shipbuilder** ”) in accordance with a contract for the construction and sale of a drillship dated [24 July 2007], [now] between the Borrower and the Shipbuilder (the “ **Contract** ”).
- (B) Pursuant to a [letter of refundment guarantee], dated [26 July 2007] (the “ **Guarantee** ”), the Refund Guarantor irrevocably guarantees the payment of certain amounts payable by the Shipbuilder to the Borrower under the Contract.
- (C) The Borrower, Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd., Pacific [Santa Ana] Ltd., Pacific Drilling Limited, the Security Trustee, DnB NOR Bank ASA (New York Branch) and Crédit Agricole Corporate & Investment Bank, as the mandated lead arrangers, the commercial facility lenders listed in schedule 3 thereto as the commercial facility lenders, Eksportfinans ASA, as the GIEK facility lender, Export-Import Bank of Korea, as the KEXIM facility lender, DnB NOR Bank ASA (New York Branch), as the commercial facility agent and GIEK facility agent, Crédit Agricole Corporate & Investment Bank, as the KEXIM facility agent, each hedging party that has acceded thereto each as a hedging party and DnB NOR Bank ASA (New York Branch) as intercreditor agent and accounts bank, among others, are party to a project facilities agreement dated [•] 2010 (the “ **Project Facilities Agreement** ”) and certain other related finance documents (together with the Project Facilities Agreement, the “ **Finance Documents** ”), pursuant to which the senior credit providers have agreed to make available to the Borrower and each of Pacific [Mistral] Ltd., Pacific [Scirocco] Ltd. and Pacific [Santa Ana] Ltd. certain loan facilities to finance the construction, operation and other costs and expenses associated with the acquisition of four drill ships, including the Vessel.
- (D) As security for the Borrower’s obligations under the Finance Documents, by way of a debenture dated [•] 2010 (the “ **Debenture** ”) the Borrower has granted: (a) an assignment by way of first ranking continuing security of all of its present and future rights, title, benefit and interest in, to and under the Guarantee; and (b) a first priority floating charge over certain of its assets and undertakings, in each case to the Security Trustee.

- (E) The Finance Documents require that the Borrower cause the execution, delivery and effectiveness of this Agreement and it is a condition precedent to the lenders making available funds under the Finance Documents that the Refund Guarantor execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“ **Assignment** ” means the assignment by way of first ranking continuing security of the Assigned Interests by the Borrower in favour of the Security Trustee (for and on behalf of the Secured Parties) pursuant to, and in accordance with the Debenture;

“ **Assigned Interests** ” means all of the Borrower’s rights, title, benefit and interest in, to and under the Guarantee (including any amounts due or to become due to the Borrower, and any claims, judgments and awards in favour of the Borrower, under or in connection with the Guarantee);

“ **Business Day** ” means any day other than a Saturday, Sunday or any other day that is a legal holiday or a day on which banking institutions are permitted to be closed in London, Paris, Oslo, Seoul or New York and that is also a day on which dealings in United States dollar deposits are carried out in the London interbank market;

“ **Person** ” means any individual, firm, company, corporation, partnership, joint venture, association, government body or any other entity whether acting in an individual, fiduciary or other capacity (whether or not having separate legal personality); and

“ **Secured Parties** ” means the secured parties represented by the Security Trustee under the Finance Documents.

1.2 Rules of interpretation

(a) In this Agreement, except to the extent specified to the contrary or where the context otherwise requires:

- (i) the headings are for convenience only and shall not affect the interpretation of this Agreement;
- (ii) references to “ **Clauses** ” and “ **Schedules** ” are references to clauses of, and schedules to, this Agreement;
- (iii) references to an “ **amendment** ” includes a variation, supplement, replacement, novation, restatement or re-enactment and “ **amended** ” is to be construed accordingly;

- (iv) references to any document or agreement, including this Agreement, shall be deemed to include references to such document or agreement as amended, from time to time in accordance with its terms;
- (v) references to any Party, party or to any other Person shall include its successors, permitted assigns and permitted transferees;
- (vi) words importing the singular include the plural and vice versa;
- (vii) references to “ **days** ” shall mean calendar days, unless the term “ **Business Days** ” is used;
- (viii) the words “ **include** ”, “ **includes** ” and “ **including** ” are not limiting;
- (ix) words importing the masculine include the feminine and vice versa; and
- (x) the word “ **or** ” is not exclusive.

2. NOTICE, ACKNOWLEDGMENT AND WAIVER OF DEFENCES

2.1 Notice and acknowledgment of Assignment

- (a) The Borrower hereby gives notice of the Assignment to the Refund Guarantor.
- (b) The Refund Guarantor acknowledges the notice of the Assignment and the right of the Security Trustee (or its nominee), in the exercise of the Security Trustee’s rights and remedies under the Finance Documents after the occurrence and during the continuation of an event of default under the Finance Documents, to make all demands, give all notices, take all actions and exercise all rights of the Borrower under the Guarantee, as and when permitted by the Finance Documents.

2.2 No previous assignment

The Refund Guarantor confirms, as of the date of this Agreement, that it has not received any notice of assignment from the Borrower with respect to the Guarantee, other than the notice contained in this Agreement and agrees not to consent to any other assignment or transfer by the Borrower in respect of the Guarantee without the prior written consent of the Security Trustee.

2.3 Waiver of defences

Notwithstanding any provision of the Guarantee, the Refund Guarantor acknowledges and agrees for the benefit of the Security Trustee (for and on behalf of the Secured Parties) that obligations of the Refund Guarantor under the Guarantee shall not be affected by any act, omission, matter or thing that would reduce, release or prejudice any of the Refund Guarantor’s obligations under the Guarantee (without limitation and whether or not known to it or any other Secured Party) including:

- (a) any time, waiver or consent granted to, or composition with, the Borrower or any other Person;

- (b) the release of the Borrower or any other Person under the terms of any composition or arrangement with any creditor of the Borrower;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Borrower or any other Person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Borrower or any other Person;
- (e) any amendment (however fundamental and whether or not more onerous) of the Contract or any other document or security, including without limitation any increase in any amount due or to become due to the Borrower under the Contract or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any Person under the Contract or any other document or security; or
- (g) any insolvency or similar proceedings.

3. PAYMENTS UNDER THE GUARANTEE

- (a) The Borrower and the Security Trustee authorise and instruct the Refund Guarantor, and the Refund Guarantor irrevocably and unconditionally agrees, to pay all amounts payable by it under the Guarantee without any offsets, recoupment, abatement, withholding or defence, to the credit of the account specified in Schedule 1 or to such other account as may be specified by notice in writing from time to time by the Security Trustee to the Refund Guarantor (such notice, a “**New Account Notice**”). The Refund Guarantor agrees that its payment obligations under the Guarantee shall not be discharged by payment in another form or to any other account or Person.
- (b) The Security Trustee agrees with the Borrower that it shall issue a New Account Notice to the Refund Guarantor only if an event of default under the Project Facilities Agreement is continuing.
- (c) Notwithstanding Clause 3(b), the Parties agree that upon receipt by the Refund Guarantor of a New Account Notice, the Refund Guarantor shall not be put on enquiry as to whether an event of default under the Project Facilities Agreement is continuing and the Refund Guarantor shall be entitled to treat the receipt of such New Account Notice as conclusive evidence of the Security Trustee’s right to issue such notice.

4. MISCELLANEOUS

4.1 Notices

Any notice, claim, request, demand, consent, designation, direction, instruction, certificate, report or other communication to be given under or in connection with this Agreement shall be given in writing and shall be deemed duly given when:

- (a) personally delivered;

-
- (b) sent by facsimile transmission (with written confirmation or acknowledgment of receipt, whether written or oral);
 - (c) sent by electronic mail (with electronic confirmation of receipt); or
 - (d) five days have elapsed after mailing by certified or registered mail, postage pre-paid, return receipt requested,

in each case addressed to a Person at its address, e-mail address, or facsimile transmission number as indicated in Schedule 2 or to such other address, e-mail address, or facsimile transmission number of which such Person has given not less than three Business Days' prior written notice to each other Party to this Agreement.

4.2 Further assurances

The Refund Guarantor shall cooperate fully with the Security Trustee and perform all additional acts reasonably requested by the Security Trustee to give effect to the purposes of this Agreement.

4.3 Amendments

This Agreement may not be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and executed by each Party and is otherwise made in accordance with the terms of the Finance Documents.

4.4 Counterparts

This Agreement may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.

4.5 Entire agreement

This Agreement reflects the entire agreement and understanding of the Parties, and supersedes all prior agreements and understanding (both written and oral), between or among the Parties relating to the transactions contemplated by this Agreement.

4.6 Successors and assigns

The provisions of this Agreement shall be binding on and inure to the benefit of each Party, and its respective successors and assigns.

4.7 Severability

In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby in any way.

4.8 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document, a Person who is not a Party has no right under the Third Parties Act to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Finance Document, the consent of any Person that is not a Party is not required to rescind or vary this Agreement at any time.

4.9 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law, without regard to the principles of conflict-of-laws.

4.10 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute (a “ **Dispute** ”) arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement).
- (b) The Refund Guarantor and the Borrower agree that the courts of England are the most appropriate and convenient courts to settle Disputes and, accordingly, shall not argue to the contrary.
- (c) This Clause 4.10 is for the benefit of the Security Trustee only. As a result and notwithstanding Clause 4.10(a) the Security Trustee is not prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by any applicable law the Security Trustee may take concurrent proceedings in any number of jurisdictions.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their officers thereunto duly authorised as of the day and year first above written.

PACIFIC [BORA] LTD.

as the Borrower

By: _____
Name:
Title:

THE EXPORT-IMPORT BANK OF KOREA

as the Refund Guarantor

By: _____
Name:
Title:

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

By: _____
Name:
Title:

SCHEDULE 1 - ACCOUNT DETAILS

[Note: Details of Borrower's Collection Account to be included.]

SCHEDULE 2 – NOTICES

Borrower

Pacific Drilling Limited
c/o S.A.M.A.M.A.
Villa Saint Jean
3 Ruelle Saint Jean
MC 98000
MONACO
Fax: +377 (99) 99 51 09
Attention: Frank Megginson

Refund Guarantor

[The Export-Import Bank of Korea
16-1 Yoido-Dong
Yeongdeungpo-Gu
Seoul 150-996
Korea
Fax: 822-3779-6745]

Security Trustee

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900
Attention: Credit Administration Department

SCHEDULE 24

FORM OF PAYMENT INSTRUCTION

To: [—] as Accounts Bank
Copies to: [—] as Intercreditor Agent
[[—] as Security Trustee ²⁰]
or [[—] as Borrower and Pacific Drilling
Limited as Guarantor]] ²¹

For the attention of [—]

[DATE]

Project Facilities Agreement

We refer to the Project Facilities Agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the “ **Project Facilities Agreement** ”). Words and expressions used in this Payment Instruction shall have the same meanings as in the Project Facilities Agreement.

This Payment Instruction is being provided to you in accordance with Clause 26.11(d) of the Project Facilities Agreement. You are instructed to pay the following amount[s] from the Account[s] specified below to:

[—] Account [—]

[Correspondent Bank]

[Swift Code]/[ABA number (if dollars)]:

[Beneficiary Bank]

[SWIFT Code/[Sort Code/(if sterling)]]

[Account Name]

[Account Number]

[Ref.]

Amount: [*in words*]

Dollars: [—]

²⁰ To be copied to Security Trustee only if sent by Borrower

²¹ To be copied to Borrower and Guarantor only if sent by Security Trustee

Instructions to be received by the Accounts Bank by close of business (New York time) [three] clear Business Days prior to the value date of the intended payment.

This Payment Instruction shall be governed by New York law.

Yours sincerely,

[—]

By: _____
(Authorised Representative)

SCHEDULE 25**ACCOUNTS**

<u>Account Holder</u>	<u>Account Maintained With</u>	<u>Account Number</u>	<u>Account Name</u>
Pacific Drilling Limited	DnB NOR Bank ASA (New York Branch)	22216001	Guarantor Equity Account
Pacific Bora Ltd.	DnB NOR Bank ASA (New York Branch)	22736001	Collection Account
Pacific Bora Ltd.	DnB NOR Bank ASA (New York Branch)	22736002	Disbursement Account
Pacific Bora Ltd.	DnB NOR Bank ASA (New York Branch)	22736003	Debt Service Account
Pacific Bora Ltd.	DnB NOR Bank ASA (New York Branch)	22736004	Debt Service Reserve Account
Pacific Mistral Ltd.	DnB NOR Bank ASA (New York Branch)	22744001	Collection Account
Pacific Mistral Ltd.	DnB NOR Bank ASA (New York Branch)	22744002	Disbursement Account
Pacific Mistral Ltd.	DnB NOR Bank ASA (New York Branch)	22744003	Debt Service Account
Pacific Mistral Ltd.	DnB NOR Bank ASA (New York Branch)	22744004	Debt Service Reserve Account
Pacific Mistral Ltd.	DnB NOR Bank ASA (New York Branch)	22744006	Proceeds Retention Account
Pacific Scirocco Ltd.	DnB NOR Bank ASA (New York Branch)	22752001	Collection Account
Pacific Scirocco Ltd.	DnB NOR Bank ASA (New York Branch)	22752002	Disbursement Account
Pacific Scirocco Ltd.	DnB NOR Bank ASA (New York Branch)	22752003	Debt Service Account
Pacific Scirocco Ltd.	DnB NOR Bank ASA (New York Branch)	22752004	Debt Service Reserve Account

<u>Account Holder</u>	<u>Account Maintained With</u>	<u>Account Number</u>	<u>Account Name</u>
Pacific Scirocco Ltd.	DnB NOR Bank ASA (New York Branch)	22752006	Proceeds Retention Account
Pacific Santa Ana Ltd.	DnB NOR Bank ASA (New York Branch)	22760001	Collection Account
Pacific Santa Ana Ltd.	DnB NOR Bank ASA (New York Branch)	22760002	Disbursement Account
Pacific Santa Ana Ltd.	DnB NOR Bank ASA (New York Branch)	22760003	Debt Service Account
Pacific Santa Ana Ltd.	DnB NOR Bank ASA (New York Branch)	22760004	Debt Service Reserve Account

SCHEDULE 26

**FORM OF ACCEPTABLE CHARTER
DIRECT AGREEMENT**

ACCEPTABLE CHARTER DIRECT AGREEMENT

IN CONNECTION WITH [—]²²

BETWEEN

**DNB NOR BANK ASA (NEW YORK BRANCH)
AS SECURITY TRUSTEE**

**PACIFIC [—] LTD.
AS BORROWER**

AND

**[—]
AS CLIENT**

²² Name of relevant Acceptable Charter to be reflected.

ACCEPTABLE CHARTER DIRECT AGREEMENT

TABLE OF CONTENTS

ARTICLE	PAGE
Definitions and Interpretations	5
Consent to Security	6
Representations and Warranties of Borrower	10
Representations and Warranties of Client	11
Miscellaneous	11
Schedule 1 Events of Default	15
Schedule 2 Key Individuals	21
Schedule 3 Account Details	22

ACCEPTABLE CHARTER DIRECT AGREEMENT

This ACCEPTABLE CHARTER DIRECT AGREEMENT (“**Agreement**”) dated as of [—], is made by and between [*Client*] (“**Client**”), DNB NOR BANK ASA (NEW YORK BRANCH), as security trustee (“**Security Trustee**”) for the sole benefit of itself and the other secured parties represented by the Security Trustee under the Finance Documents (as such term is defined below) (“**Secured Parties**”), and Pacific [—] Ltd., a company incorporated under the laws of Liberia (“**Borrower**”). Each party may be referred to as “**Party**” and together as “**Parties**”.

Recitals

- A. **Vessel.** Borrower will be the registered owner of an ultra-deepwater dynamically positioned drill ship named [—] with hull number [—] (“**Vessel**”) to be built by Samsung Heavy Industries Co. Ltd. (“**Shipbuilder**”) pursuant to a contract for the construction and sale of a drillship dated [—] between Borrower and Shipbuilder (the “**Shipbuilding Contract**”).
- B. **The Drilling Contract.** Borrower has entered into an agreement with Client to make the Vessel available to Client for drilling services for an initial period of [—] years, subject to earlier termination rights after delivery (“**Drilling Contract**”).
- C. **The Finance Documents.** Borrower, Pacific [—] Ltd., Pacific [—] Ltd., Pacific [—] Ltd., Pacific Drilling Limited, Security Trustee, DnB NOR Bank ASA (New York Branch) and Crédit Agricole Corporate & Investment Bank, as the mandated lead arrangers, the commercial facility lenders listed in schedule 3 thereto as commercial facility lenders, Eksportfinans ASA, as GIEK facility lender, Export-Import Bank of Korea, as KEXIM facility lender, DnB NOR Bank ASA (New York Branch), as commercial facility agent and GIEK facility agent, Crédit Agricole Corporate & Investment Bank, as KEXIM facility agent, each hedging party that has acceded thereto each as a hedging party and DnB NOR Bank ASA (New York Branch) as intercreditor agent and accounts bank, among others, are party to a project facilities agreement dated [—] 2010 (the “**Project Facilities Agreement**”) and certain other related finance documents (together with the Project Facilities Agreement, the “**Finance Documents**”), pursuant to which the senior credit providers have agreed to make available to Borrower and each of Pacific [—] Ltd., Pacific [—] Ltd. and Pacific [—] Ltd. certain loan facilities to finance the construction, operation and other costs and expenses associated with the acquisition of four drill ships, including the Vessel.
- D. **Security.** As security for Borrower’s obligations under the Finance Documents, by way of a debenture dated [—] 2010 (the “**Debenture**”) Borrower has granted: (a) an assignment by way of first ranking continuing security of all of its present and future rights, title, benefit and interest in, to and under the Drilling Contract; and (b) a first priority floating charge over certain of its assets and undertakings, in each case to Security Trustee. Borrower also has granted or will grant to Security Trustee a first priority ship mortgage over the Vessel (“**Mortgage**”).
- E. **Defaults.** A description of those events of default (“**Events of Default**”) under the Project Facilities Agreement that would entitle Security Trustee to enforce its rights under the Debenture, the Mortgage or any other security document are set out in Schedule 1 to this Agreement. Any failure by Client to perform in whole or part any of its obligations under the Drilling Contract is called in this Agreement a “**Client Default**”.

- F. Client and Borrower have each entered into the Drilling Contract upon the condition that each Party enter into this Agreement. The Finance Documents require that Borrower cause the execution, delivery and effectiveness of this Agreement and it is a condition precedent to the lenders making available funds to Borrower under the Finance Documents that Client execute and deliver this Agreement.
- G. In consideration of the following terms and conditions, and other good and valuable consideration, the receipt of which is acknowledged, the Parties agree as follows:

Agreement

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. The terms defined in the Recitals shall have the meanings specified for all purposes of this Agreement, except as otherwise expressly provided. The parenthetical and quoted references in the introductory paragraph, Recitals, and Agreement shall have the definitions or meanings ascribed by the language immediately preceding them.

1.2 Interpretation. In this Agreement, except to the extent specified to the contrary or where the context otherwise requires:

- (a) the headings are for convenience only and shall not affect the interpretation of this Agreement;
- (b) references to “ **Clauses** ” and “ **Schedules** ” are references to clauses of, and schedules to, this Agreement;
- (c) references to “ **amend** ” or “ **amendment** ” include a variation, supplement, replacement, novation, restatement or re-enactment and “ **amended** ” is to be construed accordingly;
- (d) references to any document or agreement, including this Agreement, shall be deemed to include references to such document or agreement as amended, from time to time in accordance with its terms;
- (e) references to any Party, party or to any other Person shall include its successors, permitted assigns and permitted transferees;
- (f) words importing the singular include the plural and vice versa;
- (g) references to “ **days** ” shall mean calendar days;
- (h) the words “ **include** ”, “ **includes** ” and “ **including** ” are not limiting;
- (i) words importing the masculine include the feminine and vice versa; and
- (j) the word “ **o r** ” is not exclusive.

2. CONSENT TO SECURITY

- 2.1 Quiet Enjoyment Undertaking of Security Trustee.** Security Trustee, for itself and in its capacity as agent for the Secured Parties, undertakes that provided no Client Default has occurred and is continuing and Client is in compliance with its obligations under this Agreement, Security Trustee shall, for the duration of the Drilling Contract and any extension thereof permitted by the Drilling Contract, allow Client to receive services from the Vessel in accordance with the terms and conditions of the Drilling Contract. Except where any Client Default has occurred and is continuing, Security Trustee will not exercise any rights it may have against the Vessel or in connection with the Drilling Contract in accordance with the Finance Documents, except as provided by Articles 2.4 to 2.8 below. None of the restrictions imposed in this Agreement on the rights of Security Trustee under the Debenture, Mortgage or any other Finance Document, shall apply if a Client Default has occurred and is continuing. Notwithstanding the foregoing sentence, Security Trustee will not exercise any rights under the Debenture, Mortgage or under any other Finance Document that will, or are likely to, interfere with Client's receipt of services from the Vessel pursuant to the Drilling Contract in any way unless it gives Client a written notice of the occurrence of a Client Default and, without prejudice to Borrower's rights under Clauses [—] of the Drilling Contract, gives Client a period of sixty days (and an additional period of time, not to exceed forty five days, so long as Client is diligently pursuing a cure) to cure the circumstances giving rise to such Client Default. Nothing in this Agreement will prevent Security Trustee from taking steps to preserve or protect the security of the Debenture, the Mortgage or any other Finance Document as and when permitted by the Finance Documents if Security Trustee reasonably believes it is necessary to take such steps.
- 2.2 Consent to Security.** Client (i) consents to the granting of the Mortgage in favour of Security Trustee, (ii) consents in all respects to the granting of the security interests referred to in Recital D above including the assignment to Security Trustee pursuant to the Debenture of all of Borrower's right, title and interest in, to and under the Drilling Contract (including all moneys payable to Borrower, and any claims, judgments and awards in favour of Borrower, under or in connection with the Drilling Contract), (iii) acknowledges the right of Security Trustee or any designee of Security Trustee, subject to Article 2.1, in the exercise of Security Trustee's rights and remedies under the Finance Documents after the occurrence and during the continuation of an Event of Default to make all demands, give all notices, take all actions and exercise all rights of Borrower under the Drilling Contract, (iv) acknowledges that the Borrower may not (and agrees that it will not), without obtaining the prior written consent of the Security Trustee pursuant to the terms of the Finance Documents, amend or terminate the Drilling Contract *provided that* until such time as Client receives notice from Security Trustee to the contrary, Borrower may agree with Client amendments to the Drilling Contract of a minor operational nature that shall be copied by Borrower to Security Trustee promptly following execution and which amendments do not affect, amend, vary or supplement any terms of the Drilling Contract relating to the calculation or payment of hire or any other amounts (other than any supplemental or consequential adjustments to the hire as are expressly contemplated by the terms of the Drilling Contract as of the date of this Agreement).
- 2.3 Acknowledgment of Security.** Client acknowledges that it has received notice of each assignment granted pursuant to the Debenture and the Mortgage.

2.4 Substitute Borrower. Client agrees that (i) if Security Trustee notifies Client that an Event of Default has occurred and is continuing and that Security Trustee or its designee has elected to exercise the rights and remedies set forth in the Finance Documents, then if Security Trustee or its designee elects to assume Borrower's obligations under the Drilling Contract, then Security Trustee or its designee ("**Substitute Owner** "), respectively, shall be substituted for Borrower under the Drilling Contract and (ii) in such event, Client shall (without prejudice to Article 2.5 below) recognise Substitute Owner and shall continue to perform its obligations under the Drilling Contract in favor of Substitute Owner, provided that:

- (a) Security Trustee shall give Client not less than thirty days' prior written notice of the intended transfer and details of the proposed Substitute Owner,
- (b) Security Trustee shall use its reasonable commercial efforts to retain the services of the Key Individuals (as defined in Schedule 2 attached hereto) to ensure the smooth continuing operations of the Vessel throughout the transition in ownership,
- (c) in the opinion of Client (acting reasonably and without undue delay), the proposed Substitute Owner, either in its own right or by virtue of having entered into an agreement or agreements for the operation and management of the Vessel with another party or parties, has the legal capacity and the financial resources and expertise to own and operate the Vessel and, without limitation, to perform Borrower's obligations under the Drilling Contract and, notwithstanding the foregoing, Client hereby agrees, for the purposes of this paragraph (C), that Security Trustee or any of its Affiliates automatically shall be deemed to have the requisite financial resources and expertise to own and operate the Vessel and perform Borrower's obligations under the Drilling Contract,
- (d) the proposed Substitute Owner undertakes to Client in writing prior to the substitution to remedy as soon as practicable any outstanding remediable defaults of Borrower under the Drilling Contract and will assume all remaining obligations owed to Client with respect thereto,
- (e) Substitute Owner's ownership of the Vessel will not violate any law, regulation, or rule binding upon Client and will not result in any civil or criminal penalty, charge or fine becoming payable by Client, and
- (f) the transfer to Substitute Owner of the Vessel will not result in an increase in the amount of taxes, fees or other charges of any kind payable by Client.

2.5 Preservation of Client's Rights. Provided that no Client Default has occurred and is continuing, any disposal of the Vessel by Security Trustee to a Substitute Owner in accordance with Article 2.4 shall not prejudice Client's rights under the Drilling Contract accruing before or after the date of such disposal, including any right that Client may then have, subject to Article 2.6 below, to terminate the Drilling Contract. If Security Trustee exercises its rights under Article 2.4 above to dispose of the Vessel to a Substitute Owner during the term of the Drilling Contract, Security Trustee shall comply with the conditions set out in Article 2.1 above and shall (subject to any requirements or restrictions imposed by any applicable law in relation to disposal of

the Vessel) dispose of the Vessel expressly subject to the Drilling Contract (always provided that no Client Default has occurred and is continuing). If the Vessel is disposed of, subject to the Drilling Contract, Security Trustee shall ensure that Substitute Owner (and any other person providing financing to Substitute Owner for the purposes of the acquisition by Substitute Owner of the Vessel) issues, prior to such disposal, an undertaking to Client on substantially the same terms as the undertaking granted by Security Trustee in Article 2.1.

- 2.6 Right to Cure.** In the event of a default or breach by Borrower in the performance of any of its obligations under the Drilling Contract, or upon the occurrence or non-occurrence of any event or condition under the Drilling Contract that would immediately or with the passage of any applicable grace period or the giving of notice, or both, enable Client to suspend or terminate the Drilling Contract (a “Default”), Client shall not suspend or terminate the Drilling Contract until it first gives written notice of the Default to Security Trustee, and Client affords Borrower and Security Trustee a period of sixty days from receipt by the Security Trustee of such notice (and an additional period of time, not to exceed forty five days, so long as Security Trustee is diligently pursuing a cure) to cure the circumstances giving rise to such suspension or termination rights.
- 2.7 No Suspension, Termination, Cancellation, Amendment or Assignment.** Except to the extent permitted in this Agreement, Client agrees that it will not, without the prior written consent of Security Trustee:
- (a) enter into or agree to any consensual suspension, cancellation, termination or amendment of the Drilling Contract; or
 - (b) assign or otherwise transfer any of its right, title or interest under the Drilling Contract.
- 2.8 Replacement Agreement.** In the event of any bankruptcy or insolvency proceeding or other similar proceeding affecting Borrower, Client shall, at the option of Security Trustee, enter into a new agreement with Security Trustee or its transferee or nominee (“**Replacement Owner**”) on terms substantially the same as the terms of the Drilling Contract. Security Trustee (or, as the case may be, Replacement Owner) shall comply with the provisions of Article 2.4(A)—(F), which shall apply for the purposes of this Article 2.8 as if the words “proposed Substitute Owner” have been replaced by the words “proposed Replacement Owner.”
- 2.9 Shares Charge.** Client acknowledges the shares charge granted by the shareholder of Borrower and that, pursuant to its rights of enforcement under the shares charge, Security Trustee may, subject to the following provisions of this Article 2.9, transfer the shares in Borrower to a third party (“**New Shares Owner**”) and, in such event, Client shall continue to perform its obligations under the Drilling Contract, provided that:
- (a) Security Trustee shall give Client not less than thirty days’ prior written notice of the intended transfer and details of the proposed New Shares Owner,
 - (b) in the opinion of Client (acting reasonably and without undue delay), the proposed New Shares Owner, either in its own right or by virtue of having entered into an agreement or agreements for the operation of the Vessel with

another party or parties, has the legal capacity and the financial resources and expertise to operate the Vessel through Borrower and, without limitation, to procure performance of Borrower's obligations under the Drilling Contract and, notwithstanding the foregoing, Client hereby agrees, for the purposes of this paragraph (B), that Security Trustee or any of its Affiliates automatically shall be deemed to have the requisite financial resources and expertise to operate the Vessel through Borrower and procure the performance of Borrower's obligations under the Drilling Contract,

- (c) New Shares Owner's ownership of the shares in Borrower will not violate any law, regulation, or rule binding upon Client and will not result in any civil or criminal penalty, charge or fine becoming payable by Client, and
- (d) the transfer to New Shares Owner of the shares in Borrower will not result in an increase in the amount of taxes, fees or other charges of any kind payable by Client.

2.10 No Liability. Client acknowledges and agrees that neither Security Trustee nor its designees shall have any liabilities or obligations under the Drilling Contract as a result of this Agreement, nor shall Security Trustee or its designees be obligated or required to:

- (a) perform any of Borrower's obligations under the Drilling Contract, except during any period in which Security Trustee or its designee, respectively, is a Substitute Owner under the Drilling Contract pursuant to Article 2.4 or a Replacement Owner under the Drilling Contract pursuant to Article 2.8, in which case the obligations of the Substitute Owner or Replacement Owner shall be no more onerous than those of Borrower under the Drilling Contract for that period (unless otherwise expressly agreed to by Borrower and Security Trustee or Substitute Owner or Replacement Owner), or
- (b) take any action to collect or enforce any claim for payment assigned under the Finance Documents.

2.11 Delivery of Notices. Client shall deliver to Security Trustee and its designees, concurrently with the delivery to Borrower, a copy of any notice of default, suspension or termination given by Client to Borrower under the Drilling Contract. Client's failure to give notice to Security Trustee shall not nullify the provisions of Article 2.1.

2.12 Waiver of Immunity. To the extent that Client (for itself and its respective successors and assigns) has now or acquires later any immunity (including sovereign immunity) from the jurisdiction of any court or from any legal process with respect to itself or its property, Client hereby waives that immunity with respect to all its obligations under this Agreement or the Drilling Contract and the transactions contemplated by either such document.

2.13 Payments Under the Drilling Contract.

- (a) Borrower and Security Trustee authorise and instruct Client, and Client irrevocably and unconditionally agrees, to pay all amounts payable by it under the Drilling Contract without any offsets, recoupment, abatement, withholding

or defence (other than any required by applicable law), to the credit of the account specified in Schedule 3 or to such other account as may be specified by notice in writing from time to time by Security Trustee to Client (such notice, a “**New Account Notice**”). Client agrees that its payment obligations under the Drilling Contract shall not be discharged by payment in another form or to any other account or Person.

- (b) Security Trustee agrees with Borrower that it shall issue a New Account Notice to Client only if an event of default under the Project Facilities Agreement is continuing.
- (c) Notwithstanding Clause 2.13(B), the Parties agree that upon receipt by Client of a New Account Notice, Client shall not be put on enquiry as to whether an event of default under the Project Facilities Agreement is continuing and Client shall be entitled to treat the receipt of such New Account Notice as conclusive evidence of Security Trustee’s right to issue such notice.

2.14 Client security interests. Client acknowledges and agrees that the rights of Client under any lien or other security interest granted to Client, or any lien or security interest otherwise arising in favour of Client, pursuant to the terms of the Drilling Contract (any such security interest, whether in existence at the date of this Agreement or created after the date of this Agreement, a “Client Security Interest”) shall be subordinated to the rights of the security interests granted to Security Trustee pursuant to the Finance Documents. Client agrees not to exercise or enforce, or seek to exercise or enforce, any Client Security Interest without the consent of Security Trustee.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER

- 3.1 Organization.** Borrower is duly organized and validly existing under the laws of the jurisdiction of its incorporation, and has all requisite corporate power and authority to execute and deliver this Agreement and the Drilling Contract and to perform its obligations under them.
- 3.2 Authorization; No Conflict.** Borrower has duly authorized, executed and delivered this Agreement and the Drilling Contract. Neither the execution and delivery of this Agreement and the Drilling Contract by Borrower, nor Borrower’s consummation of the transactions contemplated by either such document, nor Borrower’s compliance with the terms of either such document requires or will require any consent or approval not already obtained, or will conflict with its formation documents or any contract or agreement binding on it.
- 3.3 Legality Validity and Enforceability.** Each of this Agreement and the Drilling Contract is in full force and effect and is a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms. The Drilling Contract has not been amended, supplemented, suspended, novated, extended, restated or otherwise modified except in accordance with this Agreement.
- 3.4 Governmental Consents.** There are no governmental consents existing as of the date of this Agreement that are required or will become required to be obtained by Borrower in connection with the execution, delivery or performance of this Agreement or the Drilling Contract and the consummation of the transactions contemplated under either such document, other than those governmental consents that have been obtained or can be obtained without undue expense or delay.

-
- 3.5 Litigation.** There are no pending or, to Borrower's knowledge, threatened actions, suits, proceedings or investigations of any kind (including arbitration proceedings) to which Borrower is a party or is subject, or by which it or any of its properties are bound, that if adversely determined to or against it, could reasonably be expected to materially and adversely affect its ability to execute and deliver this Agreement and the Drilling Contract or to perform its obligations under either such document.
- 4. REPRESENTATIONS AND WARRANTIES OF CLIENT**
- 4.1 Organization.** Client is duly organized and validly existing under the laws of the jurisdiction of its incorporation, and has all requisite corporate power and authority to execute and deliver this Agreement and the Drilling Contract and to perform its obligations under it.
- 4.2 Authorization; No Conflict.** Client has duly authorized, executed and delivered this Agreement and the Drilling Contract. Neither the execution and delivery of this Agreement and the Drilling Contract by Client, nor Client's consummation of the transactions contemplated by either such document, nor Client's compliance with the terms of either such document requires or will require any consent or approval not already obtained, or will conflict with its formation documents or any contract or agreement binding on it.
- 4.3 Legality Validity and Enforceability.** Each of this Agreement and the Drilling Contract is in full force and effect and is a legal, valid and binding obligation of Client, enforceable against Client in accordance with its terms. The Drilling Contract has not been amended, supplemented, suspended, novated, extended, restated or otherwise modified except in accordance with its terms.
- 4.4 Governmental Consents.** There are no governmental consents existing as of the date of this Agreement that are required or will become required to be obtained by Client in connection with the execution, delivery or performance of this Agreement or the Drilling Contract and the consummation of the transactions contemplated under either such document, other than those governmental consents that have been obtained or can be obtained without undue expense or delay.
- 4.5 Litigation.** There are no pending or, to Client's knowledge, threatened actions, suits, proceedings or investigations of any kind (including arbitration proceedings) to which Client is a party or is subject, or by which it or any of its properties are bound, that if adversely determined to or against it, could reasonably be expected to materially and adversely affect its ability to execute and deliver this Agreement and the Drilling Contract or to perform its obligations under either such document.
- 4.6 No other assignment or amendment.** Client represents and warrants that it has not assigned its rights under the Drilling Contract and has not received any notice of assignment from Borrower in respect of Borrower's rights under the Drilling Contract (other than the notice referred to in Article 2.3) and that the Drilling Contract has not been amended, except in accordance with this Agreement.

5. MISCELLANEOUS

5.1 Notices. All notices or other communications required or permitted to be given shall be in writing and shall be considered as properly given:

- (a) if delivered in person,
- (b) if sent by overnight delivery service or
- (c) if sent by prepaid telex, or by telecopy, with correct answer back received.

Notices shall be directed to the persons named beneath each of the Parties on the signature page to this Agreement.

Notice so given shall be effective upon receipt by the addressee.

Any Party may change its person or address for notice to any other person or location by giving no less than seven days' notice to the other Parties in the manner set forth in this Article 5.1.

5.2 Amendments. This Agreement may not be amended, changed, waived, discharged, terminated or otherwise modified unless the amendment, change, waiver, discharge, termination or modification is in writing and signed by each of the Parties.

5.3 Entire Agreement. This Agreement and any agreement, document or instrument attached to it, or referred to in it, integrate all the terms and conditions mentioned in it, or incidental to it and supersede all oral negotiations and prior writings in respect to its subject matter.

5.4 Governing Law. This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of England.

5.5 Severability. If any one or more of the provisions contained in this Agreement are invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired. The Parties shall enter into good faith negotiations to replace the invalid, illegal or unenforceable provision with a view toward obtaining the same commercial effect as if the invalid provision had been legal, valid and enforceable.

5.6 Dispute Resolution.

- (a) The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement).
- (b) Client and Borrower agree that the courts of England are the most appropriate and convenient courts to settle Disputes and, accordingly, shall not argue to the contrary.
- (c) This Clause 5.6 is for the benefit of Security Trustee only. As a result and notwithstanding Clause 5.6(A) Security Trustee is not prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by any applicable law Security Trustee may take concurrent proceedings in any number of jurisdictions.

-
- 5.7 Service of Process.** (i) Client hereby appoints [•] as its agent for service of any proceedings under this Agreement; and (ii) Borrower has appointed [•] as its agent for service of any proceedings under each Finance Document to which it is a party.
- 5.8 Successors and Assigns.** The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their successors and permitted assigns.
- 5.9 Counterparts.** This Agreement may be executed in one or more duplicate counterparts and when signed by all Parties listed below shall constitute a single binding agreement.
- 5.10 Termination.** Each Party's obligations hereunder are absolute and unconditional and no Party shall have any right to terminate this Agreement or to be released, relieved or discharged from any obligation or liability hereunder until the earlier to occur of:
- (a) the date that all sums owed by Borrower under the Finance Documents have been indefeasibly paid in full and the Mortgage and the Debenture have been discharged; and
 - (b) any permanent withdrawal of the Vessel from service under, or termination of, the Drilling Contract (in accordance with the terms of this Agreement).
- 5.11 Contracts (Rights of Third Parties) Act 1999.** A person who is not a Party to this Agreement may not enforce any of its terms under the Contract (Rights of Third Parties) Act 1999.
- 5.12 Further Assurances.** Client shall fully cooperate with Security Trustee and perform all additional acts reasonably requested by Security Trustee to effect the purposes of this Agreement (including the perfection of any security interest referred to in Recital D, in each case as a first priority security interest).
- 5.13 Consequential damages.** Notwithstanding any provision of this Agreement, in no event shall any Party or any officer, director, employee, representative or agent of any Party be liable under or in connection with this Agreement for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits or loss of opportunity, whether or not foreseeable, even if such Party, person or entity has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

The Parties have executed this Agreement as evidenced by the following signatures of authorized representatives of the Parties:

BORROWER:

[PACIFIC [—] LTD.]

Signature:

Name:

Title:

ADDRESS FOR NOTICES:

Attention:

Facsimile:

CLIENT:

[—]

Signature:

Name:

Title:

ADDRESS FOR NOTICES:

Attention:

Facsimile:

SECURITY TRUSTEE:

DNB NOR BANK ASA (NEW YORK BRANCH)

Signature:

Name:

Title:

ADDRESS FOR NOTICES:

Schedule 1
EVENTS OF DEFAULT

For the purposes of this Agreement, Events of Default are “Events of Default” as such term is defined in the Project Facilities Agreement, which such events are described in general terms below. Such description is provided only to give Client an indication of the nature of each Event of Default and shall not amend or limit the nature of each such Event of Default (as described and defined in the Project Facilities Agreement).

1. NON-PAYMENT

Any of Pacific Bora Ltd, Pacific Mistral Ltd., Pacific Scirocco Ltd or Pacific Santa Ana Ltd. (each a “**Borrower**” and together the “**Borrowers**”), Pacific Drilling Limited (the “**Guarantor**” and, together with the Borrowers, each an “**Obligor**”) or Quantum Pacific Management Limited (“**QPML**”) does not pay on the due date any amount payable in accordance with a Finance Document at the place and in the currency in which it is expressed to be payable unless payment is made within three business days of its due date.

2. INSURANCE COVENANTS

Any requirement of certain provisions of the Project Facilities Agreement relating to insurance is not satisfied.

3. FINANCIAL COVENANTS

Any requirement of certain provisions of the Project Facilities Agreement relating to compliance with financial covenants is not satisfied.

4. ACCEPTABLE LETTERS OF CREDIT

Any requirement of certain provisions of the Project Facilities Agreement relating to provision of acceptable letters of credit is not satisfied.

5. GUARANTOR AND QPML UNDERTAKINGS AND COVENANTS

- (a) Any requirement of certain provisions of the Project Facilities Agreement relating to compliance by the Guarantor with certain undertakings and covenants (including relating to contribution of equity and cost overrun proceeds, maintenance of shareholdings, establishment, maintenance and operation of certain accounts, incurrence of indebtedness and making of investments, making of distributions, and securing and disposing of certain proceeds) is not satisfied.
- (b) Any requirement of the undertaking to be entered into by QPML in favour of the Secured Parties and dated on or about [] 2011 is not satisfied.

6. USE OF PROCEEDS

Any requirement of certain provisions of the Project Facilities Agreement relating to the use of certain proceeds (including equity and loan proceeds) is not satisfied.

7. NEGATIVE COVENANTS

Any requirement of certain provisions of the Project Facilities Agreement setting out certain negative covenants is not satisfied or any person grants any security interest where it is prohibited from doing so in any Finance Document that is a security document.

8. BREACH OF OTHER PROVISIONS OF FINANCE DOCUMENTS

An Obligor, Pacific International Drilling West Africa Limited (“**PIDWAL**”), QPML or Pacific Gibco Ltd. (“**Pacific Gibco**”) breaches or defaults under any term, condition, provision, covenant, representation or warranty contained in any Finance Document (other than those referred to in paragraphs 1 to 7 above) that is not capable of being cured or, if capable of being cured, is not cured within 14 days of the earlier of:

- (a) notice by the intercreditor agent to the Guarantor, PIDWAL, QPML or Pacific Gibco (as applicable); and
- (b) any Obligor, PIDWAL, QPML or Pacific Gibco (as applicable) becoming aware of such failure to comply.

9. ACCEPTABLE CHARTERERS AND ACCEPTABLE CHARTERS

(a) Any (x) charterer ceases to be an acceptable charterer for the purposes of and as set out in the Project Facilities Agreement (each an “**Acceptable Charterer**”), (y) person that is a party to any charter that is an acceptable charter for the purposes of and as set out in the Project Facilities Agreement (each an “**Acceptable Charter**”) or an alternative charter for the purposes of and as set out in the Project Facilities Agreement (each an “**Alternative Charter**”) shall breach or default under any material term, condition, provision or covenant contained in such Acceptable Charter or Alternative Charter or (z) Acceptable Charter or Alternative Charter shall have terminated, been revoked, been subject to assertion of invalidity or repudiation, or otherwise shall cease to be in full force and effect, in each case other than following the occurrence, in relation to the vessel the subject of that Acceptable Charter or Alternative Charter, of certain exceptional events and provided that no Event of Default shall occur or be continuing as a result of the foregoing if (and in the case of paragraph 9(a)(i)(B) below only for so long as):

- (i) the relevant Borrower party to such Acceptable Charter or Alternative Charter shall have, in the case of (x) and (z) above:
 - (A) both:
 - (1) entered into a replacement Acceptable Charter or Alternative Charter within 90 days of such event; and
 - (2) provided an acceptable letter of credit or acceptable guarantee to cover all senior debt service and amounts due under any interest hedging instruments of such Borrower until the effective date of any replacement Acceptable Charter or Alternative Charter; or

- (B) received, or will upon the expiry of any notice to terminate receive, payment of compensation into its collection account or any relevant local account in an amount satisfactory to the intercreditor agent in respect of such termination, revocation, assertion of invalidity, repudiation, or other cessation of the relevant Acceptable Charter or Alternative Charter to be in full force and effect; or
 - (ii) the Guarantor remains in compliance with certain provisions of the Project Facilities Agreement requiring compliance with certain financial covenants and each Obligor otherwise is in compliance with each of its obligations under the Finance Documents.
- (b) More than one Acceptable Charter or Alternative Charter shall have terminated, been revoked, been subject to assertion of invalidity or repudiation, or otherwise shall cease to be in full force and effect, provided that any such Acceptable Charter or Alternative Charter that has been replaced by the relevant Borrower in accordance with paragraph 9(a)(i)(A) above prior to the date on which an Event of Default described in this paragraph 9(b) otherwise would arise shall not be considered for the purposes of the Event of Default described by this paragraph 9(b).

10. CROSS DEFAULT

- (a) Any financial indebtedness of any Obligor is not paid when due nor within any originally applicable grace period.
- (b) Any financial indebtedness of any Obligor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any financial indebtedness of any Obligor is cancelled or suspended by a creditor of any such Obligor as a result of an event of default (however described).
- (d) Any creditor of any Obligor becomes entitled to declare any financial indebtedness of such Obligor due and payable prior to its specified maturity as a result of an event of default (however described).

No Event of Default shall occur under the Event of Default described in this paragraph 10 if the aggregate amount of financial indebtedness or commitment for financial indebtedness falling within paragraphs (a) to (d) is less than US\$5,000,000 (or the equivalent thereof in another currency or currencies).

11. JUDGMENTS

A final judgment or arbitral award shall be entered against any Obligor by a court or other competent tribunal, in an aggregate amount of US\$5,000,000 (or the equivalent thereof in another currency or currencies) or more, is not subject to appeal and such final judgment or award is not paid within 30 days of the date when it is due and payable.

12. FINANCE DOCUMENTS

Any Finance Document is terminated, ceases to be in full force and effect or is incapable of enforcement, and such circumstances are not capable of being cured or, if capable of being cured, are not cured within 10 business days following the earlier of notice by the intercreditor agent to the Guarantor or any Obligor becoming aware of such event.

13. UNLAWFULNESS

It is or becomes unlawful for an Obligor, PIDWAL or QPML to perform any of its obligations under any Finance Document to which it is party.

14. REPUDIATION

An Obligor, PIDWAL or QPML repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

15. SECURITY DOCUMENTS

Any security interest in respect of any secured collateral created pursuant to any Finance Document that is a security document is not effective or the priority of any such security interest is not maintained in accordance with the terms thereof or any security interest required to be created in accordance with any Finance Document is not created and perfected in accordance with such Finance Document on and from the time required in accordance with such Finance Document.

16. INSOLVENCY

- (a) Any Obligor is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of any Obligor.

17. INSOLVENCY PROCEEDINGS

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, cessation of business, dissolution, administration or reorganisation of any Obligor (by way of voluntary arrangement, scheme of arrangement or otherwise but not including any voluntary reorganisation that is previously agreed in writing by the intercreditor agent and that does not involve the insolvency of any Obligor);
- (b) a composition, compromise, assignment or arrangement with any creditor of any Obligor;

- (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any Obligor or any of its material assets;
- (d) enforcement of any security interest over any assets of any Borrower; or
- (e) enforcement of any security interest over any assets of the Guarantor that are subject to any security under the Finance Documents,

or any analogous procedure or step is taken in any jurisdiction.

The Event of Default described in this paragraph 17 shall not apply to any winding-up petition that is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement.

18. CREDITORS' PROCESS

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Obligor having an aggregate value of US\$5,000,000 (or the equivalent thereof in another currency or currencies) or more and is not discharged within 14 days.

19. MISREPRESENTATION

Any representation or warranty made or deemed repeated by any Obligor, PIDWAL or QPML in any Finance Document or any other document delivered by or on behalf of any Obligor, PIDWAL or QPML under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made or repeated.

20. BREACH OF MATERIAL AGREEMENTS

Unless otherwise approved by the intercreditor agent, any person that is party to certain material agreements entered into in respect of the transactions contemplated by the Finance Documents shall breach or default under any material term, condition, provision or covenant contained in any such material agreement (other than any Acceptable Charter, Alternative Charter or any insurance policy entered into in accordance with the Project Facilities Agreement) or any such material agreement (other than any Acceptable Charter, Alternative Charter or any insurance policy entered into in accordance with the Project Facilities Agreement) shall have terminated (other than by expiry through the effluxion of time in accordance with its terms and on the date scheduled for such expiry), been revoked, been subject to assertion of invalidity or repudiation, or otherwise shall cease to be in full force and effect and such event:

- (a) is not capable of being cured; or
- (b) if capable of being cured, is not cured within the longer of (i) 14 days following the earlier of notice by the intercreditor agent to each Obligor or any Obligor becoming aware of such event or (ii) in respect of any breach or default, any applicable cure period under such material agreement (if any such cure period is provided for in such material agreement).

21. MATERIAL ADVERSE CHANGE

Any event or circumstance (or combination of events or circumstances) occurs the effect of which has, or could reasonably be expected to have, any one of certain types of material adverse effect in respect of any Obligor or the Obligor group.

22. CHANGE OF CONTROL

Any one of certain types of change of control occur in respect of Guarantor or the Guarantor ceases to own 100 per cent. of the common stock of each Borrower.

23. DELAYED VESSEL DELIVERY

The delivery date for any Borrower's vessel does not occur by.

- (a) in the case of the vessel named or to be named "Pacific Bora" with hull number 1809 and owned (or to be owned) by Pacific Bora Ltd., 28 April 2011;
- (b) in the case of the vessel named or to be named "Pacific Scirocco" with hull number 1867 and owned (or to be owned) by Pacific Scirocco Ltd., 26 December 2011;
- (c) in the case of the vessel named or to be named "Pacific Mistral" with hull number 1864 and owned (or to be owned) by Pacific Mistral Ltd., 27 December 2011; and

in the case of the vessel named or to be named "Pacific Santa Ana" with hull number 1868 and owned (or to be owned) by Pacific Santa Ana Ltd., 26 April 2012.

Schedule 2
KEY INDIVIDUALS

Schedule 3
ACCOUNT DETAILS

[Note: Details of Borrower's Collection Account to be inserted.]

SCHEDULE 27
NOTICE DETAILS

Guarantor

Pacific Drilling Limited

Pacific Drilling Limited
c/o S.A.M.A.M.A.
Villa Saint Jean
3 Ruelle Saint Jean
MC 98000
MONACO
Fax: +377 (99) 99 51 09
Attention: Frank Megginson

Borrowers

Pacific Bora Ltd.

Notices to be provided to the Guarantor, in accordance with Clause 2.4.

Pacific Mistral Ltd.

Notices to be provided to the Guarantor, in accordance with Clause 2.4.

Pacific Scirocco Ltd.

Notices to be provided to the Guarantor, in accordance with Clause 2.4.

Pacific Santa Ana Ltd.

Notices to be provided to the Guarantor, in accordance with Clause 2.4.

QPIL

Quantum Pacific International Limited

c/o S.A.M.A.M.A.
Villa Saint Jean
3 Ruelle Saint Jean
MC 98000
MONACO
Fax: +377 (99) 99 51 09
Attention: Frank Megginson

The Mandated Lead Arrangers

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900

Attention: First Vice President and Associate General Counsel (Americas)

Crédit Agricole Corporate & Investment Bank

Broadwalk House
5 Appold Street
London
EC2A 2DA

Fax: +44 (20) 7214 6689

Attention: Head of Shipping Finance Department

Commercial Facility Agent

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900

Attention: Senior Vice President

GIEK Facility Agent

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166

Fax: +1 212 681 3900

Attention: Senior Vice President

KEXIM Facility Agent

Crédit Agricole Corporate & Investment Bank

Broadwalk House
5 Appold Street
London
EC2A 2DA

Fax: +44 (20) 7214 6689

Attention: Head of Shipping Finance Department

Security Trustee

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900
Attention: Credit Administration Department

Intercreditor Agent

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900
Attention: Credit Administration Department

Accounts Bank

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900
Attention: Cash Management Department

Kexim Facility Lender

The Export-Import Bank of Korea
16-1 Yeouido-dong Yeongdeungpo-Gu
Seoul , Korea , Zip Code : 150-996
Fax: +82 2 3779 6745
Attn: Choun – Jae Lee—Deputy Director, Ship Finance Department

GIEK Facility Lender

Eksporfinans ASA
Dronning Maudsgt. 15
0250 Oslo
Norway
Fax: +47 22 83 24 45
Attn: Jorgen Hauge, Head of Oil and Gas

Commercial Lenders

ABN AMRO Bank N.V., Oslo Branch

Coolsingel 93
3012 AE Rotterdam
Fax: +31 10 4010732
Attention: Alper Sanliunal

Citibank, N.A.

1615 Brett Road
Building III
New Castle
DE 19720
Fax: +1 212 894 0847
Attention: Vince Napoli

Crédit Agricole Corporate & Investment Bank

9 Quai du Président Paul Doumer
92920 Paris la Defense
Fax: +33 1 41 89 19 34
Attention: Jonathan Cessot / Sylvie Godet-Couery

DnB NOR Bank ASA

Shipping, Offshore & Logistics
200 Park Avenue
New York
NY 10166
Fax: +1 212 681 3900
Attention: Credit Administration Department

DVB Bank SE, Nordic Branch

Strandgaten 18
Postboks 701
5013 Bergen
Norway
Fax: +47 55 30 94 75
Attention: Maj-Britta McGlinley, V.P.

Fokus Bank (Norwegian Branch of Danske Bank A/S)

Sondregate 15
N-7466 Trondheim
Norway
Fax: +47 8540 7669
Attention: Maria Reguilon Aune, Senior Manager

NIBC Bank N.V.

Carnegieplein 4

2517 KJ The Hague

The Netherlands

Fax: +31 (0)70 342 5366

Attention: Soedesh Sewmangal

Nordea Bank Finland Plc, New York Branch

437 Madison Avenue

New York

NY 10022

Fax: +1 212 750 9188

Attention: Sonia Earle, Vice President

Skandinaviska Enskilda Banken AB (publ.)

Rissneleden 110, RA8

SE-10640 Stockholm

Fax: +46 8 611 03 84

Attention: Torbjorn Centerlind, Loan Officer

SCHEDULE 28
FORMS OF ACCESSION DEED

Part A : New Lender Accession Deed

To: [—] as Intercreditor Agent
[—] as [Commercial] [GIEK] [KEXIM] Facility Agent
From: [—] as the acceding [Commercial] [GIEK] [KEXIM] Facility Lender (the “ **Acceding Lender** ”)

Ladies and Gentlemen,

1. We refer to the project facilities agreement dated as of [—] between Pacific Bora Limited, Pacific Mistral Limited, Pacific Scirocco Limited and Pacific Santa Ana Limited as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons, as such agreement may be amended from time to time (the “ **Project Facilities Agreement** ”).
2. This is an Accession Deed and unless otherwise provided herein, terms used in this Accession Deed shall have the meanings given to them in the Project Facilities Agreement.
3. This Accession Deed is delivered to you in accordance with Clause 30.2(e) of the Project Facilities Agreement.
4. The Acceding Lender will, on or about the date of this Agreement, enter into an [Assignment Agreement] [Transfer Certificate] with an existing [Commercial] [GIEK] [KEXIM] Facility Lender pursuant to which certain of the existing [Commercial] [GIEK] [KEXIM] Facility Lender’s rights and obligations under the Finance Documents as specified in such [Assignment Agreement] [Transfer Certificate] shall be transferred to the Acceding Lender.
5. In consideration of the Acceding Lender being accepted as a [Commercial] [GIEK] [KEXIM] Facility Lender for the purposes of the Project Facilities Agreement, the Intercreditor Agreement and the other Finance Documents, the Acceding Lender hereby confirms that as of the date of execution of this Accession Deed by the Intercreditor Agent and the [Commercial] [GIEK] [KEXIM] Facility Agent it:
 - (a) intends to be a party to the Project Facilities Agreement and the Intercreditor Agreement as a [Commercial] [GIEK] [KEXIM] Facility Lender;
 - (b) undertakes to each other party to the Project Facilities Agreement and the Intercreditor Agreement to perform all the obligations expressed in the Project Facilities Agreement and the Intercreditor Agreement to be assumed by a [Commercial] [GIEK] [KEXIM] Facility Lender; and

-
- (c) accedes to and agrees to be bound by all provisions of the Project Facilities Agreement and the Intercreditor Agreement as if it had been an original party thereto as [Commercial] [GIEK] [KEXIM] Facility Lender and accepts all of the rights and obligations of the [Commercial] [GIEK] [KEXIM] Facility Lenders in accordance with the Project Facilities Agreement and the Intercreditor Agreement.
6. This Accession Deed may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Accession Deed.
7. This Accession Deed has been executed as a deed on the date stated above and shall, together with any non-contractual obligations arising out of or in connection with it, be governed by and in accordance with English law.
8. For the purposes of clause 37.1 of the Project Facilities Agreement, the address details of the Acceding Lender are:
[Address]
Attention:
Telephone:
Facsimile:
e-mail:

IN WITNESS WHEREOF, the parties hereto have caused this Accession Deed to be executed as a Deed.

The Acceding Lender

EXECUTED AS A DEED

By: *[Full name of acceding party]*

The Intercreditor Agent

By: *[Name]*

Date:

Part B : New Agent Accession Deed

To: [—] as [Intercreditor Agent]

From: [—] as the acceding [Intercreditor Agent] [Commercial Facility Agent] [GIEK Facility Agent] [KEXIM Facility Agent] [Security Trustee] [Accounts Bank] (the “ **Acceding Agent** ”)

Ladies and Gentlemen,

1. We refer to the project facilities agreement dated as of [—] between Pacific Bora Limited, Pacific Mistral Limited, Pacific Scirocco Limited and Pacific Santa Ana Limited as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons, as such agreement may be amended from time to time (the “ **Project Facilities Agreement** ”).
2. This is an Accession Deed and unless otherwise provided herein, terms used in this Accession Deed shall have the meanings given to them in the Project Facilities Agreement.
3. This Accession Deed is delivered to you in accordance with Clause 31.16(e) of the Project Facilities Agreement.
4. In consideration of the Acceding Agent being accepted as successor [Intercreditor Agent] [Commercial Facility Agent] [GIEK Facility Agent] [KEXIM Facility Agent] [Security Trustee] [Accounts Bank] for the purposes of the Project Facilities Agreement, the Intercreditor Agreement and the other Finance Documents, the Acceding Agent hereby confirms that as of the date of execution of this Accession Deed by the Intercreditor Agent it:
 - (a) intends to be a party to the Project Facilities Agreement, the Intercreditor Agreement and [*other relevant documents*] as [Intercreditor Agent] [Commercial Facility Agent] [GIEK Facility Agent] [KEXIM Facility Agent] [Security Trustee] [Accounts Bank];
 - (b) undertakes to each other party to such documents to perform all the obligations expressed in such documents to be assumed by the [Intercreditor Agent] [Commercial Facility Agent] [GIEK Facility Agent] [KEXIM Facility Agent] [Security Trustee] [Accounts Bank]; and
 - (c) accedes to and agrees to be bound by all provisions of such documents as if it had been an original party thereto as [Intercreditor Agent] [Commercial Facility Agent] [GIEK Facility Agent] [KEXIM Facility Agent] [Security Trustee] [Accounts Bank] and accepts all of the rights and obligations of the [Intercreditor Agent] [Commercial Facility Agent] [GIEK Facility Agent] [KEXIM Facility Agent] [Security Trustee] [Accounts Bank] in accordance with the Project Facilities Agreement and the Intercreditor Agreement [*other relevant documents*].

-
5. This Accession Deed may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Accession Deed.
 6. This Accession Deed has been executed as a deed on the date stated above and shall, together with any non-contractual obligations arising out of or in connection with it, be governed by and in accordance with English law.
 7. For the purposes of clause 37.1 of the Project Facilities Agreement the address details of the Acceding Agent are:

[Address]
Attention:
Telephone:
Facsimile:
e-mail:

IN WITNESS WHEREOF, the parties hereto have caused this Accession Deed to be executed as a Deed.

The Acceding Agent

EXECUTED AS A DEED

By: *[Full name of acceding party]*

The Intercreditor Agent

By: *[Name]*

Date:

Part C: Hedging Party Accession Deed

To: [—] as [Intercreditor Agent]

Pacific Drilling Limited as Guarantor

From: [—] as the acceding Hedging Party (the “ **Acceding Hedging Party** ”)

Ladies and Gentlemen,

1. We refer to the project facilities agreement dated as of [—] between Pacific Bora Limited, Pacific Mistral Limited, Pacific Scirocco Limited and Pacific Santa Ana Limited as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons (the “ **Project Facilities Agreement** ”).
2. This is an Accession Deed and unless otherwise provided herein, terms used in this Accession Deed shall have the meanings given to them in the Project Facilities Agreement.
3. This Accession Deed is delivered to you in accordance with Clause 20.15 of the Project Facilities Agreement.
4. In consideration of the Acceding Hedging Party being accepted as a Hedging Party for the purposes of the Project Facilities Agreement, the Intercreditor Agreement and the other Finance Documents, the Acceding Hedging Party hereby confirms that as of the date of execution of this Accession Deed by the Intercreditor Agent it:
 - (a) intends to be a party to the Project Facilities Agreement and the Intercreditor Agreement as a Hedging Party;
 - (b) undertakes to each other party to the Project Facilities Agreement and the Intercreditor Agreement to perform all the obligations expressed in such documents to be assumed by each Hedging Party; and
 - (c) accedes to and agrees to be bound by all provisions of the Project Facilities Agreement and the Intercreditor Agreement as if it had been an original party thereto as a Hedging Party and accepts all of the rights and obligations of the Hedging Parties in accordance with the Project Facilities Agreement and the Intercreditor Agreement.
5. The Guarantor hereby reaffirms its guarantee as set out in Clause 15 of the Project Facilities Agreement and agrees that such guarantee remains in full force and effect with respect to all of the obligations of the Borrowers under the Finance Documents including and after giving effect to each Interest Hedging Instrument to which the Acceding Hedging Party and any Borrower are party (each a “New Hedging Instrument”). The Guarantor confirms that the entry into each New Hedging Instrument in no way invalidates or discharges the Guarantor’s obligations under the guarantee and the guarantee applies to the obligations of each Borrower under a New Hedging Instrument.

-
6. This Accession Deed may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Accession Deed.
 7. This Accession Deed has been executed as a deed on the date stated above and shall, together with any non-contractual obligations arising out of or in connection with it, be governed by and in accordance with English law.
 8. For the purposes of clause 37.1 of the Project Facilities Agreement the address details of the Acceding Hedging Party are:
[Address]
Attention:
Telephone:
Facsimile:
e-mail:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a Deed.

The Acceding Hedging Party

EXECUTED AS A DEED

By: *[Full name of Acceding Hedging Party]*

The Intercreditor Agent

By: *[Name]*

Date:

The Guarantor

By: *[Name]*

Date:

Part D: Operating Account Bank Accession Deed

To: [—] as Intercreditor Agent

From: Citibank, N.A. (New York Branch) as the acceding Operating Accounts Bank (the “**Acceding Operating Accounts Bank**”)

Ladies and Gentlemen,

1. We refer to the project facilities agreement dated as of [—] between Pacific Bora Limited, Pacific Mistral Limited, Pacific Scirocco Limited and Pacific Santa Ana Limited as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons, as such agreement may be amended from time to time (the “**Project Facilities Agreement**”).
2. This is an Accession Deed and unless otherwise provided herein, terms used in this Accession Deed shall have the meanings given to them in the Project Facilities Agreement.
3. This Accession Deed is delivered to you in accordance with Clause 26.8(e) of the Project Facilities Agreement.
4. In consideration of the Acceding Operating Accounts Bank being accepted as Operating Accounts Bank for the purposes of the Project Facilities Agreement, the Intercreditor Agreement and the other Finance Documents, the Acceding Operating Accounts Bank hereby confirms that as of the date of execution of this Accession Deed by the Intercreditor Agent it:
 - (a) intends to be a party to the Project Facilities Agreement and the Intercreditor Agreement as the Operating Accounts Bank;
 - (b) undertakes to each other party to such documents to perform all the obligations expressed in such documents to be assumed by the Operating Accounts Bank; and
 - (c) accedes to and agrees to be bound by all provisions of such documents as if it had been an original party thereto as Operating Accounts Bank in accordance with the Project Facilities Agreement and the Intercreditor Agreement.
5. This Accession Deed may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Accession Deed.
6. This Accession Deed has been executed as a deed on the date stated above and shall, together with any non-contractual obligations arising out of or in connection with it, be governed by and in accordance with English law.

7. For the purposes of clause 37.1 of the Project Facilities Agreement the address details of the Acceding Operating Accounts Bank are:

[Address]
Attention:
Telephone:
Facsimile:
e-mail:

IN WITNESS WHEREOF, the parties hereto have caused this Accession Deed to be executed as a Deed.

The Acceding Operating Accounts Bank

EXECUTED AS A DEED

By: Citibank, N.A. (New York Branch)

The Intercreditor Agent

By: *[Name]*

Date:

Schedule 29

FORM OF ACCOUNTS PLEDGE AND ACCOUNTS CONTROL AGREEMENT

Part A: FORM OF ACCOUNTS PLEDGE

PLEDGE AND SECURITY AGREEMENT

between

[*Borrower*]

as the Pledgor

and

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

TABLE OF CONTENTS

CLAUSE	PAGE
1. DEFINITIONS AND INTERPRETATION	2
2. PLEDGE AND SECURITY INTEREST	2
3. REPRESENTATIONS AND WARRANTIES	3
4. COVENANTS AND FURTHER ASSURANCES	5
5. ENFORCEMENT OF SECURITY	6
6. POWER OF ATTORNEY	6
7. MISCELLANEOUS	7
SCHEDULE 1 – GENERAL INFORMATION	11
SCHEDULE 2 - ACCOUNTS	12

This **PLEDGE AND SECURITY AGREEMENT** (this “ **Agreement** ”), dated as of 2010, is by and between:

- (1) [*Borrower*], a corporation organized and existing under the laws of Liberia (the “ **Pledgor** ”); and
- (2) **DNB NOR BANK ASA (NEW YORK BRANCH)** , as security trustee (in such capacity, together with its successors and permitted assigns, the “ **Security Trustee** ”),

(each a “ **Party** ” and together the “ **Parties** ”).

WHEREAS:

- (A) The Pledgor is a wholly owned subsidiary of the Guarantor and is party to a Shipbuilding Contract in respect of its Vessel.
- (B) The Pledgor is a borrower under the Finance Documents. Amounts raised by the Pledgor under the Finance Documents will be used to finance the construction, operation and other costs and expenses associated with its Vessel.
- (C) The Borrowers, the Guarantor, the Mandated Lead Arrangers, the Commercial Facility Lenders, the GIEK Facility Lender, the KEXIM Facility Lender, the Facility Agents, the Hedging Parties, the Security Trustee, the Intercreditor Agent and the Accounts Bank, among others, have entered into a project facilities agreement, dated [—] 2010 (the “ **Project Facilities Agreement** ”), pursuant to which the parties thereto have set out certain provisions regarding, among other things: (a) the conditions precedent to drawdowns under the Finance Documents; (b) common representations and warranties of the Pledgor under the Finance Documents; and (c) common covenants and Events of Default under the Finance Documents. On or about the date of this Agreement, the Operating Accounts Bank shall accede to the Project Facilities Agreement.
- (D) The Borrowers, the Guarantor, the Facility Agents, the Hedging Parties, the Security Trustee, the Intercreditor Agent and the Accounts Bank, among others, have entered into the Intercreditor Agreement dated [—] 2010 that governs the relationship between the Secured Parties and regulates the claims of the Secured Parties against the Borrower and the enforcement by the Secured Parties of the Security. On or about the date of this Agreement, the Operating Accounts Bank shall accede to the Intercreditor Agreement.
- (E) QPIL, each Manager, the Pledgor and the Guarantor, among others, have granted certain Security pursuant to the Security Documents (other than this Agreement).
- (F) The Parties desire to enter into this Agreement in order to set out certain provisions regarding the grant by the Pledgor of certain Security Interests in the Collateral.

NOW, THEREFORE , in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Except as otherwise expressly provided in this Agreement, capitalized terms used in this Agreement shall have the meanings given to them in schedule 1 to the Project Facilities Agreement, or, if not defined therein, in the UCC. To the extent such terms are defined by reference to any other Transaction Document, for the purposes of this Agreement, such terms shall continue to have their original definitions (but will bear the governing law of this Agreement) notwithstanding any termination, expiration or amendment of any such Transaction Document, except to the extent that the Parties agree to the contrary. In addition, the terms set out below shall have the respective meanings given to such terms below.

“ **Board** ” means the Board of Governors of the Federal Reserve System of the United States of America.

“ **Collateral** ” shall have the meaning given to it in Clause 2.

“ **Control Agreement** ” means the account control agreement, dated on or about the date of this Agreement, among the Pledgor, the Security Trustee and the Accounts Bank relating to the Pledged Account.

“ **Deposit Account** ” means a “deposit account” as defined in Article 9 of the UCC and shall include the account listed in Schedule 2 under the heading “Deposit Account” (as such Schedule may be amended or supplemented from time to time).

“ **Entitlement Order** ” shall have the meaning given to it in the UCC.

“ **Pledged Account** ” shall have the meaning given to it in Clause 2.

“ **Regulation T** ” means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“ **Regulation U** ” means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“ **Regulation X** ” means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“ **Securities Account** ” means a “securities account” as defined in Article 8 of the UCC and shall include the account listed in Schedule 2 under the heading “Securities Account” (as such Schedule may be amended or supplemented from time to time).

“ **UCC** ” means the Uniform Commercial Code as in effect from time to time in the State of New York.

1.2 Rules of Interpretation

Except as otherwise expressly provided in this Agreement, the rules of interpretation set out in clause 1.2 of the Project Facilities Agreement shall apply to this Agreement.

2. PLEDGE AND SECURITY INTEREST

As security for the payment of all Senior Debt Obligations, the Pledgor hereby pledges to the Security Trustee for the benefit of the Security Trustee and the other Secured Parties, and grants to the Security Trustee for the benefit of the Security Trustee and the other Secured Parties a security interest in and continuing lien on all of the Pledgor’s interest in and to:

- (a) the Securities Account and the Deposit Account (including any successor or replacement accounts, individually each a “ **Pledged Account** ” and collectively the “ **Pledged Accounts** ”);

- (b) all checks, drafts, instruments and other items received at any time for deposit in the Pledged Accounts and any automatic clearinghouse entry, credit from a merchant card transaction or other electronic funds transfer or other funds deposited in, credited to, or held for deposit in, or credit to, the Pledged Accounts;
 - (c) all securities, financial assets and other property now or hereafter credited to any Pledged Account;
 - (d) all interest, dividends, income and other earnings accruing on the Pledged Accounts from time to time; and
 - (e) all proceeds of the foregoing,
- (the property and assets listed in Clause 2(a) through (e), collectively, the “ **Collateral** ”).

3. REPRESENTATIONS AND WARRANTIES

The Pledgor hereby represents and warrants to the Security Trustee that:

- (a) Schedule 2 (as such Schedule may be amended or supplemented from time to time) sets forth under the headings “Securities Account” and “Deposit Account” all of the Securities Accounts and the Deposit Accounts in which the Pledgor has an interest except, for any other Accounts and any Local Accounts. The Pledgor is (and at the time of any future delivery, pledge, assignment or transfer thereof will be) the sole legal and beneficial owner of each Pledged Account free and clear of all liens, claims, security interests and encumbrances of every description whatsoever (other than the Permitted Security). The Pledgor is the sole “customer” or “entitlement holder” within the meaning of the UCC of each Pledged Account that is a Deposit Account and all financial assets credited to any Pledged Account that is a Securities Account, respectively. The Pledgor has not consented to, and is not otherwise aware of, any Person (other than the Security Trustee pursuant to and in accordance with this Agreement) having “control” (within the meanings of Sections 8-106 and 9-106 of the UCC) over, or any other interest in, any Securities Account or any Deposit Account or any property, including financial assets, money or cash, credited thereto. Other than financing statements in favor of the Security Trustee, no financing statement is on file covering any of the Collateral.
- (b) Subject only to the applicable qualifications set out in the legal opinions delivered to the Intercreditor Agent in accordance with Clause 26.8(b) of the Project Facilities Agreement, the pledge of the Collateral pursuant to this Agreement creates a valid Security Interest in the Collateral in favor of the Security Trustee.

-
- (c) Subject only to the applicable qualifications set out in the legal opinions delivered to the Intercreditor Agent in accordance with Clause 26.8(b) of the Project Facilities Agreement, the execution and delivery of the Control Agreement will result in the Security Interests created by this Agreement being a perfected first-priority Security Interest in the Collateral.
 - (d) Each of the Control Agreement and this Agreement has been duly authorized, executed and delivered by the Pledgor and constitutes the legal, valid, binding and enforceable obligation of the Pledgor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other Legal Requirements affecting creditors' rights generally and subject to general principles of equity regardless of whether considered in a proceeding in equity or law.
 - (e) Schedule 1 (as such Schedule may be amended or supplemented from time to time) indicates: (i) the type of organization of the Pledgor; (ii) the jurisdiction of organization of the Pledgor; (iii) the Pledgor's organizational identification number, if any; and (iv) the jurisdiction where the chief executive office of the Pledgor or its sole place of business is, and for the one-year period preceding the date of this Agreement has been, located.
 - (f) The full legal name of the Pledgor is as set forth on Schedule 1 and it has not done in the last five years, and does not do, business under any other name (including any trade-name or fictitious business name), except for those names set forth on Schedule 1 (as such Schedule may be amended or supplemented from time to time);
 - (g) Except as provided in Schedule 1, the Pledgor has not changed its name, jurisdiction of organization, chief executive office or sole place of business or its corporate structure in any way (including by merger, consolidation, change in corporate form or otherwise) within the past five years.
 - (h) The Pledgor has not within the last five years become bound (whether as a result of merger or otherwise) as debtor under a security agreement entered into by another Person in respect of any Collateral, which, as at the date of this Agreement, has not been terminated other than those agreements identified in Schedule 1 (as such Schedule may be amended or supplemented from time to time).
 - (i) All information supplied by the Pledgor with respect to any of the Collateral (in each case taken as a whole with respect to any particular Collateral) is accurate and complete in all material respects.
 - (j) Neither the execution and delivery by the Pledgor of this Agreement or the Control Agreement nor compliance with the provisions of this Agreement or the Control Agreement will, or at the relevant time did: (i) violate any Legal Requirement (including Regulations T, Regulation U or Regulation X) or award binding on the Pledgor or any of the Pledgor's constitutional documents; (ii) violate the provisions of or require the approval or consent of

any party to any material indenture, instrument or agreement to which the Pledgor is a party or is subject, or by which it, or any of its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Security Interest (other than Permitted Security) in, of or on any of the property of the Pledgor pursuant to the terms of any such indenture, instrument or agreement; or (iii) require any consent of any governmental authority.

4. COVENANTS AND FURTHER ASSURANCES

The Pledgor:

- (a) Shall cause the Collateral to at all times be under the “control” (within the meaning of Section 8-106, 9-106 and 9-104 of the UCC) of the Security Trustee. With respect to any Securities Account, such control shall be accomplished by the Pledgor causing the Securities Intermediary maintaining such Securities Account to enter into an agreement pursuant to which the Securities Intermediary shall agree to comply with the Security Trustee’s Entitlement Orders without further consent by the Pledgor and with respect to any Deposit Account, such control shall be accomplished by the Pledgor causing the Bank maintaining such Deposit Account to enter into an agreement pursuant to which the Bank shall agree to comply with the Security Trustee’s instructions without further consent by the Pledgor.
- (b) Shall not, without the express prior written consent of the Security Trustee, sell, assign, pledge or otherwise encumber, or grant any option, warrant or other right to purchase the Collateral, or otherwise diminish or impair any of its rights in, to or under any of the Collateral.
- (c) Shall defend the Collateral against any and all Security Interests or claims of any Person or entity adverse to the claim of the Security Trustee.
- (d) Shall do such other acts and things, all as the Security Trustee, from time to time, reasonably may request, to establish and maintain a valid, perfected Security Interest in the Collateral (free of all other liens, claims and rights of third parties whatsoever, other than Permitted Security) to secure the performance and payment of the Senior Debt Obligations.
- (e) Except as provided in the Project Facilities Agreement, shall not withdraw any funds or other Collateral from any Deposit Account or Securities Account prior to the payment in full of any outstanding Senior Debt Obligations.
- (f) Without limiting any prohibitions or restrictions on mergers or other transactions set forth in the Project Facilities Agreement, shall not change its name, identity, corporate structure (including by merger, consolidation, change in corporate form or otherwise), sole place of business, chief executive office, type of organization or jurisdiction of organization or establish any trade names unless it has: (a) notified the Security Trustee in writing at least 30 days prior to any such change or establishment, identifying such new proposed name, identity, corporate structure, sole place of business, chief executive office, jurisdiction of organization or trade name and providing such other information in connection therewith as the Security Trustee may reasonably

request; and (b) taken all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Security Interest in the Collateral granted or intended to be granted and agreed to hereby.

- (g) Hereby authorizes the filing of any financing statements or continuation statements, and amendments to financing statements, or any similar document in any jurisdictions and with any filing offices as the Security Trustee, in its sole discretion, may determine are necessary or advisable to perfect or otherwise protect the Security Interest granted to the Security Trustee under this Agreement. Such financing statements may describe the Pledged Account that is a Securities Account in the same manner as described in this Agreement or may contain an indication or description of collateral that describes such property in any other manner as the Security Trustee, in its sole discretion, may determine is necessary, advisable or prudent to ensure the perfection of the Security Interest in the Pledged Account that is a Securities Account granted to the Security Trustee under this Agreement, whether now owned or hereafter acquired. The Pledgor shall furnish to the Security Trustee from time to time statements and schedules further identifying and describing the Pledged Account that is a Securities Account and such other reports in connection with the Pledged Account that is a Securities Account as the Security Trustee reasonably may request, all in reasonable detail.

5. ENFORCEMENT OF SECURITY

If any Event of Default is continuing, the Security Trustee, in addition to all other rights and remedies provided in this Agreement, clause 23 of the Project Facilities Agreement or otherwise available to it at law or in equity, may exercise in respect of the Collateral all the rights and remedies of the Security Trustee on default under the UCC (whether or not the UCC applies to the affected Collateral) to collect, enforce or satisfy any Senior Debt Obligations then owing, whether by acceleration or otherwise, and also may pursue any remedy separately, successively or simultaneously and without limiting the generality of the foregoing the Security Trustee shall have the right to liquidate any Collateral and apply any Collateral or the proceeds thereof to the Senior Debt Obligations in accordance with the Intercreditor Agreement.

6. POWER OF ATTORNEY

- (a) The Pledgor hereby irrevocably appoints the Security Trustee (such appointment being coupled with an interest) as the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor, the Security Trustee or otherwise, from time to time, at the Security Trustee's sole discretion: (a) to execute, deliver and perfect all documents and do all things that the attorney may consider to be required for carrying out any obligation imposed on the Pledgor under this Agreement; and (b) if an Event of Default is continuing, to take any action and to execute any instrument that the Security Trustee may deem reasonably necessary or advisable to accomplish the purposes of this Agreement.
- (b) The Pledgor, to the greatest extent possible in light of relevant Legal Requirements, hereby ratifies and confirms, and agrees to ratify and confirm, whatever an attorney-in-fact does or purports to do under its appointment pursuant to this Clause 6.

7. MISCELLANEOUS

7.1 Notices

Except as otherwise expressly provided herein, all notices or other communications under or in connection with this Agreement shall be sent in accordance with the provisions of clause 37.1 of the Project Facilities Agreement, the provisions of which are hereby incorporated by reference as if set out in this Agreement in full.

7.2 Delay and waiver

No delay on the part of the Security Trustee in exercising any right, power or remedy shall operate as a waiver thereof, and no single or partial exercise of any such right, power or remedy shall preclude any other or further exercise thereof, or the exercise of any other right, power or remedy.

7.3 Amendments

No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement shall be effective unless the same shall be in writing and signed and delivered by the Security Trustee and the Pledgor and is otherwise made in accordance with the terms of the Finance Documents.

7.4 Independent security

All obligations of the Pledgor and all rights, powers and remedies of the Security Trustee expressed herein are in addition to all other rights, powers and remedies possessed by them, including those provided by applicable Legal Requirements or in any other written instrument or agreement relating to any of the Senior Debt Obligations or any security therefor, but are subject to the provisions of the Project Facilities Agreement and the other Finance Documents.

7.5 Severability

Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Legal Requirements, but if any provision of this Agreement shall be prohibited by or invalid under such Legal Requirements, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

7.6 Successors and assigns

- (a) This Agreement shall be binding upon the Pledgor and the Security Trustee and their respective successors and assigns, and shall inure to the benefit of the Pledgor and the Security Trustee and the successors and assigns of the Security Trustee.
- (b) Except as expressly permitted by a Finance Document, no Party may assign or otherwise transfer any of its rights or obligations under this Agreement.

-
- (c) Any corporation into which the Security Trustee may be merged or converted or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which the Security Trustee shall be a party, or any corporation succeeding to the business of the Security Trustee shall be the successor of the Security Trustee under this Agreement without the execution or filing of any paper with any Party or any further act on the part of any of the Parties except where an instrument of transfer or assignment is required by any applicable Legal Requirements to effect such succession, anything in this Agreement or any other Finance Document to the contrary notwithstanding.

7.7 Counterparts

This Agreement may be executed in any number of counterparts and by both Parties on separate counterparts, and each such counterpart shall be deemed an original but all such counterparts shall together constitute but one and the same agreement. The Parties may sign this Agreement and transmit the executed copy by electronic means, including facsimile or noneditable *.pdf files. The electronic copy of the executed Agreement is and shall be deemed a signed original.

7.8 Effectiveness

This Agreement shall become effective upon the execution of a counterpart of this Agreement by each of the Parties and receipt by the Pledgor and the Security Trustee of written or telephonic notification of such execution and authorization of delivery thereof.

7.9 Entire agreement

This Agreement reflects the entire agreement and understanding of the Parties, and supersedes all prior agreements and understandings (both written and oral), between or among any of the Parties relating to the transactions contemplated by this Agreement.

7.10 Service of process.

Without prejudice to any other mode of service permitted under any relevant Legal Requirement, the Pledgor:

- (a) hereby irrevocably appoints [—], with an office at [—], as its agent for service of process in any matter related to this Agreement;
- (b) agrees that failure by a process agent to notify it of the process shall not invalidate the proceedings concerned.

If for any reason any agent appointed in accordance with this Clause 7.10 shall cease to be available to act as such, the Pledgor agrees to appoint a new agent satisfactory to the Security Trustee in New York on the terms and for the purposes of this Clause 7.10.

7.11 Termination

- (a) This Agreement shall create a continuing Security Interest in the Collateral and shall remain in full force and effect until termination in accordance with Clause 7.11(b).
- (b) Upon the earlier to occur of (i) the Final Discharge Date; and (ii) if the Vessel owned by the Pledgor becomes the Released Vessel, the Release Date, the Security Interests granted pursuant to this Agreement shall terminate and all rights to the Collateral shall revert to the Pledgor. Promptly following any such termination the Security Trustee, at the Pledgor's expense, shall execute and deliver to the Pledgor such documents as the Pledgor reasonably shall request to evidence such termination.
- (c) The termination of this Agreement shall not terminate the Pledged Accounts.

7.12 Choice of law, consent to jurisdiction.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND ALL CLAIMS AND CONTROVERSIES ARISING OUT OF THE SUBJECT MATTER HEREOF WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PROVISIONS THAT WOULD RESULT IN THE APPLICATION OF ANY OTHER LAW (OTHER THAN ANY MANDATORY PROVISIONS OF THE UCC RELATING TO THE LAW GOVERNING PERFECTION AND THE EFFECT OF PERFECTION OF THE SECURITY INTEREST).

THE PLEDGOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN MANHATTAN IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE COLLATERAL AND THE PLEDGOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE SECURITY TRUSTEE TO BRING PROCEEDINGS AGAINST THE PLEDGOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE PLEDGOR AGAINST THE SECURITY TRUSTEE OR ANY AFFILIATE OF THE SECURITY TRUSTEE INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK; PROVIDED, THAT SUCH PROCEEDINGS MAY BE BROUGHT IN OTHER COURTS IF JURISDICTION MAY NOT BE OBTAINED IN A COURT IN NEW YORK, NEW YORK.

IN WITNESS WHEREOF , the Pledgor and the Security Trustee have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

[*Borrower*]
as the Pledgor

By: _____

Name:
Title:

DNB NOR BANK ASA (NEW YORK BRANCH),
as the Security Trustee

By: _____

Name:
Title:

SCHEDULE 1 – GENERAL INFORMATION

- (a) Full Legal Name, Type of Organization, Jurisdiction of Organization, Chief Executive Office/Sole Place of Business and Organizational Identification Number of the Pledgor:

<u>Full Legal Name</u>	<u>Type of Organization</u>	<u>Jurisdiction of Organization</u>	<u>Chief Executive Office/Sole Place of Business</u>	<u>Organization I.D.#</u>

- (b) Other Names (including any Trade-Name or Fictitious Business Name) under which the Pledgor has conducted business for the past five (5) years:

<u>Full Legal Name</u>	<u>Trade Name or Fictitious Business Name</u>

- (c) Changes in Name, Jurisdiction of Organization, Chief Executive Office or Sole Place of Business and Corporate Structure within past five (5) years:

<u>Name of Pledgor</u>	<u>Date of Change</u>	<u>Description of Change</u>

- (d) Agreements pursuant to which the Pledgor is bound as debtor within the past five (5) years as described in Clause 3(h):

<u>Name of Pledgor</u>	<u>Description of Agreement</u>

SCHEDULE 2 - ACCOUNTS

Securities Account:

<u>Name of Securities Intermediary</u>	<u>Account Number</u>	<u>Account Name</u>

Deposit Account:

<u>Name of Depository Bank</u>	<u>Account Number</u>	<u>Account Name</u>
Citibank, N.A. (New York Branch)	[—]	Operating Account

Part B : FORM OF ACCOUNTS CONTROL AGREEMENT

ACCOUNT CONTROL AGREEMENT

[Borrower]

as the Company

DNB NOR BANK ASA (NEW YORK BRANCH)

as the Security Trustee

and

CITIBANK, N.A. (NEW YORK BRANCH)

as the Operating Accounts Bank

TABLE OF CONTENTS

	Page
1. DEFINITIONS AND INTERPRETATION	2
2. SECURED ACCOUNTS	2
3. "FINANCIAL ASSETS" ELECTION	3
4. CONTROL OF THE OPERATING ACCOUNT	3
5. SUBORDINATION OF LIEN; WAIVER OF SET-OFF	5
6. CHOICE OF LAW; CONSENT TO JURISDICTION	5
7. JURISDICTION OF ACCOUNTS BANK	6
8. CONFLICT WITH OTHER AGREEMENTS	6
9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE OPERATING ACCOUNTS BANK	6
10. INDEMNIFICATION OF THE OPERATING ACCOUNTS BANK	6
11. SUCCESSORS AND ASSIGNS	6
12. NOTICES	7
13. TERMINATION	7
14. RIGHTS IN ACCOUNTS	7
15. MODIFICATION	7
16. COUNTERPARTS	7
17. SERVICE OF PROCESS	8
18. SECURITY TRUSTEE	8
SCHEDULE 1	10

This **ACCOUNT CONTROL AGREEMENT** (this “**Agreement**”) is dated as of _____, 2010 and made among:

- (1) [*Borrower*], a corporation organized and existing under the laws of Liberia (the “**Company**”);
- (2) **DNB NOR BANK ASA (NEW YORK BRANCH)**, as the security trustee (the “**Security Trustee**”); and
- (3) **CITIBANK, N.A. (NEW YORK BRANCH)**, in its capacity as a “securities intermediary” (as such term is defined in Section 8-102 of the UCC (as such term is defined below) and a “bank” (as such term is defined in Section 9-102 of the UCC) (the “**Operating Accounts Bank**”),

each a “**Party**” and together the “**Parties**”.

WHEREAS

- (A) The Company is a wholly owned subsidiary of the Guarantor and is party to a Shipbuilding Contract in respect of its Vessel.
- (B) The Company is a borrower under the Finance Documents. Amounts raised by the Company under the Finance Documents will be used to finance the construction, operation and other costs and expenses associated with its Vessel.
- (C) The Borrowers, the Guarantor, the Mandated Lead Arrangers, the Commercial Facility Lenders, the GIEK Facility Lender, the KEXIM Facility Lender, the Facility Agents, the Hedging Parties, the Security Trustee, the Intercreditor Agent and the Accounts Bank, among others, have entered into a project facilities agreement, dated [—] (the “**Project Facilities Agreement**”), pursuant to which the parties thereto have set out certain provisions regarding, among other things: (a) the conditions precedent to drawdowns under the Finance Documents; (b) common representations and warranties of the Company under the Finance Documents; and (c) common covenants and Events of Default under the Finance Documents. On or about the date of this Agreement, the Operating Accounts Bank shall accede to the Project Facilities Agreement.
- (D) The Borrowers, the Guarantor, the Facility Agents, the Hedging Parties, the Security Trustee, the Intercreditor Agent and the Accounts Bank, among others, have entered into the Intercreditor Agreement dated [—] that governs the relationship between the Secured Parties and regulates the claims of the Secured Parties against the Borrower and the enforcement by the Secured Parties of the Security. On or about the date of this Agreement, the Operating Accounts Bank shall accede to the Intercreditor Agreement.
- (E) QPIL, each Manager, the Company and the Guarantor, among others, have granted certain Security pursuant to the Security Documents, including in respect of the Operating Account (as defined below) of the Company pursuant to a pledge and security agreement, dated on or about the date of this Agreement (the “**Security Agreement**”), between the Company and the Security Trustee.

(F) The Parties are entering into this Agreement to perfect and ensure the priority of certain of the Security created by the Security Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

- (a) Except as otherwise expressly provided in this Agreement, capitalized terms used in this Agreement shall have the meanings given to them in the Security Agreement and schedule 1 to the Project Facilities Agreement, or, if not defined therein, in the UCC (as defined below). To the extent such terms are defined by reference to any other Transaction Document, for the purposes of this Agreement, such terms shall continue to have their original definitions (but will bear the governing law of this Agreement) notwithstanding any termination, expiration or amendment of any such Transaction Document, except to the extent that the Parties agree to the contrary. In addition, all references in this Agreement to the “UCC” shall mean the Uniform Commercial Code as in effect in the State of New York.
- (b) Except as otherwise expressly provided in this Agreement, the rules of interpretation set out in clause 1.2 of the Project Facilities Agreement shall apply to this Agreement.

2. SECURED ACCOUNTS

The Operating Accounts Bank confirms and/or agrees that:

- (a) in accordance with the Project Facilities Agreement, the Company has established a Dollar denominated segregated interest bearing deposit account (the details of which are set out in Schedule 1) in its own name with the Operating Accounts Bank (the “**Operating Account**”).
- (b) all “financial assets” (as such term is defined in Section 8-102(a)(9) of the UCC) in registered form or payable to or to the order of and credited to any Securities Account shall be registered in the name of, payable to or to the order of, or endorsed to, the Operating Accounts Bank or in blank, or credited to another securities account maintained in the name of the Operating Accounts Bank and in no case will any financial asset credited to any Securities Account be registered in the name of, payable to or to the order of, or endorsed to, the Company (except to the extent the foregoing subsequently have been endorsed by the Company to the Operating Accounts Bank or in blank);
- (c) all funds and other property delivered to the Operating Accounts Bank pursuant to this Agreement or any other Finance Document and in respect of the Operating Account promptly shall be credited by an appropriate entry in its records to the Operating Account in accordance with this Agreement and the other Finance Documents;
- (d) the account listed in Part A of Schedule 1 is intended to be a “deposit account” (as defined in Section 9-102(a)(29) of the UCC) and the account listed in Part

B of Schedule 1 is intended to be a “securities account” (as defined in Section 8-501 of the UCC). Notwithstanding such intention, as used herein “Deposit Account” shall mean any Operating Account (or any part thereof) that is determined to be a “deposit account” (within the meaning of Section 9-102(a)(29) of the UCC) and “Securities Account” shall mean any Operating Account (or any part thereof) that is determined to be a “securities account” (within the meaning of Section 8-501 of the UCC); and

- (e) the Company will be the “entitlement holder” (as such term is defined in Section 8-102(a)(7) of the UCC) in respect of the “financial assets” (as such term is defined in Section 8-102(a)(9) of the UCC) credited to the Securities Account and any instruction or direction from the Security Trustee relating to the Securities Account and any money standing to the credit of the Securities Account and investments made with or arising out of such funds or elsewhere in this Agreement or any other Finance Document shall constitute an “entitlement order” (as such term is defined in Section 8-102(a)(8) of the UCC).

3. “FINANCIAL ASSETS” ELECTION

The Operating Accounts Bank hereby agrees that each item of property (including without limitation any security, instrument or obligation, share, participation, interest, general intangibles, cash or other property whatsoever) credited to the Securities Account shall be a “financial asset” (as such term is defined in Section 8-102(a)(9) of the UCC) as determined by the Operating Accounts Bank and shall be treated as a financial asset and the right to them shall constitute a “security entitlement” (as such term is defined in Section 8-102(17) of the UCC).

4. CONTROL OF THE OPERATING ACCOUNT

- (a) The Company shall only be permitted to:
 - (i) deposit funds into the Operating Account in accordance with Clause 26.8(c) of the Project Facilities Agreement; and
 - (ii) withdraw funds from the Operating Account in accordance with Clauses 26.8(d) and (f) of the Project Facilities Agreement.
- (b) At all times, unless an Accounts Control Event shall have occurred and be continuing and subject always to Clause 26.8 of the Project Facilities Agreement:
 - (i) the Company shall be free to deposit and withdraw moneys from the Operating Account in each case, in accordance with the Project Facilities Agreement;
 - (ii) neither the Security Trustee nor the Operating Accounts Bank, except as expressly provided in the Project Facilities Agreement, shall:
 - (A) have any duty to monitor any such deposit or withdrawal;

-
- (B) be required to consider whether any such deposit or withdrawal was made in accordance with the Project Facilities Agreement; or
 - (C) be under any duty to give the Operating Account and any funds held thereby any greater degree of care than it gives its own similar property.
- (c) Upon the occurrence and the continuance of an Accounts Control Event, the Company shall no longer be entitled to make any withdrawals, payments or transfers from the Operating Account and the Security Trustee shall assume exclusive control of the Operating Account.
 - (d) If the Security Trustee assumes exclusive control of the Operating Account as provided in this Clause 4, in accordance with the Project Facilities Agreement, it shall deliver an Account Control Notice to the Company and the Operating Accounts Bank, stating its intention to so assume exclusive control of the Operating Account, the date and time from which it will assume such control and the Accounts Control Event that has given it the right to take such control. The Operating Accounts Bank may rely exclusively on an Account Control Notice as to the existence of an Accounts Control Event and shall be under no obligation to make any independent investigation as to the existence of an Accounts Control Event.
 - (e) If the Security Trustee assumes exclusive control of the Operating Account in accordance with this Clause 4, from the date specified in the Account Control Notice, it shall make payments from the Operating Account to give effect to the priority established in the Cash Waterfall for the Company.
 - (f) Upon the occurrence of an Event of Default or a Potential Event of Default, the Security Trustee, by written notice to the Operating Accounts Bank, may instruct the Operating Accounts Bank to transfer all funds at that time on deposit in the Operating Account into the Collection Account of the Company and, as soon as possible following receipt of any such notice, the Operating Accounts Bank shall transfer all such funds in such manner.
 - (g) If at any time the Operating Accounts Bank shall receive from the Security Trustee an “entitlement order” (within the meaning of Section 8-102(a)(8) of the UCC, being an order directing transfer or redemption of any financial asset relating to the Operating Account) or any “instruction” (within the meaning of Section 9-104 of the UCC, being an instruction directing the disposition of funds in the Operating Account) originated by the Security Trustee, the Operating Accounts Bank shall comply with such entitlement order or instruction without further consent by the Company or any other Person. If the Company otherwise is entitled to give any “entitlement order” or “instruction” with respect to the Operating Account in accordance with this Clause 4 and such “entitlement order” or “instruction” conflicts with any instruction of the Security Trustee, the Operating Accounts Bank shall comply with the “entitlement order” and “instruction” issued by the Security Trustee.

5. SUBORDINATION OF LIEN; WAIVER OF SET-OFF

If the Operating Accounts Bank has, or subsequently obtains, by agreement, by operation of law or otherwise a Security Interest in the Operating Account or any financial assets, cash or other property credited thereto, the Operating Accounts Bank hereby agrees that such Security Interest shall be subordinate to the Security Interest of the Security Trustee. The financial assets, money and other items credited to the Operating Account will not be subject to deduction, set-off, banker's lien, or any other right in favor of any Person other than the Security Trustee (except that the Operating Accounts Bank may set off (i) all amounts due to the Operating Accounts Bank in respect of customary fees and expenses for the routine maintenance and operation of the Operating Account and (ii) the face amount of any checks that have been credited to the Operating Account but that are subsequently returned unpaid because of uncollected or insufficient funds).

6. CHOICE OF LAW; CONSENT TO JURISDICTION

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND ALL CLAIMS AND CONTROVERSIES ARISING OUT OF THE SUBJECT MATTER HEREOF WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PROVISIONS THAT WOULD RESULT IN THE APPLICATION OF ANY OTHER LAW (OTHER THAN ANY MANDATORY PROVISIONS OF THE UCC RELATING TO THE LAW GOVERNING PERFECTION AND THE EFFECT OF PERFECTION OF THE SECURITY INTEREST).

THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN MANHATTAN IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE COLLATERAL AND THE COMPANY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE SECURITY TRUSTEE TO BRING PROCEEDINGS AGAINST THE COMPANY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE COMPANY AGAINST THE SECURITY TRUSTEE OR ANY AFFILIATE OF THE SECURITY TRUSTEE INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK; PROVIDED, THAT SUCH PROCEEDINGS MAY BE BROUGHT IN OTHER COURTS IF JURISDICTION MAY NOT BE OBTAINED IN A COURT IN NEW YORK, NEW YORK.

7. JURISDICTION OF ACCOUNTS BANK

Regardless of any provision in any other agreement, for purposes of the UCC, New York shall be deemed to be the Operating Accounts Bank's jurisdiction (within the meaning of Sections 8-110(e) and 9-304 of the UCC) and the Operating Account (as well as the securities entitlements related thereto) shall be governed by the laws of the State of New York.

8. CONFLICT WITH OTHER AGREEMENTS

In the event of any conflict between this Agreement (or any portion thereof) and any other agreement now existing or hereafter entered into, the terms of this Agreement shall prevail.

9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE OPERATING ACCOUNTS BANK

The Operating Accounts Bank hereby makes the following representations, warranties and covenants to and in favour of the Security Trustee (for the benefit of each Secured Party):

- (a) the Operating Account has been established and will be maintained in the manner provided in the Finance Documents; and
- (b) it has not entered into, and until the termination of this Agreement, will not enter into, any agreement with the Company purporting to limit or condition the obligation of the Operating Accounts Bank to comply with entitlement orders or instructions as provided in Clause 4.

10. INDEMNIFICATION OF THE OPERATING ACCOUNTS BANK

The Company and the Security Trustee hereby agree that (a) the Operating Accounts Bank is released from any and all liabilities to the Company and the Security Trustee arising from the terms of this Agreement and the compliance of the Operating Accounts Bank with the terms of this Agreement, except to the extent that such liabilities arise from the Operating Accounts Bank's gross negligence, fraud or willful misconduct and (b) the Company, its successors and assigns at all times shall indemnify and hold harmless the Operating Accounts Bank from and against any and all claims, actions and suits of others arising out of the terms of this Agreement or the compliance of the Operating Accounts Bank with the terms of this Agreement, except to the extent that such arises from the Operating Accounts Bank's gross negligence, fraud or willful misconduct.

11. SUCCESSORS AND ASSIGNS

- (a) This Agreement shall be binding upon the Parties and their respective successors and assigns, and shall inure to the benefit of the Parties and the successors and assigns of the Security Trustee and the Operating Accounts Bank.
- (b) Except as expressly permitted by a Finance Document, no Party may assign or otherwise transfer any of its rights or obligations under this Agreement.

-
- (c) Any corporation into which the Security Trustee may be merged or converted or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which the Security Trustee shall be a party, or any corporation succeeding to the business of the Security Trustee shall be the successor of the Security Trustee under this Agreement without the execution or filing of any paper with any Party or any further act on the part of any of the Parties except where an instrument of transfer or assignment is required by any applicable Legal Requirements to effect such succession, anything in this Agreement or any other Finance Document to the contrary notwithstanding.

12. NOTICES

Except as otherwise expressly provided herein, all notices or other communications under or in connection with this Agreement shall be sent in accordance with the provisions of clause 37.1 of the Project Facilities Agreement, the provisions of which are hereby incorporated by reference as if set out in this Agreement in full.

13. TERMINATION

This Agreement shall continue in effect until the Security Agreement has been terminated, discharged or released in accordance with the Project Facilities Agreement. The termination of this Agreement shall not terminate the Operating Account or alter the obligations of the Operating Accounts Bank to the Company pursuant to any other agreement with respect to the Operating Account.

14. RIGHTS IN ACCOUNTS

It is understood and agreed that nothing in this Agreement shall give the Security Trustee any benefit or legal or equitable right, remedy or claim under any other agreement between the Company and the Operating Accounts Bank.

15. MODIFICATION

No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement shall be effective unless the same shall be in writing and signed and delivered by the Parties and is otherwise made in accordance with the Finance Documents.

16. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by each of the Parties on separate counterparts, and each counterpart shall be deemed an original but all such counterparts together shall constitute one and the same instrument. The Parties may sign this Agreement and transmit the executed copy by electronic means, including facsimile or noneditable *.pdf files. The electronic copy of the executed Agreement is and shall be deemed a signed original.

17. SERVICE OF PROCESS

Without prejudice to any other mode of service permitted under any relevant Legal Requirement, the Company:

- (i) hereby irrevocably appoints [—], with an office at [—], as its agent for service of process in any matter related to this Agreement;
- (ii) agrees that failure by a process agent to notify it of the process shall not invalidate the proceedings concerned.

If for any reason any agent appointed in accordance with this Clause 17 shall cease to be available to act as such, the Company agrees to appoint a new agent satisfactory to the Security Trustee in New York on the terms and for the purposes of this Clause 17.

18. SECURITY TRUSTEE

- (a) The Company acknowledges that the Security Trustee is acting as security trustee on behalf of the Secured Parties and that it is entitled to the indemnities and limitations on liability set forth in the Project Facilities Agreement.
- (b) The Security Trustee's obligations are limited to those expressly set forth in the Finance Documents and this Agreement and the Security Trustee shall have all of the benefits granted to it under the Project Facilities Agreement (including the right to assign and novate its rights and obligations under this Agreement in accordance with the Project Facilities Agreement, if it ceases to be a Security Trustee under the Project Facilities Agreement).

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written by their respective officers thereunto duly authorized.

[*Borrower*]

By: _____
Name:
Title:

DNB NOR BANK ASA (NEW YORK BRANCH)
as the Security Trustee

By: _____
Name:
Title:

CITIBANK, N.A. (NEW YORK BRANCH)
as the Operating Accounts Bank

By: _____
Name:
Title:

SCHEDULE 1

Part A – Deposit Account subject to this Agreement

Account Name	Account Number
Operating Account	[—]

Part B –Securities Account subject to this Agreement

NONE.

SCHEDULE 30

FORM OF INVESTMENT NOTIFICATION

To: [—] as Accounts Bank
Copies to: [—] as Security Trustee
[—] as Intercreditor Agent

For the attention of [—]

[DATE]

Project Facilities Agreement

We refer to the Project Facilities Agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the "Project Facilities Agreement").

This Investment Notification is being provided to you in accordance with Clause 26.15 of the Project Facilities Agreement. We hereby inform you that we intend to [invest] [instruct [—] to invest] the following amount[s] from the Collection Account[s] specified below on [insert date] in the Permitted Investment specified below:

[] Account

Amount: []
Date of Payment: []
Currency: []
Permitted Investment []

Notification to be received by the Accounts Bank by close of business (New York time) three clear Business Days prior to the value date of the intended payment.

Yours sincerely,

[]

By: _____
(Authorised Representative)

SCHEDULE 31

FORM OF LIQUIDATION NOTIFICATION

To: [—] as Accounts Bank
Copies to: [—] as Security Trustee
[—] as Intercreditor Agent

For the attention of [—]

[DATE]

Project Facilities Agreement

We refer to the Project Facilities Agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the "Project Facilities Agreement").

This Liquidation Notification is being provided to you in accordance with Clause 26.15(h) of the Project Facilities Agreement. We hereby inform you that we intend to [liquidate] [procure the liquidation of] the following portions of the indicated Permitted Investment(s) and pay the proceeds to the Collection Account specified below.

[] Account

1. US\$ [insert amount]/[total balance] from [insert Permitted Investment]
US\$ [insert amount]/[total balance] from [insert Permitted Investment]

Etc

Total US\$ [insert total]

Notification to be received by the Accounts Bank by close of business (New York time) one clear Business Day prior to the value date of the intended payment.

Yours sincerely,
[]

By: _____
(Authorised Representative)

SCHEDULE 32

FORMS OF NOTIFIABLE DEBT PURCHASE TRANSACTION NOTICE

Part I

Form of Notice on Entering into Notifiable Debt Purchase Transaction

To: [—] as [Commercial][GIEK][KEXIM] Facility Agent
From: [Lender]
Dated: [—]

**Project Facilities Agreement
dated [—] (the “Agreement”)**

1. We refer to Clause 30.12(b) of the Agreement. Terms defined in the Agreement have the same meaning in this notice unless given a different meaning in this notice.
2. We have entered into a Notifiable Debt Purchase Transaction.
3. The Notifiable Debt Purchase Transaction referred to in paragraph 2 above relates to the amount of our Commitment(s) as set out below.

Commitment

[Bora][Mistral][Scirocco][Santa Ana]
Term Loan
[Commercial][GIEK][KEXIM]
Tranche

**Amount of our Commitment to which
Notifiable Debt Purchase Transaction relates
(Base Currency)**

*[insert amount (of that Commitment) to which the
relevant Notifiable Debt Purchase Transaction
applies]*

[Lender]
By:

SCHEDULE 32

Part II

**Form of Notice on Termination of Notifiable Debt Purchase Transaction /
Notifiable Debt Purchase Transaction ceasing to be with Investor Affiliate**

To: [—] as [Commercial][GIEK][KEXIM] Facility Agent
From: [*Lender*]
Dated:

**Project Facilities Agreement
dated [—] (the “Agreement”)**

1. We refer to Clause 30.12(c) of the Agreement. Terms defined in the Agreement have the same meaning in this notice unless given a different meaning in this notice.
2. A Notifiable Debt Purchase Transaction which we entered into and which we notified you of in a notice dated [—] has [terminated]/ [ceased to be with an Investor Affiliate].
3. The Notifiable Debt Purchase Transaction referred to in paragraph 2 above relates to the amount of our Commitment(s) as set out below.

Commitment

[Bora][Mistral][Scirocco][Santa Ana]

Term Loan

[Commercial][GIEK][KEXIM]

Tranche

[*Lender*]

By:

**Amount of our Commitment to which
Notifiable Debt Purchase Transaction relates
(Base Currency)**

*[insert amount (of that Commitment) to which the
relevant Notifiable Debt Purchase Transaction
applies]*

SCHEDULE 33

FORMS OF ACCEPTABLE LETTER OF CREDIT

PART A (English Law)

To: [*name of Security Trustee*] as Security Trustee for and on behalf of the Secured Parties (the “ **Beneficiary** ”)

[*Date*]

Irrevocable Standby Letter of Credit no. [—]

At the request of [—], [*Issuing bank*] (the “ **Issuing Bank** ”) issues this irrevocable standby letter of credit (“Letter of Credit”) in your favour on the following terms and conditions:

1. Definitions

Except as otherwise expressly provided in this Letter of Credit, capitalised terms used in this Letter of Credit shall have the meanings given to them in schedule 1 to the project facilities agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders and other Persons dated [—] 2010 (the “ **Project Facilities Agreement** ”). In addition, the terms set out below shall have the respective meanings given to such terms below.

“ **Demand** ” means a demand for a payment under this Letter of Credit in the form of the schedule to this Letter of Credit.

“ **Expiry Date** ” means [—] (as such date may be extended in accordance with Clause 3 of this Letter of Credit).

“ **Total L/C Amount** ” means [—].

2. Issuing Bank’s agreement

- (a) The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the Issuing Bank a duly completed Demand. A Demand must be received by the Issuing Bank by [—] p.m. ([New York] time) on the Expiry Date.
- (b) Subject to the terms of this Letter of Credit, the Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within [three] Business Days of receipt by it of a Demand, it shall pay to the Beneficiary the amount demanded in that Demand.

-
- (c) The Issuing Bank will not be obliged to make a payment under this Letter of Credit if as a result the aggregate of all payments made by it under this Letter of Credit would exceed the Total L/C Amount.

3. Expiry

- (a) The Issuing Bank will be released from its obligations under this Letter of Credit on the date (if any) notified by the Beneficiary to the Issuing Bank as the date upon which the obligations of the Issuing Bank under this Letter of Credit are released.
- (b) Unless previously released under paragraph (a) above and subject to paragraph (c) below, at [—] p.m. ([New York] time) on the Expiry Date the obligations of the Issuing Bank under this Letter of Credit will cease with no further liability on the part of the Issuing Bank except for any Demand validly presented under the Letter of Credit that remains unpaid.
- (c) Unless notice to the contrary is provided by the Issuing Bank to the Beneficiary at least 60 days prior to the then effective Expiry Date, the Expiry Date will be deemed to be extended by a period of one calendar year.

4. Payments

All payments under this Letter of Credit shall be made in Dollars and for value on the due date to the account of the Beneficiary specified in the Demand.

5. Delivery of Demand

Each Demand shall be in writing, and, unless otherwise stated, may be [given in person, by post, by fax or authenticated SWIFT] and must be received by the Issuing Bank at its offices in either New York, London or [—] and by the particular department or officer (if any) as follows:

[—]

6. Assignment

The Beneficiary's rights under this Letter of Credit may be assigned or transferred to any successor or assignee of the Security Trustee.

7. ISP 98

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98), International Chamber of Commerce Publication No. 590.

8. Governing Law

This Letter of Credit and any non-contractual obligations arising out of or in connection with it are governed by English law.

9. Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter of Credit (including a dispute relating to any non-contractual obligation arising out of or in connection with this Letter of Credit).

Yours faithfully,

[*Issuing Bank*]

By:

SCHEDULE
FORM OF DEMAND

To: [Issuing Bank]

[*Date*]

Dear Sirs

Standby Letter of Credit no. [—] issued in favour of [*name of Security Trustee*] as Security Trustee for and on behalf of the Secured Parties (the “Letter of Credit”)

We refer to the Letter of Credit. Terms defined in the Letter of Credit have the same meaning when used in this Demand.

1. We certify that the sum of [—] is due [under the [—]]. We therefore demand payment of the sum of [—].
2. Payment should be made to the following account:

Name:

Account Number:

Bank:

3. The date of this Demand is not later than the Expiry Date.

Yours faithfully

(Authorised Signatory)

(Authorised Signatory)

For
[*name of Security Trustee*]

PART B (New York Law)

To: DnB NOR Bank ASA (New York Branch)
Shipping, Offshore & Logistics
200 Park Avenue
NY 10166
Attention: Credit Administration Department
(in its capacity as Security Trustee for and on behalf of the Secured Parties (the “ **Beneficiary** ”))

15 December 2010

Irrevocable Standby Letter of Credit no. [—]

At the request of Pacific Drilling Operations Limited, a BVI corporation, we, Citibank N.A., c/o Citicorp North America, Inc., 3800 Citibank Center, Building B, 3rd Floor, Tampa, FL 33610 (the “ **Issuing Bank** ”) issue this irrevocable standby letter of credit (“ **Letter of Credit** ”) in favour of the Beneficiary on the following terms and conditions:

1. Definitions

In this Letter of Credit:

“ **Project Facilities Agreement** ” means the project facilities agreement, dated 9 September 2010, among, among others, Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders (as defined therein), as amended from time to time.

“ **Business Day** ” means a day (other than a Saturday or a Sunday) on which banks are open for general business in New York.

“ **Demand** ” means a demand for a payment under this Letter of Credit in the form set out in Schedule 1 to this Letter of Credit (with relevant blanks completed therein).

“ **Expiry Date** ” means, subject to Section 3 of this Letter of Credit, XX September, 2011.

“ **Total L/C Amount** ” means \$XX,000,000.

2. Issuing Bank’s agreement

- (a) The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the Issuing Bank a duly completed Demand. A Demand must be received by the Issuing Bank by 4 p.m. (New York time) on or before the Expiry Date.
- (b) Subject to the terms of this Letter of Credit, the Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within three Business Days of receipt by it of a Demand complying with the terms and conditions of this Letter of Credit, it shall pay to the Beneficiary the amount that is demanded in that Demand.

-
- (c) The Issuing Bank will not be obliged to make a payment under this Letter of Credit if as a result the aggregate of all payments made by it under this Letter of Credit would exceed the Total L/C Amount.

3. Expiry

- (a) The Issuing Bank will be released from its obligations under this Letter of Credit on the date the Beneficiary returns the original of this Letter of Credit to the Issuing Bank together with its written confirmation that this Letter of Credit must be cancelled and the obligations of the Issuing Bank under this Letter of Credit are released.
- (b) Unless previously released under paragraph (a) above and subject to paragraph (c) below, at 4 p.m. (New York time) on the Expiry Date the obligations of the Issuing Bank under this Letter of Credit will cease with no further liability on the part of the Issuing Bank except for any complying Demand presented under the Letter of Credit that remains unpaid.
- (c) The Expiry Date shall be deemed automatically extended for successive periods of one year from the present or any future Expiry Date, unless the Issuing Bank shall notify the Beneficiary in writing at the address of the Beneficiary stated above or such other address as the Beneficiary may notify to the Issuing Bank from time to time in writing, not less than 60 days prior to any such Expiry Date that it has elected not to extend the Expiry Date for such additional period.

4. Payments

All payments under this Letter of Credit shall be made in Dollars and for value on the due date to the account of the Beneficiary specified in the Demand.

5. Delivery of Demand

Each Demand shall be in writing, and, unless otherwise stated, may be given in person, by post, or authenticated SWIFT and must be received by the Issuing Bank at its above-stated address (marked for the attention of U.S. Standby Unit). Alternatively, a Demand may be made by fax transmission to [*fax number*], or such other fax number identified by the Issuing Bank in a written notice to the Beneficiary. If a Demand is to be made by fax transmission, the Beneficiary shall (i) provide telephone notification thereof to the Issuing Bank on [phone number] prior to or simultaneously with the sending of such fax transmission and (ii) send the original of such Demand to the Issuing Bank by overnight courier, at the same address specified above for presentation of a Demand, provided, however, that the Issuing Bank's receipt of such telephone notice or original documents shall not be a condition to payment hereunder.

6. Assignment and Transfer

- (a) The Beneficiary's rights under this Letter of Credit may be transferred in whole, but not in part, and may be successively transferred by the transferee hereunder, to a successor of the Security Trustee (the "New Beneficiary"). A transfer under this Letter of Credit shall be effected upon presentation to the Issuing Bank of the original of this Letter of Credit and any amendments hereto accompanied by a request in the form set out in Schedule 2 to this Letter of Credit (a "Transfer Request"), appropriately completed and designating the transferee.

-
- (b) As of the date of the Transfer Request, the New Beneficiary shall assume the Beneficiary's rights and obligations under this Letter of Credit and the Beneficiary shall be released from all of its obligations under this Letter of Credit.

7. ISP 98

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98), International Chamber of Commerce Publication No. 590.

8. Governing Law

This Letter of Credit shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the principles of conflict of laws).

9. Jurisdiction

The courts of State of New York have exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter of Credit.

Yours faithfully,

CITIBANK, N.A.

By:

FORM OF DEMAND

To: CITIBANK, N.A.
c/o Citicorp North America, Inc.
3800 Citibank Centre
Building B, 3rd Floor
Tampa
FL 33610

[Date]

Dear Sirs

Standby Letter of Credit no. [—] issued in favour of DnB NOR Bank ASA (New York Branch) as Security Trustee for and on behalf of the Secured Parties (the “Letter of Credit”)

We refer to the Letter of Credit. Terms defined in the Letter of Credit have the same meaning when used in this Demand.

1. We certify that the sum of [—] is due [under the [—]]. We therefore demand payment of the sum of [—].
2. Payment should be made to the following account:

Name:

Account Number:

Bank:

3. The date of this Demand is not later than the Expiry Date.

Yours faithfully

(Authorised Signatory)

(Authorised Signatory)

For
DNB NOR BANK ASA (NEW YORK BRANCH)

TRANSFER REQUEST

(This form is to be used when the Letter of Credit is to be Transferred in its entirety and , no substitution of invoices is involved and, no rights are to be retained by the undersigned Beneficiary.)

Citibank, N.A.

Date:

c/o Citicorp North America, Inc.
3800 Citibank Center,
Building B, 3rd Floor
Tampa, Florida 33610
Attn. Standby Unit

Re: L/C No. _____

Issued by: _____

Citibank, N.A. Ref: _____

Gentlemen:

Receipt is acknowledged of the original instrument which you forwarded to us relating to the issuance of a letter of credit (the "Letter of Credit") bearing your reference number as stated above in favor of ourselves and/or our transferees and we hereby request that you transfer the Letter of Credit, in its entirety, to:

whose address is _____

(Optional) Please advise Beneficiary through the below indicated Advising Bank:

The above transferee is a successor of the Security Trustee.

We are returning the original instrument to you herewith in order that you may deliver it to the transferee together with your customary letter of transfer.

It is understood that any amendments to the Letter of Credit which you may receive are to be advised by you directly to the transferee and that the drafts and documents of the transfer, if issued in accordance with the conditions of the Letter of Credit, are to be forwarded by you directly to the party for whose account the credit was opened (or any intermediary) without our intervention.

Sincerely yours,

The First Beneficiary's signature(s) with title(s) conforms with that on file with us and as such is/are authorized for the execution of this instrument.

(Name of Bank)

(Bank Address)

(City, State, Zip Code)

(Telephone Number)

(Authorized Name and Title)

(Authorized Signature)

(Name of First Beneficiary)

(Telephone Number)

(Authorized Name and Title)

(Authorized Signature)

(Authorized Name and Title)

(If applicable)

(Authorized Signature)

(If applicable)

SCHEDULE 34

1. A refund guarantee direct agreement between Pacific Bora Ltd., the Export-Import Bank of Korea and the Security Trustee;
2. A refund guarantee direct agreement between Pacific Mistral Ltd., the New Hampshire Insurance Company and the Security Trustee;
3. A refund guarantee direct agreement between Pacific Scirocco Ltd., The Royal Bank of Scotland N.V. and the Security Trustee; and
4. A refund guarantee direct agreement between Pacific Santa Ana Ltd., DBS Bank Ltd. and the Security Trustee.

SCHEDULE 35

LOCAL ACCOUNT REQUIREMENTS

Any Local Account will be subject to the following requirements:

1. To the extent possible, such Local Account shall be opened and maintained with the Accounts Bank or, if the Accounts Bank confirms that such Local Account cannot be opened and maintained with the Accounts Bank, on giving notice to the Accounts Bank, a Borrower may open and maintain such Local Account with another Lender to be selected by the Guarantor. If the Accounts Bank and each other Lender confirms that such Local Account cannot be opened and maintained with any such Lender such Local Account shall be opened and maintained with another bank in the relevant jurisdiction selected by the Guarantor and approved by the Intercreditor Agent.
2. To the maximum extent permitted by the relevant Legal Requirements, the relevant Borrower shall execute, record and perfect a first ranking Security Interest in favour of the Secured Parties in respect of such Local Account. No Revenues shall be deposited in any Local Account unless the relevant Borrower shall have provided evidence satisfactory to the Intercreditor Agent that all necessary action has been taken to register and perfect such Security Interest.
3. To the maximum extent permitted by the relevant Legal Requirements, the relevant Borrower shall ensure that amounts standing to the credit of such Local Account after the payment of any local currency expenses denominated in the currency of such Local Account (and should the Borrower require, with the Borrower permitted to retain an amount in such Local Account for such expenses that are expected to the due and payable in the following 30 days) are converted to Dollars and swept into the Collection Account no less frequently than monthly.
4. The relevant Borrower shall comply with any other requirements of the Secured Parties as notified by the Intercreditor Agent in respect of such Local Account.

SCHEDULE 36

FORM OF NEW VESSEL NOTICE

NEW VESSEL FORM	
Vessel details	
Name(s)	
Type	
Flag	
Year built	
DWT	
Class	
Owner	
Manager	
If fleet mortgage, name other vessels	
Insurance details	
Club/Broker/Insurer	
P&I	
WAR	
H&M	
HI	
FI	
LOH	
Insurance report required? Yes/No	
MI1? Yes/No	<i>(If Yes, please enclose repayment schedule when Agent)</i>
MAP? Yes/No	<i>(If Yes, please enclose repayment schedule when Agent)</i>
Other information	

	If Agent	If Participant
Borrower		
Name		
Contact e-mail		
Group name		
Loan details		
Agent	DNB NOR Bank ASA	
Contact e-mail Agent	not required	
Mortgagee		
Participating Banks, e-mail		not required
Intralinks Yes/No		
Loan amount		
H&M to loan ratio		
Drawdown date		
Account officer		
Loan Admin/Credit Admin officer		
Lawyers e-mail		not required

DNB NOR

SCHEDULE 37

FORM OF CONSTRUCTION BUDGET

Pacific Drilling Capex Budget	Bora	Mistral	Scirocco	Santa Ana	Total
In US\$MM	Forecast	Forecast	Forecast	Forecast	Forecast
Contract Price - Hull And Structure	588	622	710	710	2,630
Change Orders - Samsung (1)	18	10	2	2	33
Interest on Payment Deferrals	6	6	10	6	28
Total SHI Costs	613	639	722	717	2,691
OFE					
Marine Risers	9	9	9	9	36
Riser Bouyancy	8	8	8	8	30
Tubulars	7	6	8	8	29
Casing & Tubing Tongs	2	2	2	2	7
Other	5	5	5	5	21
Total OFE	30	30	32	31	123
ADMIN / ENGINEERING IN SHIPYARD					
Total Admin / Engineering In Shipyard (2)	10	10	10	10	40
Total Rig Readiness Costs (3)	29	29	29	29	116
Tota Contract Specific Changes	—	—	—	31	31
Capital Spares - Other	5	5	5	5	20
Capital Spares - Thruster	3	3	2	2	10
Warehouse Inventory	7	7	7	7	28
Delivery Cost	697	722	806	833	3,059
Other Costs (transaction costs)					50
Total Project Costs					3,109

- (1) Change Orders for Bora include \$5MM for increased Accomodation, as well as Re-engineering Costs. In the Former case, increased bedding was incorporated into the Contract Price for Mistral (and is not relevant to 1867/1868 designs). Re-engineering is a one-off cost incurred during Bora, but information gathered during process will be applied to other models at no cost
- (2) Includes Tests/Trials, Shipyard Supervision & Engineering, Rig Crew Costs (during construction), Drilling Technology Assurance
- (3) Includes Fuel During Rig Readiness, Virtual Warehouse & materials housing, Rig Operation Readiness (construction), Crew Costs, and other misc. charges

Note: Costs that are initially paid by Pacific Drilling but ultimately reimbursed by the Client have been excluded in all cases

This project cost budget has been prepared by Pacific Drilling Ltd based on a detailed bottom-up approach and reflects the company current best estimates.

These cost may ultimately vary depending on contract specific equipement requirements and ongoing payment terms negotiation with the various suppliers.

SCHEDULE 38

FORM OF INITIAL OPERATING BUDGET AND ANNUAL OPERATING BUDGET

Budget Template for: <Enter Rig Name>

note: Numbers below are hypothetical and only serve the purpose of providing an example

	Q1	Q2	Q3	Q4	Year
Modified Income Statement					
Operating Revenue	39.0	39.0	39.0	39.0	156.0
Amortization of Mob Fee	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>6.0</u>
Total Revenues	40.5	40.5	40.5	40.5	162.0
Personnel Expenses	(7.3)	(7.3)	(7.3)	(7.3)	(29.2)
Maintenance Expense	(1.8)	(1.8)	(1.8)	(1.8)	(7.3)
Other Operating Expense	(1.8)	(1.8)	(1.8)	(1.8)	(7.3)
Amortization of Mob Cost	<u>(1.1)</u>	<u>(1.1)</u>	<u>(1.1)</u>	<u>(1.1)</u>	<u>(4.5)</u>
Total Field Operating Cost	(12.1)	(12.1)	(12.1)	(12.1)	(48.3)
Shorebase Administration	(1.4)	(1.4)	(1.4)	(1.4)	(5.5)
Corporate Overhead	<u>(1.4)</u>	<u>(1.4)</u>	<u>(1.4)</u>	<u>(1.4)</u>	<u>(5.5)</u>
Total Support Cost	(2.8)	(2.8)	(2.8)	(2.8)	(11.0)
Depreciation & Other Amortization	(10.0)	(10.0)	(10.0)	(10.0)	(40.0)
Cash Taxes Incurred	<u>(1.3)</u>	<u>(1.3)</u>	<u>(1.3)</u>	<u>(1.3)</u>	<u>(5.0)</u>
Net Operating Profit After Tax (NOPAT)	14.4	14.4	14.4	14.4	57.7
Other Information					
Capital Expenditures	1.0	1.0	1.0	1.0	4.0

Note 1: Modified Income Statement excludes certain items including non-recurring gains/losses, hedge gains/losses, allocated interest income, allocated interest expense and deferred tax expense

Note 2: This Modified Income Statement is intended to show the operating performance of each vessel on a non-gearing basis, also excluding non-recurring "Corporate-related" gains/losses

SCHEDULE 39

HEDGING PARTIES

Citibank, N.A.

Danske Bank A/S

DnB NOR Bank ASA (New York Branch)

NIBC Bank N.V.

Skandinaviska Enskilda Banken AB (publ.)

Credit Agricole Corporate & Investment Bank

SCHEDULE 2

COMMERCIAL FACILITY LENDERS

ABN AMRO Bank N.V., Oslo Branch

Citibank, N.A.

Crédit Agricole Corporate & Investment Bank

DnB NOR Bank ASA (New York Branch)

DVB Bank SE, Nordic Branch

Fokus Bank (Norwegian Branch of Danske Bank A/S)

NIBC Bank N.V.

Nordea Bank Finland Plc, New York Branch

Skandinaviska Enskilda Banken AB (publ.)

SCHEDULE 3
HEDGING PARTIES

Citibank, N.A.

Danske Bank A/S

DnB NOR Bank ASA (New York Branch)

NIBC Bank N.V.

Skandinaviska Enskilda Banken AB (publ.)

Credit Agricole Corporate & Investment Bank

SCHEDULE 4

CONDITIONS PRECEDENT

1.1 Finance Documents and Material Agreements

There shall have been delivered to the Intercreditor Agent by or on behalf of the Obligors, QPIL, QPML and Pacific Gibco (as applicable) executed originals or, as the case may be, true copies of the originals certified as such in the relevant Officer's Certificate (in sufficient copies for each Facility Agent) of:

- (a) in respect of each Obligor, an executed original of this Agreement;
- (b) in respect of the Guarantor, executed originals of each of the Amendment and Restatement Fee Letter and the Guarantor Guarantee Reaffirmation and certified copies of each of the Put Option Assignment Agreement in form and substance satisfactory to the Intercreditor Agent and the gift deed to be entered into between the Guarantor and QMPL in respect of shares in Transocean Pacific Drilling Inc. (the "**Gift Deed**") in form and substance satisfactory to the Intercreditor Agent;
- (c) in respect of Pacific Mistral Ltd. and Pacific Scirocco Ltd., executed originals of the amendments to the Account Pledge Agreements and the Account Control Agreements described in Clause 26.18 of the Amended and Restated Project Facilities Agreement;
- (d) in respect of QPML, certified copies of the Put Option Assignment Agreement and the Gift Deed, each in form and substance satisfactory to the Intercreditor Agent and an executed original of the Put Option Undertaking Agreement;
- (e) in respect of QPIL, an executed original of the QPIL Deed of Release; and
- (f) in respect of Pacific Gibco, an executed original of the Pacific Gibco Share Pledge,

each of which shall have been duly authorised by each Obligor, QPIL, QPML and/or Pacific Gibco (as applicable) that is party hereto or thereto (and, in respect of the Put Option Assignment Agreement, each other Person within the PDL group that is a party thereto) and which shall have been executed and delivered by the parties hereto or thereto and shall be in full force and effect and accompanied by an Officer's Certificate of the Guarantor (and, in respect of (x) the QPIL Deed of Release, QPIL; (y) the Put Option Undertaking Agreement, the Put Option Assignment Agreement and the Gift Deed, QPML; and (z) the Pacific Gibco Share Pledge, Pacific Gibco) certifying the foregoing.

1.2 Corporate authority of Obligors, QPIL, QPML and Pacific Gibco

- (a) Each Obligor, QPIL, QPML and Pacific Gibco shall have delivered to the Intercreditor Agent a copy of one or more resolutions or other authorisations of such Obligor, QPIL, QPML and Pacific Gibco, certified by an Authorised Representative of such Obligor, QPIL, QPML or Pacific Gibco as being in full force and effect on the Effective Date, authorising:

-
- (i) the execution, delivery and performance of:
 - (A) in respect of each Obligor, this Agreement;
 - (B) in respect of the Guarantor, the Amendment and Restatement Fee Letter, the Guarantor Guarantee Reaffirmation, the Put Option Assignment Agreement and the Gift Deed;
 - (C) in respect of Pacific Mistral Ltd. and Pacific Scirocco Ltd., the amendments to the Account Pledge Agreements and the Account Control Agreements to which they are a party and in respect of the Proceeds Retention Accounts as described in Clause 26.18 of the Amended and Restated Project Facilities Agreement;
 - (D) in respect of QPML, the Put Option Assignment Agreement, the Gift Deed and the Put Option Undertaking Agreement;
 - (F) in respect of QPIL, the QPIL Deed of Release; and
 - (G) in respect of Pacific Gibco, the Pacific Gibco Share Pledge; and
 - (ii) a specified Person or Persons (including any applicable attorney) to execute and deliver the agreements described in paragraph 1.2(a) above to which it is a party.
- (b) Each Obligor, QPIL, QPML and Pacific Gibco shall have delivered to the Intercreditor Agent a specimen of the signature of each Person authorised by the resolution referred to in paragraph 1.2(a) above and any other relevant authorisations including any applicable powers of attorney.
 - (c) Each of QPML and Pacific Gibco shall have delivered to the Intercreditor Agent all of the information and documentation set out in Schedule 12 to the Project Facilities Agreement.
 - (d) Each Obligor, QPIL, QPML and Pacific Gibco shall have delivered to the Intercreditor Agent a certificate of good standing or, in the case of QPML, an equivalent document.

1.3 Proceeds Retention Accounts

Each of Pacific Mistral Ltd. and Pacific Scirocco Ltd. shall have opened a Proceeds Retention Account in accordance with Clause 26.18(a) of the Amended and Restated Project Facilities Agreement.

1.4 Security

- (a) Each of Pacific Mistral Ltd. and Pacific Scirocco Ltd. shall have entered into an amendment to the Account Control Agreement and the Account Pledge Agreement to which it is a party in order to create a first priority security interest in favour of the Security Trustee in respect of the Proceeds Retention Account of each such Alternative Arrangement Borrower, which such amendments shall have been executed by all parties thereto including the Accounts Bank and all necessary action shall have been taken to register and perfect such Security; and

-
- (b) the Pacific Gibco Share Pledge shall have been duly submitted to Companies House in Gibraltar for the purpose of registering and perfecting the Security Interest created thereunder.

1.5 Opinions

The Intercreditor Agent shall have received electronic copies of each of the following opinions in form and substance satisfactory to it and in each case consistent with the scope of the relevant opinions as set out in Schedule 15:

- (a) an English law legal opinion of Latham & Watkins in respect of the enforceability of this Agreement, the Put Option Undertaking Agreement, the Deed of Release, the Guarantor Guarantee Reaffirmation and the Pacific Gibco Share Pledge under English law;
- (b) a New York law legal opinion of Latham & Watkins in respect of the enforceability of each of the amendments to the Account Pledge Agreements and the Account Control Agreements to which Pacific Mistral Ltd. and Pacific Scirocco Ltd respectively are a party in respect of the Proceeds Retention Accounts and as referred to in Clause 26.18 of the Amended and Restated Project Facilities Agreement under New York law;
- (c) a Liberian law legal opinion of Blank Rome in respect of the capacity of each Liberian Obligor to enter into:
 - (i) this Agreement;
 - (ii) in respect of the Guarantor, the Amendment and Restatement Fee Letter, the Guarantor Guarantee Reaffirmation, the Put Option Assignment Agreement and the Gift Deed;
 - (iii) in respect of Pacific Mistral Ltd. and Pacific Scirocco Ltd., the amendments to the Account Pledge Agreements and the Account Control Agreements to which they are a party and in respect of the Proceeds Retention Accounts and as referred to in Clause 26.18 of the Amended and Restated Project Facilities Agreement; and
- (d) a BVI law legal opinion of Maples & Calder in respect of the capacity of QPIL to enter into the Deed of Release;
- (e) a Cypriot law legal opinion of Montanios & Montanios in respect of the capacity of QPML to enter into the Put Option Assignment Agreement, the Put Option Undertaking Agreement and the Gift Deed;
- (f) a New York law legal opinion of Vinson & Elkins in respect of the enforceability of the Put Option Assignment Agreement and the Gift Deed under New York law; and
- (g) a Gibraltar law legal opinion of Hassans in respect of the capacity of Pacific Gibco to enter into the Pacific Gibco Share Pledge.

1.6 Service of Process

Each Obligor, QPIL, QPML and Pacific Gibco (as applicable) shall have appointed an agent to receive service of process in respect of each of the following and shall have provided evidence to the Intercreditor Agent of the acceptance of each such appointment by the relevant agent:

- (a) in respect of each Obligor, any proceedings before the English courts in connection with this Agreement;
- (b) in respect of the Guarantor, any proceedings before the English courts in connection with the Amendment and Restatement Fee Letter and the Guarantor Guarantee Reaffirmation;
- (c) in respect of QPML, any proceedings before the English courts in connection with the Put Option Undertaking Agreement;
- (d) in respect of QPIL, any proceedings before the English courts in connection with the QPIL Deed of Release;
- (e) in respect of Pacific Gibco, any proceedings before the English courts in connection with the Pacific Gibco Share Pledge;
- (f) in respect of Pacific Mistral Ltd., any proceedings before the courts of New York in connection with the amendments to the Account Pledge Agreement and the Account Control Agreement described in Clause 26.18 of the Amended and Restated Project Facilities Agreement and to which it is a party; and
- (g) in respect of Pacific Scirocco Ltd., any proceedings before the courts of New York in connection with the amendments to the Account Pledge Agreement and the Account Control Agreement described in Clause 26.18 of the Amended and Restated Project Facilities Agreement and to which it is a party.

1.7 Fees, costs and expenses

The Guarantor shall have provided evidence to the Intercreditor Agent that all fees, costs and expenses then due from any Obligor to any Secured Party pursuant to the Finance Documents have been paid in full and including, for the avoidance of doubt, any amounts due and payable under the Amendment and Restatement Fee Letter.

1.8 Events of Default

No Event of Default or Potential Event of Default shall have occurred and be continuing.

1.9 Vessel valuations and technical report

The Intercreditor Agent shall have received:

- (a) an updated valuation in respect of each Vessel;

-
- (b) a valuation in respect of each of the TPDI JV vessels;
 - (c) an updated report of the Technical Consultant (addressing, among other things, the continued compliance by all relevant Obligors and the Managers with all relevant vessel safety codes).

1.10 Consent to Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter

The requisite Secured Parties have consented to the waivers and other terms and conditions set out in the Pacific Scirocco and Pacific Mistral Charter Waiver Request Letter.

SCHEDULE 5

AMENDMENTS TO THE INTERCREDITOR AGREEMENT

1. The definition of “Distressed Disposal” in clause 1.1 shall be amended such that “QPIL” is deleted from paragraph (c) of such definition and replaced with “Pacific Gibco”.
2. The definition of “Enforcement Action” in clause 1.1 shall be amended such that:
 - (i) “QPIL” is deleted from paragraph (d) of such definition and replaced with “QPML, Pacific Gibco”; and
 - (ii) “QPIL” is deleted from paragraph (e) of such definition and replaced with “QPML, Pacific Gibco”.
3. The definition of Project Facilities Agreement in clause 1.1 shall be deleted in its entirety and replaced with the following:

“ **Project Facilities Agreement** ” means the project facilities agreement, originally dated 9 September 2010 as first amended on 16 November 2010, as further amended on or about 25 March 2011 and as may further be amended and/ or restated from time to time, among the Guarantor, the Borrowers, the Mandated Lead Arrangers, the Agents, the Lenders and others.”
4. The definition of “Relevant Insolvency Event” in clause 1.1 shall be amended such that “QPIL” is deleted and replaced with “QPML, Pacific Gibco”.
5. Clause 7.1(a) shall be amended such that “QPIL” is deleted from each place in which it appears in such clause and is replaced with “QPML, Pacific Gibco” in each such place.
6. Clause 7.4(a) shall be amended such that “QPIL” is deleted and is replaced with “QPML, Pacific Gibco”.
7. Clause 10.3(a) shall be amended such that “QPIL” is deleted and is replaced with “QPML, Pacific Gibco”.

PACIFIC SCIROCCO AND PACIFIC MISTRAL CHARTER WAIVER REQUEST LETTER

From: Pacific Drilling Limited
Pacific Mistral Ltd.
Pacific Scirocco Ltd.

To: DnB Nor Bank ASA (New York Branch) as Commercial Facility Agent
DnB Nor Bank ASA (New York Branch) as GIEK Facility Agent
Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent
DnB Nor Bank ASA (New York Branch) as Intercreditor Agent

Dated: 2011

Dear Sirs

REQUEST FOR WAIVER OF CERTAIN PROVISIONS OF THE PROJECT FACILITIES AGREEMENT RELATING TO PACIFIC MISTRAL LTD. AND PACIFIC SCIROCCO LTD. AND ALTERNATIVE CHARTERS (THE "REQUEST")

1. We refer to the Project Facilities Agreement between Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Scirocco Ltd. and Pacific Santa Ana Ltd. as Borrowers, Pacific Drilling Limited as Guarantor, DnB NOR Bank ASA (New York Branch) as Commercial Facility Agent, GIEK Facility Agent, Accounts Bank, Intercreditor Agent, Security Trustee and Mandated Lead Arranger, Crédit Agricole Corporate & Investment Bank as KEXIM Facility Agent and Mandated Lead Arranger and certain Lenders, Hedging Parties and other Persons dated 9th September 2010, as amended pursuant to a first amendment agreement to the project facilities agreement, dated 16 November 2010 and as further amended and restated on or about the date of this Request (the "**Project Facilities Agreement**").
2. Unless otherwise defined in this Request, capitalised terms used in this Request have the meanings given to them in the Project Facilities Agreement.
3. The purpose of this Request is to request the approval of the applicable Secured Parties to the waiver of certain requirements and provisions of the Project Facilities Agreement insofar as they relate to the Mistral Term Loan and the Scirocco Term Loan. Such requested waivers are as set out in Attachment 1 hereto (each a "**Waiver**" and, collectively, the "**Waivers**"). The Waivers shall be subject to the terms, conditions and limitations (each a "**Condition**" and, collectively, the "**Conditions**") as set out in Attachment 2 hereto, each of which, unless otherwise expressly stated, only shall be effective until the expiry of the relevant Waiver Period.
4. Each Waiver shall be effective from the date that the Intercreditor Agent confirms to Pacific Drilling Limited that all Waivers requested herein have been approved by the

applicable Secured Parties, all applicable Conditions have been satisfied and each condition precedent as set out in schedule 4 to the Amendment and Restatement Agreement has been satisfied or waived. Each Waiver shall expire upon the earlier to occur of:

- (a) in respect of the:
 - (i) Mistral Term Loan, the date that Pacific Mistral Ltd. and each other party thereto enters into an Acceptable Charter or an Alternative Charter (in either case that has been approved by the Intercreditor Agent acting on the instructions of all Lenders); and
 - (ii) Scirocco Term Loan, the date that Pacific Scirocco Ltd. and each other party thereto enters into an Acceptable Charter or an Alternative Charter (in either case that has been approved by the Intercreditor Agent acting on the instructions of all Lenders);
- (b) the Effective Date of the first Acceptable Charter entered into by Pacific Santa Ana Ltd. being the drilling contract entered into between Pacific Santa Ana Ltd. and Chevron U.S.A. Inc., (through its division, Chevron North America Exploration and Production Company) and dated 30 April 2010; and
- (c) 31 October 2011

(each such period being the “**Waiver Period**” in respect of the relevant Term Loan), unless such Waiver Period otherwise is terminated in accordance with paragraph 5 below. For the avoidance of doubt, the requirements of paragraph 7 of Attachment 2 hereto shall survive the expiry or termination of each Waiver Period .

- 5. Each Waiver shall be subject to the satisfaction of each Condition and any noncompliance with any such Condition at any time as required in accordance with Attachment 2 hereto immediately shall cause the relevant Waiver Period to terminate.
- 6. If approved, the requested Waivers shall be given strictly on the basis of the terms of this Request and shall be without prejudice to the rights of the Secured Parties. Nothing in this Request shall be deemed to constitute a waiver of any other provision of any Finance Document or any further consent under any Finance Document. The terms of the Finance Documents shall remain in full force and effect.
- 7. Unless otherwise expressly stated in this Request, all other terms and conditions of the Project Facilities Agreement shall apply in respect of Waiver Utilisations (as defined in paragraph 2 of Attachment 2 hereto) including, for the avoidance of doubt, that conditions precedent to Utilisations shall apply in respect of Waiver Utilisations.
- 8. We would be grateful if you would share this Request with the Lenders and look forward to receiving your response in respect of the Waivers as soon as possible.

9. This Request and any non-contractual obligations arising out of or in connection with it are governed by English law and each of Pacific Drilling Limited, Pacific Mistral Ltd. and Pacific Scirocco Ltd. submit to the jurisdiction of the English courts in the terms set out in clause 36.2 of the Project Facilities Agreement.

10. We request that this Request be designated as a Finance Document in accordance with the Project Facilities Agreement.

Yours faithfully

authorised signatory for
Pacific Drilling Limited

Yours faithfully

authorised signatory for
Pacific Mistral Ltd.

Yours faithfully

authorised signatory for
Pacific Scirocco Ltd.

Attachment 1

Waivers

As referred to in paragraph 3 of this Request, we request that the following provisions of the Project Facilities Agreement be waived during the Waiver Period (subject at all times to the Conditions):

1. Clause 5.6(d) of the Project Facilities Agreement, to the extent that any Vessel for which the Delivery Date has occurred but in respect of which neither an Acceptable Charter nor an Alternative Charter has been entered into is the Pacific Mistral or the Pacific Scirocco; and
2. Clause 19.15, Clause 19.23 and paragraphs 2.16(a) and (b) of schedule 2 to the Project Facilities Agreement, only to the extent that they relate to the Mistral Term Loan and the Scirocco Term Loan.

Attachment 2

Conditions to Waivers

1. No Borrower shall be permitted to use any Proceeds or Excess Proceeds to make a distribution to the Guarantor in accordance with Clause 16.3 of the Project Facilities Agreement until permitted to do so following the expiry of the Waiver Period in accordance with paragraph 5 below and Clause 26.18(c).
2. Neither Pacific Mistral Ltd. nor Pacific Scirocco Ltd. may request more than one Utilisation of its respective Term Loan during the Waiver Period in respect of such Term Loan (any such single Utilisation during such a Waiver Period being a “ **Waiver Utilisation** ”).
3. The Waiver Utilisation requested by Pacific Mistral Ltd. or Pacific Scirocco Ltd. may not exceed 200,000,000 Dollars unless the amount by which the proceeds of such Utilisation exceeds 200,000,000 Dollars (the “ **Waiver Period Excess** ”) is requested in the relevant Utilisation Request to be paid directly to such Borrower’s Proceeds Retention Account and such Waiver Period Excess is:
 - (a) retained in such Proceeds Retention Account until the date on which such Borrower enters into an Acceptable Charter or an Alternative Charter that has been approved by the requisite Secured Parties in accordance with the Project Facilities Agreement and the funds are applied from or retained in such account as Excess Proceeds in accordance with Clause 26.18 of the Project Facilities Agreement; or
 - (b) applied by such Borrower in prepayment of its Term Loan in accordance with Clause 26.18(d) of the Project Facilities Agreement.
4. Any proceeds of a Waiver Utilisation otherwise not required to be paid to a Proceeds Retention Account in accordance with paragraph 3 above shall be requested in the relevant Utilisation Request to be paid directly to the Shipbuilder in satisfaction of the final installment payment due to the Shipbuilder in accordance with the relevant Shipbuilding Contract and such proceeds shall be so applied.
5. Upon the expiry of a Waiver Period, any Waiver Period Excess on deposit in the relevant Borrower’s Proceeds Retention Account shall be considered as Excess Proceeds for the purposes of clause 26.18(c) of the Project Facilities Agreement to the extent required by such clause and thereafter may be applied in accordance with that clause.
6. Neither Pacific Mistral Ltd. nor Pacific Scirocco Ltd. may request a Waiver Utilisation if the other previously has requested a Waiver Utilisation unless at such time either Pacific Mistral Ltd. or Pacific Scirocco Ltd. has entered into either (a) a letter of intent with an Acceptable Charterer in respect of an Acceptable Charter or an Alternative Charter in each case in form and substance satisfactory to the Intercreditor Agent acting on the instructions of all Lenders or (b) an Acceptable Charter or an Alternative Charter that has been approved by the requisite Secured Parties in accordance with the Project Facilities Agreement.

-
7. A Waiver Utilisation shall become immediately due and payable in full as a mandatory prepayment of the relevant Term Loan (such prepayment to be made in accordance with Clause 5.14 of the Project Facilities Agreement) if the relevant Borrower of such Waiver Utilisation has not entered into either an Acceptable Charter or an Alternative Charter (in each case that has been signed by all parties thereto and approved by the Intercreditor Agent in accordance with the Project Facilities Agreement) prior to the expiry of the applicable Waiver Period.
 8. No scheduled repayment of a Waiver Utilisation shall be required.
 9. During the Waiver Period in respect of the Mistral Term Loan or the Scirocco Term Loan (as the case may be), the Applicable Margin in respect of any Waiver Utilisation shall be four point seven five per cent. (4.75%) per annum. Upon the expiry of the relevant Waiver Period, the definition of Applicable Margin as set out in the Project Facilities Agreement shall apply in respect of any outstanding proceeds of any Waiver Utilisation by the relevant Borrower and any Waiver Utilisation shall be treated as a Utilisation in accordance with the Project Facilities Agreement (unless otherwise required to be prepaid in accordance with paragraph 6 above).
 10. Each Interest Period for any Waiver Utilisation shall, until the expiry of the Waiver Period, be one month.



Agreement for Standby Letter of Credit
(this "Agreement")

In consideration of the issuance by Citibank, N.A. ("Citibank"), in its discretion, of a standby or direct pay letter of credit (the "Credit") at the request of the party signing below (the "Applicant") substantially in accordance with the application corresponding hereto (the "Application") or as otherwise requested by Applicant in writing, Applicant unconditionally agrees with Citibank as follows:

1. Reimbursement.

Applicant will reimburse Citibank, on demand, the amount of each draft or other request for payment (each, a "Draft") drawn under the Credit, whether such Draft is presented to Citibank before, on or, if in accordance with applicable law or letter of credit customs and practice, after the expiry date stated in the Credit. Each such reimbursement shall be due on the date Citibank makes payment under the Credit, subject to Section 3 below.

2. Commissions, Fees and Expenses.

Applicant will pay Citibank (a) commissions and fees with respect to the Credit for so long as Citibank shall be obligated under the Credit in accordance with applicable law or letter of credit customs and practice (i) at such rates and times as Applicant and Citibank may agree in writing or (ii), in the absence of such an agreement, in advance and in accordance with Citibank's standard commissions and fees then in effect, to cover the full tenor of the Credit without refund for any unused portion of such tenor, and (b), on demand, all expenses which Citibank may pay or incur with respect to the Credit.

3. Payments; Interest on Past Due Amounts; Computations.

All amounts due from Applicant shall be paid to Citibank at 399 Park Avenue, New York, New York 10043 (or such other address notified to Applicant in writing), without defense, set-off, cross-claim or counterclaim of any kind, in United States Dollars and in same day funds, *provided*, that if any such amount due is based on Citibank's payment in a currency other than United States Dollars, Applicant will, at Citibank's option, reimburse Citibank in such currency or pay the equivalent of such amount in United States Dollars computed at Citibank's or its correspondent's currency selling rate applicable to the

place, currency and value date on which Citibank pays such amount. Applicant's obligation to make payments in United States Dollars shall not be satisfied by any tender, or any recovery by Citibank pursuant to any judgment, which is expressed in or converted into any currency other than United States Dollars, except to the extent that such tender or recovery results in the actual receipt by Citibank in New York of the full amount of United States Dollars payable under this Agreement. Any amount not paid when due shall bear interest until paid in full at a daily fluctuating interest rate per annum equal to two percent per annum above (a) the rate of interest announced publicly from time to time by Citibank in New York as Citibank's Base Rate or (b), if another currency for Applicant's payment is selected by Citibank, a corresponding base rate in that currency, as selected by Citibank. Applicant authorizes Citibank to charge any account of Applicant for any amount when due. Unless otherwise agreed in writing as to the Credit and subject to any other provision of this Agreement, all computations of commissions, fees and interest shall be based on a 360-day year and actual days elapsed.

4. Additional Costs.

If Citibank determines that the introduction or effectiveness of, or any change in, any law or regulation or compliance with any guideline or request from any central bank or other governmental or quasi-governmental authority (whether or not having the force of law) affects or would affect the amount of capital or reserves required or expected to be maintained by Citibank or any corporation controlling Citibank, and Citibank determines that the amount of such capital or reserves is increased by or based upon the existence of the Credit, then Applicant shall pay Citibank on demand from time to time additional amounts sufficient in Citibank's judgment to compensate for the increase. Citibank's certificate as to amounts due shall be conclusive, in the absence of manifest error.

5. Taxes.

(a) Any and all payments made to Citibank hereunder shall be made free and clear of and without deduction for any and all present and future taxes (including value-added taxes and withholding taxes), levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, *excluding* therefrom (i) taxes imposed on Citibank's overall net income and franchise taxes imposed on Citibank in lieu of net income taxes by the jurisdiction under the laws of which Citibank is organized or any political subdivision thereof and (ii) taxes imposed on Citibank's overall net income and franchise taxes imposed on Citibank in lieu of net income taxes by the jurisdiction in which the office issuing the Credit is located or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities are hereinafter referred to as "*Taxes*").

(b) If any Taxes shall be required by law to be deducted from any amount payable to Citibank under this Agreement, Applicant shall increase such amount as may be necessary so that, after making all required deductions (including deductions applicable to any additional amounts payable under this section), Citibank receives an amount equal to the amount Citibank would have received had no such deductions been made, Applicant shall make such deductions and Applicant shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law.

(c) In addition, Applicant shall pay any and all present and future stamp and documentary taxes and any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Credit or from the execution, delivery, registration of, performing under, or otherwise with respect to, this Agreement or as a result of the issuance, maintenance or negotiation of the Credit hereunder (each such payment, an "*Other Tax*").

(d) Applicant shall indemnify Citibank for and hold Citibank harmless against the full amount of Taxes and Other Taxes (including any taxes of any kind imposed or asserted by any jurisdiction on amounts payable under this section) imposed on or paid by Citibank or any affiliate of Citibank in respect of any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnity shall be made within 30 days from the date Citibank makes written demand therefor.

(e) Within 30 days after the date of any payment of Taxes, Applicant shall furnish to Citibank at its address hereunder, the original or a certified copy of a receipt evidencing such payment. In case of any payment hereunder by or on behalf of Applicant, if Applicant determines that no Taxes are payable in respect

thereof, Applicant shall, at Citibank's request, furnish, or cause the payor to furnish, to Citibank an opinion of counsel acceptable to Citibank stating that such payment is exempt from Taxes.

6. Indemnification.

Applicant will indemnify and hold Citibank and its officers, directors, affiliates, employees, attorneys and agents (each, an "*Indemnified Person*") harmless from and against any and all claims, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, other dispute resolution expenses (including fees and expenses in preparation for a defense of any investigation, litigation or proceeding) and costs of collection that arise out of or in connection with: (a) the issuance of the Credit, (b) any payment or action taken or omitted to be taken in connection with the Credit (including any action or proceeding seeking (i) to restrain any drawing under the Credit, (ii) to compel or restrain the payment of any amount or the taking of any other action under the Credit, (iii) to compel or restrain the taking of any action under this Agreement, or (iv) to obtain similar relief (including by way of interpleader, declaratory judgment, attachment or otherwise), regardless of who the prevailing party is in any such action or proceeding), (c) the enforcement of this Agreement or (d) any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority or any other cause beyond Citibank's control, *except* in each of (a) through (d) above, to the extent such claim, liability, loss, damage, cost or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Person's gross negligence or willful misconduct. Applicant will pay on demand from time to time all amounts owing under this section.

7. Obligations Absolute.

Applicant's obligations to Citibank under this Agreement and in respect of the Credit (whether absolute or contingent, present or future, collectively, the "*Obligations*") shall be unqualified, irrevocable and payable in the manner and method provided for under this Agreement irrespective of any one or more of the following circumstances: (a) any lack of validity or enforceability of this Agreement, the Credit or any other agreement, application, amendment, guaranty, document, or instrument relating thereto, (b) any change in the time, manner or place of payment of or

in any other term of all or any of the Obligations of Applicant or the obligations of any person or entity that guarantees any of the Obligations, (c) the existence of any claim, set-off, defense or other right that Applicant may have at any time against any beneficiary or any transferee of the Credit (or any person or entity for whom any such beneficiary or transferee may be acting), Citibank or any other person or entity, whether in connection with any transaction contemplated by this Agreement or any unrelated transaction, or any claim by Citibank or Applicant against the beneficiary of the Credit for breach of warranty, (d) any exchange, release or non-perfection of any collateral or release or amendment or waiver of or consent to depart from the terms of any guarantee or security agreement, for all or any of the Obligations, (e) any Draft, certificate or other document presented under the Credit being forged, fraudulent, invalid or insufficient or any statement therein being untrue or inaccurate, (f) the issuance of the Credit (or any amendment thereto) in a form other than substantially as requested by Applicant, unless Citibank receives written notice from Applicant of such error within three business days after Applicant shall have received a copy of the Credit (or such amendment), (g) the decision by Citibank not to issue an amendment to the Credit requested by Applicant, (h) any previous Obligation, whether or not paid, arising from Citibank's payment against any Draft, certificate or other document which appeared on its face to be signed or presented by the proper entity but was in fact forged, fraudulent or invalid or any statement therein was untrue or inaccurate, (i) payment by Citibank under the Credit against presentation of a Draft or other document that does not comply with the terms and conditions of the Credit unless Citibank receives written notice from Applicant of such discrepancy within three business days following Applicant's receipt of such Draft or other document, and (j) any action or inaction taken or suffered by Citibank or any of its affiliates or correspondents in connection with the Credit or any relevant Draft, certificate or other document, if taken in Good Faith (as defined in Article 5 of the New York Uniform Commercial Code (the "NY UCC")) and in conformity with applicable New York, United States or non-United States laws, regulations or letter of credit customs and practice.

8. Limitations of Liability.

Without limiting any other provision of this Agreement, Citibank, its affiliates and any of its

correspondents: (a) may rely upon any oral, telephonic, telegraphic, facsimile, electronic, written or other communication believed in Good Faith to have been authorized by Applicant, whether or not given or signed by an authorized person, (b) shall not be responsible for errors, omissions, interruptions or delays in transmission or delivery of any message, advice or document in connection with the Credit, whether transmitted by courier, mail, telex, any other telecommunication, or otherwise (whether or not they be in cipher), or for errors in interpretation of technical terms or in translation (and Citibank, its affiliates and its correspondents may transmit terms of the Credit without translating them), (c) shall not be responsible for the identity or authority of any signer or the form, accuracy, genuineness, falsification or legal effect of any Draft, certificate or other document presented under the Credit if such Draft, certificate or other document on its face appears substantially to comply with the terms and conditions of the Credit, (d) shall not be responsible for any acts or omissions by or the solvency of the beneficiary of the Credit or any other person or entity having any role in any transaction underlying the Credit, (e) may accept or pay as complying with the terms and conditions of the Credit any Draft, certificate or other document appearing on its face (i) substantially to comply with the terms and conditions of the Credit, (ii) to be signed or presented by or issued to any successor of the beneficiary or any other person in whose name the Credit requires or authorizes that any Draft, certificate or other document be signed, presented or issued, including any administrator, executor, personal representative, trustee in bankruptcy, debtor in possession, liquidator, receiver, or successor by merger or consolidation, or any other person or entity purporting to act as the representative of or in place of any of the foregoing, or (iii) to have been signed, presented or issued after a change of name of the beneficiary, (f) may disregard (i) any requirement stated in the Credit that any Draft, certificate or other document be presented to it at a particular hour or place and (ii) any discrepancies that do not reduce the value of the beneficiary's performance to Applicant in any transaction underlying the Credit, (g) may accept as a "Draft" any written or electronic demand or other request for payment under the Credit, even if such demand or other request is not in the form of a negotiable instrument, (h) shall not be responsible for the effectiveness or suitability of the Credit for Applicant's purpose, or be regarded as the drafter of the Credit regardless of any assistance that Citibank

may, in its discretion, provide to Applicant in preparing the text of the Credit or amendments thereto, (i) shall not be liable to Applicant for any consequential or special damages, or for any damages resulting from any change in the value of any foreign currency, services or goods or other property covered by the Credit, (j) may assert or waive application of any UCP or ISP (in each case, as defined below) article primarily benefiting bank issuers, (k) may honor a previously dishonored presentation under the Credit, whether pursuant to court order, to settle or compromise any claim that it wrongfully dishonored or otherwise and shall be entitled to reimbursement to the same extent as if it had initially honored said presentation plus reimbursement of any interest paid by it, (l) is authorized (but shall not be required) to disregard any non-documentary conditions stated in the Credit and (m) may pay any nominated bank (as such term is defined in UCP 600 (see below) or nominated person (as such term is defined in ISP (see below)) (in either case as designated or permitted by the terms of the Credit) claiming that it rightfully honored under the laws, customs or practice of the place where it is located. None of the circumstances described in this section shall place Citibank or any of its affiliates or correspondents under any resulting liability to Applicant.

9. Independence.

Applicant acknowledges that the rights and obligations of Citibank under the Credit are independent of the existence, performance or nonperformance of any contract or arrangement underlying the Credit, including contracts or arrangements between Citibank and Applicant and between Applicant and the beneficiary of the Credit. Citibank shall have no duty to notify Applicant of its receipt of a demand or a Draft, certificate or other document presented under the Credit or of its decision to honor such demand. Citibank may, without incurring any liability to Applicant or impairing its entitlement to reimbursement under this Agreement, honor a demand under the Credit despite notice from Applicant of, and without any duty to inquire into, any defense to payment or any adverse claims or other rights against the beneficiary of the Credit or any other person. Citibank shall have no duty to request or require the presentation of any document, including any default certificate, not required to be presented under the terms and conditions of the Credit. Citibank shall have no duty to seek any waiver of discrepancies from Applicant, nor any duty to grant any waiver of discrepancies that Applicant approves or requests. Citibank shall have no duty to extend the

expiration date or term of the Credit or to issue a replacement letter of credit on or before the expiration date of the Credit or the end of such term.

10. Transfers; Assignments of Proceeds.

If, at Applicant's request, the Credit is issued in transferable form, Citibank shall have no duty to determine the proper identity of anyone appearing in any transfer request, Draft, or other document as transferor or transferee, nor shall Citibank be responsible for the validity, appropriateness or correctness of any transfer. Citibank is not obligated to recognize an assignment of proceeds of the Credit unless and until Citibank consents to such assignment; and, except as otherwise required by applicable law, Citibank shall not be obligated to give or withhold its consent to an assignment of proceeds of the Credit. However, if Citibank consents to an assignment of proceeds of the Credit, Citibank shall have no duty to determine the proper identity of anyone appearing to be the assignor or assignee, nor shall Citibank be responsible for the validity, appropriateness or correctness of any such assignment.

11. Extensions and Modifications of the Credit.

This Agreement shall be binding upon Applicant with respect to any extension or modification of the Credit made at Applicant's request or with Applicant's consent. Applicant's Obligations shall not be reduced or impaired in any way by any agreement by Citibank and the beneficiary of the Credit extending Citibank's time to honor or to give notice of discrepancies and any such agreement shall be binding upon Applicant.

12. Bond or Collateral.

(a) If at any time Applicant shall seek to restrain or preclude payment of any drawing under the Credit or any court shall extend the term of the Credit or take any other action which has a similar effect, then, in each such case, Applicant shall provide Citibank with a bond or other collateral of a type and value satisfactory to Citibank as security for Applicant's Obligations relative to the Credit; and

(b) If at any time and from time to time Citibank, in its discretion, requires collateral (or additional collateral), Applicant will on demand assign and deliver to Citibank as security for the Obligations, collateral of a type and value satisfactory to Citibank or make such cash payment as Citibank may require.

13. Covenants of Applicant.

Applicant will (a) comply with all New York, United States and non-United States laws, regulations and rules (including foreign exchange and foreign assets control regulations and other trade-related regulations) and letter of credit customs and practice now or later applicable to the Credit, transactions related to the Credit, or Applicant's execution, delivery and performance under this Agreement and deliver to Citibank, upon reasonable request, satisfactory evidence of such compliance, (b) deliver to Citibank, upon reasonable request, independently audited financial statements and other information concerning Applicant's financial condition and business operations, (c) permit Citibank to inspect its books and records on reasonable notice, and (d) inform Citibank immediately upon Applicant becoming aware of the occurrence of an Event of Default (as defined below).

14. Representations and Warranties of Applicant.

Applicant represents and warrants that (a) it is validly existing and in good standing under the laws of the jurisdiction in which it is organized, (b) its execution, delivery and performance of this Agreement are within its powers, have been duly authorized, do not contravene any contract binding on or affecting it or any of its properties, do not violate any applicable law or regulation, and do not require any notice to, filing with or other action to or by any governmental authority, (c) this Agreement is valid and binding upon Applicant, (d) the financial statements most recently received by Citibank from Applicant fairly present its financial condition in accordance with generally accepted accounting principles consistently applied, and there has been no material adverse change in the business, financial condition or results of operations of Applicant and its subsidiaries, taken as a whole, since the date of such financial statements; and (e) there is no pending or threatened action which may materially adversely affect its financial condition or business or which purports to affect the validity or enforceability of this Agreement, the Credit or any transaction related to the Credit.

Each request by Applicant for an amendment to this Agreement or for the issuance of the Credit or for any amendment to the Credit shall constitute Applicant's representation and warranty that the foregoing statements are true and correct as if made on the date of such request.

15. Default.

Each of the following shall be an "Event of Default" under this Agreement: (a) Applicant's failure to pay when due any obligation to Citibank or to any of its subsidiaries or affiliates (under this Agreement or otherwise), (b) Applicant's failure to perform or observe any other term or covenant of this Agreement, (c) Applicant's breach of any representation or warranty made in this Agreement or any document delivered by it under this Agreement, (d) Applicant's dissolution or termination, (e) institution by or against Applicant of any proceeding under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking the appointment of a receiver, trustee, or other similar official for Applicant or for any substantial part of its property, (f) any actual or threatened seizure, vesting or intervention by or under authority of a government by which Applicant's management is displaced or its authority or control of its business is curtailed, (g) attachment or restraint of any funds or other property which may be in, or come into, the possession or control of Citibank or of any third party acting on Citibank's behalf, for the account or benefit of Applicant, or the issuance of any order of any court or other legal process against the same, (h) a material adverse change in Applicant's business or condition (financial or otherwise), or (i) the occurrence of any of the above events with respect to any person or entity which has heretofore or hereafter guaranteed or provided any collateral security for any of the Obligations.

16. Remedies.

If any Event of Default shall have occurred and be continuing, the face amount of the Credit as well as any or all other Obligations, whether or not matured or contingent, shall, at Citibank's option, become due and payable immediately without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Applicant; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to Applicant under applicable bankruptcy or insolvency law, the face amount of the Credit as well as all other Obligations, whether or not matured or contingent, shall automatically become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Applicant.

17. Set-off.

If any Event of Default shall occur and be continuing, Citibank may set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Citibank or any of its affiliates to or for the credit or the account of Applicant (“*Deposits*”) against any and all of the Obligations, irrespective of whether or not Citibank shall have made any demand under this Agreement and although such Deposits or Obligations may be unmaturing or contingent. Citibank’s rights under this section are in addition to other rights and remedies (including other rights of set-off) which Citibank may have under this Agreement or applicable law.

18. Waiver of Immunity.

Applicant acknowledges that this Agreement is, and the Credit will be, entered into for commercial purposes and, to the extent that Applicant now or later acquires any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, Applicant now irrevocably waives its immunity with respect to the Obligations.

19. Notices; Co-Applicants; Interpretation; Severability.

(a) Notices shall be effective, if to Applicant, when sent to its address indicated below the signature line and, if to Citibank, when received at 399 Park Avenue, New York, New York 10043, with a copy to Citicorp North America, Inc., 3800 Citibank Center, Tampa FL 33610, or, as to either party, such other address as either may notify the other in writing. Notices to the beneficiary of the Credit shall be effective when sent to the address maintained in Citibank’s letter of credit records for such beneficiary, and Applicant agrees to hold Citibank harmless with respect to any claim by the beneficiary of non-receipt of such a notice.

(b) If this Agreement is signed by two or more persons or entities, (i) each such person or entity shall be deemed an “*Applicant*” hereunder, (ii) each Applicant shall be jointly and severally liable for all Obligations and waives any defense that might otherwise be available to a guarantor of such Obligations, and (iii) notices from Citibank in connection with this Agreement or the Credit to any Applicant and notices from, or the consent of, any Applicant in connection with this Agreement or the Credit shall be sufficient to bind all Applicants.

(c) Headings are included only for convenience and are not interpretive. The term “*including*” means “*including without limitation*.”

(d) If any provision of this Agreement is held illegal or unenforceable, the validity of the remaining provisions shall not be affected.

20. Successors and Assigns.

This Agreement shall be binding upon Applicant and its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Citibank, its successors and assigns. Applicant shall not voluntarily transfer or otherwise assign any of its obligations under this Agreement. Citibank may transfer or otherwise assign its rights and obligations under this Agreement, in whole or in part, and shall be forever relieved from any liability with respect to the portion of Citibank’s rights or obligations transferred or assigned. Applicant acknowledges that information pertaining to Applicant as it relates to this Agreement or the Credit may be disclosed to (actual or potential) transferees, assignees, affiliates, contractors or, if required by law, court order or mandate, governmental authorities. This Agreement shall not be construed to confer any right or benefit upon any person or entity other than Applicant and Citibank and their respective successors and permitted assigns.

21. Modification; No Waiver.

None of the terms of this Agreement may be waived or amended except in a writing signed by the party against whose interest the term is waived or amended. Forbearance, failure or delay by Citibank in the exercise of a remedy shall not constitute a waiver, nor shall any exercise or partial exercise of any remedy preclude any further exercise of that or any other remedy. Any waiver or consent by Citibank shall be effective only in the specific instance and for the specific purpose for which it is given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent.

22. Multiple Role Disclosure.

Citibank and its affiliates offer a wide range of financial services, including back-office letter of credit processing services on behalf of financial institutions and letter of credit beneficiaries. Such services are provided internationally to a wide range of customers, some of whom may be Applicant’s counterparties or competitors. Applicant acknowledges and accepts that Citibank and its affiliates may perform more than one role in relation to the Credit, including to advise the Credit notwithstanding the selection by Applicant of an additional or alternative advising bank.

23. Entire Agreement; Remedies Cumulative; Delivery of Documents Related to this Agreement.

(a) This Agreement constitutes the entire agreement between the parties concerning Citibank's issuance of the Credit for Applicant's account and supersedes all prior agreements governing such issuance unless specifically excluded in an annex hereto.

(b) All rights and remedies of Citibank under this Agreement and other documents delivered in connection with this Agreement or otherwise directly or indirectly related to the Obligations are cumulative and in addition to any other right or remedy available under this Agreement, the Credit or applicable law.

(c) Applicant may submit an executed Application for the Credit in original form, via a Citibank electronic banking platform such as "CitiDirect", or by fax, email attachment or other electronic means. Applicant will be bound by any instructions so given. Delivery of a signed signature page to this Agreement by facsimile transmission or email attachment shall be effective as, and shall constitute physical delivery of, a signed original counterpart of this Agreement.

24. Termination; Surviving Provisions.

(a) This Agreement may be terminated by Applicant only upon the occurrence of all of the following: (i) thirty (30) days shall have passed since Citibank shall have actually received written notice of such termination from Applicant; (ii) the amount of all Obligations, whether matured or contingent, shall have been paid to Citibank (and for the avoidance of doubt, the creation of any overdraft in Applicant's account with Citibank shall not discharge Applicant's Obligations hereunder); (iii) the Credit, if expiring at Citibank's counters, shall have expired or been cancelled by Citibank; and (iv) if the Credit expires at the counters of an institution other than Citibank, a reasonable time (at least thirty (30) days, as determined in good faith by Citibank) shall have passed following the expiration or cancellation by Citibank of the Credit in order to allow such institution to present documents to Citibank.

(b) Restrictive provisions in this Agreement, such as indemnity, tax, immunity and jurisdiction provisions shall survive termination of this Agreement, expiration of the Credit, and payment of the Obligations.

(c) If the Credit is issued in favor of any bank, Citibank branch or other entity in support of an undertaking issued by such bank, branch or entity on

behalf of Applicant or Citibank, Applicant shall remain liable under this Agreement (even after expiry of the Credit) for amounts paid and expenses incurred by Citibank with respect to the Credit or such undertaking until such time as Citibank or such other bank, branch or entity shall have no further liability, under applicable law, in connection with such undertaking.

25. Governing Law; Governing Rules.

(a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF APPLICANT AND CITIBANK HEREUNDER SHALL BE GOVERNED BY AND SUBJECT TO THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE UNITED STATES FEDERAL LAWS.

(b) Applicant agrees that Citibank may issue the Credit subject to the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce ("ICC") Publication Nos. 500 (1993 Revision) or 600 (2007 Revision) (the "UCP 500" or the "UCP 600") or, at Citibank's option, such later revision thereof in effect at the time of issuance of the Credit (as so chosen for the Credit, the "UCP") or the International Standby Practices 1998, ICC Publication No. 590 or, at Citibank's option, such later revision thereof in effect at the time of issuance of the Credit (as so chosen for the Credit, the "ISP"), and each of the UCP and the ISP, an "ICC Rule". Citibank's privileges, rights and remedies under such ICC Rules shall be in addition to, and not in limitation of, its privileges, rights and remedies expressly provided for herein. The UCP and the ISP (or such later revision of either) shall serve, in the absence of proof to the contrary, as evidence of general banking usage with respect to the subject matter thereof.

(c) Applicant agrees that for matters not addressed by the chosen ICC Rule, the Credit shall be subject to and governed by the laws of the State of New York and applicable United States Federal laws. If, at Applicant's request, the Credit expressly chooses a state or country law other than New York State law and United States Federal law or is silent with respect to the choice of an ICC Rule or a governing law, Citibank shall not be liable for any payment, cost, expense or loss resulting from any action or inaction taken by Citibank if such action or inaction is or would be justified under an ICC Rule, New York law, applicable United States Federal law or the law governing the Credit.

26. Jurisdiction; Service of Process

(a) This Agreement shall be deemed to have been made in New York County, New York, regardless of the order in which the signatures of the parties shall be affixed hereto. Applicant now irrevocably submits to the non-exclusive jurisdiction of any state or federal court sitting in New York County, New York, for itself, and in respect of any of its property, and, if a law other than New York State law has been chosen to govern the Credit, Applicant also now irrevocably submits to the non-exclusive jurisdiction of any court sitting in such jurisdiction with respect to the Credit. Applicant agrees not to bring any action or proceeding against Citibank with respect to the Credit in any jurisdiction other than those described in the immediately preceding sentence. Applicant irrevocably waives any objection to venue or any claim of inconvenient forum.

(b) If Applicant is an entity formed under the laws of the United States, any state of the United States or the District of Columbia, Applicant agrees that any service of process or other notice of legal process may be served upon it by mail or hand delivery if sent to:

Care of Pacific Drilling Services, Inc., at

3050 Post Oak Blvd., Suite 1500, Houston, TX 77056 which Applicant now designates its authorized agent for service of process with respect to the courts located in the State of

New York in relation to the Credit and this Agreement. (If no authorized agent is designated in the space provided above, Applicant agrees that process shall be deemed served if sent to its address given for notices under this Agreement.) (c) If Applicant is an entity other than one described in (b) above, Applicant agrees that any service of process or other notice of legal process may be served upon it by mail or hand delivery if sent to:

_____ at
_____ in

the State of New York, which Applicant now confirms it has designated as its authorized agent for service of process with respect to the courts located in the State of New York in relation to the Credit and this Agreement.

(d) Applicant agrees that nothing in this Agreement shall affect Citibank's right to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against Applicant in any other jurisdiction. Applicant agrees that final judgment against it in any action or proceeding shall be enforceable in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the judgment.

(continued next page)



27. JURY TRIAL WAIVER.

APPLICANT AND CITIBANK EACH IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM, COUNTERCLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE CREDIT, OR ANY DEALINGS WITH ONE ANOTHER RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT.

Applicant:

Pacific Drilling Gibraltar Limited

Company Name

/s/ Christian Beckett

By: Authorized Signer

Christian Beckett

Print Name

Director

Title

Care of Pacific Drilling Services, Inc.,

Address

3050 Post Oak Blvd., Suite 1500, Houston, TX 77056

June 27, 2011

Date

Co-Applicant (if any):

Company Name

By: Authorized Signer

Print Name

Title

Address

Date

(For Citibank Use Only)

Approvals to Issue

Relationship Manager (Signature & Stamp)

Other required Signature & Stamp

AFSBLOC 04/08

Global Transaction Services

www.transactionservices.citigroup.com

© 2008 Citibank, N.A. All rights reserved. Citi and Arc Design and CitiDirect are service marks of Citigroup Inc., used and registered throughout the world.

GUARANTY

GUARANTY, dated as of June 27, 2011 (this “**Guaranty**”), made by Quantum Pacific International Limited., a corporation organized and existing under the laws of the British Virgin Islands (the “**Guarantor**”), in favor of Citigroup Inc. and each subsidiary or affiliate thereof (including Citibank, N.A. and each of its branches wherever located) (including its successors and assigns, “**Citi**”).

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce Citibank, N.A. to enter into an Agreement for Standby Letter of Credit, dated as of June 7, 2011 (the “**SBLC Agreement**”), with Pacific Drilling (Gibraltar) Ltd., a Gibraltar company (the “**Obligor**”), as the applicant therein named, pursuant to which, as therein provided, Citibank, N.A. in its discretion may, inter alia, issue on or more stand-by or direct pay standby letters of credit to Citibank Nigeria Ltd. to support the operations in Nigeria of the dynamically-positioned drill ship named “Pacific Bora” (the “**Vessel**”) owned by the Obligor’s subsidiary, Pacific Bora Ltd., a Liberian corporation (the “**Owner**”), the Guarantor agrees as follows:

1. Guaranty. The Guarantor unconditionally guarantees the punctual payment when due, whether upon maturity, by acceleration or otherwise, of all obligations (now or hereafter existing) of the Obligor under the SBLC Agreement and any other agreement or instrument relating thereto (all of the foregoing being, collectively, the “**L/C Related Documents**”), whether for principal, interest, fees, expenses or otherwise, in each case strictly in accordance with the terms thereof (all such obligations being the “**Obligations**”). If the Obligor fails to pay any Obligation in full when due (whether at stated maturity, by acceleration or otherwise), the Guarantor will promptly pay the same to Citi. The Guarantor will also pay to Citi any and all expenses (including without limitation, reasonable legal fees and expenses) incurred by Citi in enforcing its rights under this Guaranty. This Guaranty is a guaranty of payment and not merely of collection.

2. Guaranty Absolute. The liability of the Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now or hereafter acquire in any way relating to, any or all of the following: (i) any illegality, lack of validity or enforceability of any Obligation, (ii) any amendment, modification, waiver or consent to departure from the terms of any Obligation, including any renewal or extension of the time or change of the manner or place of payment, (iii) any exchange, substitution, release, non-perfection or impairment of any collateral securing payment of any Obligation, (iv) any change in the corporate existence, structure or ownership of the Obligor, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Obligor or its assets or any resulting release or discharge of any Obligation, (v) the existence of any claim, set-off or other rights that the Guarantor may have at any time against the Obligor, Citi, or any other corporation or person, whether in connection herewith or any unrelated transactions, provided that nothing herein will prevent the assertion of any such claim by separate suit or compulsory counterclaim, (vi) any law, regulation, decree or order of any jurisdiction, or any other event, affecting any term of any Obligation or Citi’s rights with respect thereto, including, without limitation: (A) the application of any such law, regulation, decree or order, including any prior approval, which would prevent the exchange of a Non-USD Currency (as hereinafter defined) for U.S. Dollars or the remittance of funds outside of such jurisdiction or the unavailability of U.S. Dollars in any legal exchange market in such jurisdiction in accordance with normal commercial practice; or (B) a declaration of banking moratorium or any suspension of payments by banks in such jurisdiction or the imposition by such jurisdiction or any governmental authority thereof of any moratorium on, the required rescheduling or restructuring of, or required approval of payments on, any indebtedness in such jurisdiction; or (C) any expropriation, confiscation, nationalization or requisition by such country or any governmental authority that directly or indirectly deprives the Obligor of any assets or their use or of the ability to operate its business or a material part thereof; or (D) any war (whether or not declared), insurrection, revolution, hostile act, civil strife or similar events occurring in such jurisdiction

which has the same effect as the events described in clause (A), (B) or (C) above (in each of the cases contemplated in clauses (A) through (D) above, to the extent occurring or existing on or at any time after the date of this Guaranty), and (vii) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by Citi that might otherwise constitute a defense available to, or a legal or equitable discharge of, the Obligor or the Guarantor or any other guarantor or surety (other than the defense of payment or performance).

Without limiting the generality of the foregoing, the Guarantor guarantees that it shall pay Citi strictly in accordance with the express terms of any document or agreement evidencing any Obligation, including in the amounts and in the currency expressly agreed to thereunder, irrespective of and without giving effect to any laws of the jurisdiction where the Obligor is principally located in effect from time to time, or any order, decree or regulation in the jurisdiction where the Obligor is principally located.

It is the intent of this Section 2 that the Guarantor's obligations hereunder are and shall be absolute and unconditional under any and all circumstances.

3. Waiver. The Guarantor waives promptness, diligence, notice of acceptance, notice of dishonor and any other notice with respect to any Obligation and this Guaranty and any requirement that Citi exercise any right or take any action against the Obligor or any collateral security or credit support.

4. Reinstatement. This Guaranty will continue to be effective or be reinstated, as the case may be, if at any time any payment of any Obligation is rescinded or must otherwise be returned by Citi upon the insolvency, bankruptcy or reorganization of the Obligor or otherwise, all as though such payment had not been made.

5. Subrogation. The Guarantor will not assert, enforce or otherwise exercise any rights which it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise, until payment in full of the Obligations and the termination of any and all agreements under which Citi is committed to provide extensions of credit.

6. Taxes. Any and all payments by the Guarantor hereunder will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding income or franchise taxes imposed on Citi's net income by the jurisdiction under the laws of which Citi is organized or any political subdivision thereof or by the jurisdiction of Citi's lending office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being "**Taxes**"). If the Guarantor is required by law to deduct any Taxes from or in respect of any sum payable hereunder (i) the sum payable will be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) Citi will receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Guarantor will make such deductions, and (iii) the Guarantor will pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. In addition, the Guarantor will pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Guaranty or the Obligations ("**Other Taxes**"). The Guarantor will promptly furnish to Citi the original or a certified copy of a receipt evidencing payment thereof. The Guarantor will indemnify Citi for the full amount of Taxes or Other Taxes paid by Citi or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted, within 30 days of Citi's request therefor. Without prejudice to the survival of any other agreement contained herein, the Guarantor's agreements and obligations contained in this Section will survive the payment in full of the Obligations, principal and interest hereunder and any termination of this Guaranty.

7. Place and Currency of Payment. If any Obligation is payable in U.S. Dollars, the Guarantor will make payment hereunder to Citi in U.S. Dollars at 399 Park Avenue, New York, New York or such other location in the United States of America as Citi specifies to the Guarantor. If any Obligation is payable in a currency other than U.S. Dollars (a “ **Non-USD Currency** ”), the Guarantor will, at Citi’s option, either (i) make payment in such Non-USD Currency at the place where such Obligation is payable, or (ii) pay Citi in U.S. Dollars at 399 Park Avenue, New York, New York or such other location in the United States as Citi specifies to the Guarantor. In the event of a payment pursuant to clause (ii) above, the Guarantor will pay Citi the equivalent of the amount of such Obligation in U.S. Dollars calculated at the rate of exchange at which, in accordance with normal banking procedures, Citi may buy such Non-USD Currency in New York, New York on the date the Guarantor makes such payment; *provided, however*, that the foregoing provisions of this sentence shall not apply to any payments hereunder in respect of Obligations that have been re-denominated into a Non-USD Currency as a result of the application of any law, order, decree or regulation in any jurisdiction other than the United States, which Obligations shall, for purposes of this Guaranty, be deemed to remain denominated in U.S. Dollars and payable to Citi in accordance with the first sentence of this Section.

8. Set-Off. If the Guarantor fails to pay any of its obligations hereunder when due and payable, Citi is authorized at any time and from time to time, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Citi to or for the Guarantor’s credit or account against any and all of the Obligations, whether or not Citi has made any demand under this Guaranty. Citi will promptly notify the Guarantor after any such set-off and application, provided that the failure to give such notice will not affect the validity of such set-off and application. Citi’s rights under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that Citi may have.

9. Representations and Warranties. The Guarantor represents and warrants that:

(i) the execution, delivery and performance by the Guarantor of this Guaranty are within its corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (x) its charter or by-laws or (y) any law or any contractual restriction binding on or affecting the Guarantor or any entity that controls it;

(ii) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Guarantor of this Guaranty;

(iii) this Guaranty has been duly executed and delivered by the Guarantor and is its legal, valid and binding obligation, enforceable against the Guarantor in accordance with its terms;

(iv) the consolidated balance sheets of the Guarantor and its subsidiaries as at December 31, 2009, and the related consolidated statements of income and retained earnings of the Guarantor and its subsidiaries for the fiscal year then ended, copies of which have been furnished to Citi, fairly present the financial condition of the Guarantor and its subsidiaries as at such date and the results of the operations of the Guarantor and its subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since December 31, 2009, there has been no material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Guarantor or of the Guarantor and its subsidiaries taken as a whole;

(v) there is no action, suit, investigation or proceeding pending against, or to the Guarantor's knowledge, threatened against or affecting the Guarantor or any of its subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a material likelihood of an adverse decision which could reasonably be expected to have a material adverse affect on the business, condition (financial or other), operations, performance, properties or prospects of the Guarantor and its subsidiaries, taken as a whole, or which would impair the ability of the Guarantor to perform its obligations hereunder, or which in any manner draws into question the legality, validity or enforceability of this Guaranty;

(vi) no report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of the Guarantor to Citi in connection with the transactions contemplated hereby and the negotiation of this Guaranty or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to any projected financial information, the Guarantor represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time; and

(vii) each of the Guarantor and each of its consolidated subsidiaries is, individually and together with its subsidiaries, Solvent. “**Solvent**” means, with respect to any person on a particular date, that on such date (a) the present fair salable value of the assets of such person is not less than the amount that will be required to pay the probable liability of such person on its debts as they become absolute and matured, (b) such person does not intend to, and does not believe that it will, incur debts or liabilities beyond such person's ability to pay as such debts and liabilities mature and (c) such person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which person's property would be unreasonably small in relation to such business or such transaction.

On the date that SBLC Agreement has been entered into, and on each date that a Letter of Credit under the SBLC Agreement is issued or renewed, the Guarantor will be deemed to have represented and warranted that all of the foregoing statements are true on such date.

10. Covenants. So long as this Guaranty is in effect, the Guarantor will:

(i) as soon as available, if at all, after the end of each of the first three quarters of each fiscal year of the Guarantor, deliver to Citi consolidated balance sheets of the Guarantor and its subsidiaries as of the end of such quarter and consolidated statements of income and cash flows of the Guarantor and its subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by the Guarantor's chief financial officer as having been prepared in accordance with generally accepted accounting principles (GAAP as defined in section (vi) (a) below);

(ii) as soon as available and in any event within 105 days after the end of each fiscal year of the Guarantor, deliver to Citi a copy of the annual audit report for such year for the Guarantor and its subsidiaries, containing a consolidated balance sheet of the Guarantor and its subsidiaries as of the end of such fiscal year and consolidated statements of income and cash flows of the Guarantor and its subsidiaries for such fiscal year, in each case accompanied by an opinion acceptable to Citi by independent public accountants acceptable to Citi;

(iii) as soon as possible, and in any event within five days after obtaining knowledge of each Guarantor Event of Default (as defined in Section 1.1) and each event which, with the giving of notice and/or the passage of time would constitute a Guarantor Event of Default (a “**Guarantor Default**”), deliver to Citi a statement of the Guarantor’s chief financial officer, setting forth details of such Guarantor Event of Default or Guarantor Default and the action that the Guarantor has taken or proposes to take with respect thereto;

(iv) at any reasonable time and from time to time, permit Citi and any of its agents or representatives to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Guarantor and any of its subsidiaries, and to discuss the affairs, finances and accounts of the Guarantor and its subsidiaries with any of their officers or directors and with their independent certified public accountants;

(v) ensure that the SBLC Agreement contains (y) an event of default which is triggered by the occurrence of a Guarantor Event of Default, and (z) an event of default which is triggered in the event that this Guaranty ceases to be legal, valid, binding or enforceable against the Guarantor in accordance with its terms .

(vi)

(a) Consolidated Tangible Net Worth. Maintain at all times a Consolidated Tangible Net Worth of at least US\$1 billion.

“Consolidated Tangible Net Worth” means, as of any date of determination, consolidated shareholders equity of Guarantor and its subsidiaries determined in accordance with generally accepted accounting principles from time to time in effect in the United States, or International Financial Reporting Standards published by the International Accounting Standards Board, as in effect from time to time, consistently applied (“GAAP”), but excluding the effect on shareholders equity of cumulative foreign exchange translation adjustments, and less the net book amount of all assets of Guarantor and its subsidiaries that would be classified as intangible assets on the consolidated balance sheet of Guarantor as of such date prepared in accordance with GAAP. For purposes of this definition, SPVs shall be accounted for pursuant to the equity method of accounting.

(b) Total Debt to Total Capitalization Ratio. Maintain, at the end of each fiscal quarter of Guarantor , a ratio of Total Debt to Total Capitalization (each as defined below) for the four fiscal quarters ended as of the end of such quarter not greater than 3.0:5.0.

“Total Debt” means, as to Guarantor and its Consolidated Subsidiaries at any time, the aggregate sum of (a) all indebtedness (as reflected on the Consolidated balance sheet of Guarantor) and (b) (without duplication):

(i) moneys borrowed;

(ii) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(iv) the amount of any liability in respect of any lease or hire purchase contract that, in accordance with IFRS, would be treated as a finance or capital lease;

(v) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(vi) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of ninety (90) days in order to raise finance or to finance the acquisition of those assets or services;

(vii) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(viii) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative;

(ix) transaction, the marked to market value shall not be taken into account until such time as the relevant derivative transaction is terminated);

(x) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby;

(xi) or documentary letter of credit or any other instrument issued by a bank or financial or other institution; and

(xii) the amount of any liability (without duplication) in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (xi) of this definition.

“Total Capitalization” means, as of any date of determination, the sum of Total Debt plus Consolidated Tangible Net Worth as of such date.

(vii) notify Citi promptly if:

(a) any payment is made by Star Deep Water Petroleum, a company organized under the laws of the Federal Republic of Nigeria (“**Star Deep Water Petroleum**”), in respect of the Temporary Import Bond pursuant to the reimbursement obligations contained in Section 14.5 of the Offshore Drilling Contract - Dwd-2010-639426, dated 9 November 2010 (as the same may be from time to time amended, supplemented or otherwise modified, the “Drilling Contract”), between Star Deep Water Petroleum Limited, and the Owner and Pacific International Drilling West Africa Limited, a Nigerian corporation (“**PIDWAL**”);

(b) the Vessel suffers a Total Loss or Major Casualty Event (as defined in the Project Facilities Agreement, dated 9 September 2010, between the Owner as a borrower, the other borrowers and guarantor therein named, DnB NOR Bank ASA and the other parties therein named (as the same may be from time to time amended, supplemented or otherwise modified, the “**PFA**”));

(c) Star Deep Water Petroleum, on the one hand, or the Owner or PIDWAL, collectively as Contractor, on the other hand, gives notice to the other party of a material breach or material default under the Drilling Contract or the Quiet Enjoyment Agreement, dated as of November 12, 2010 (the “**QEA**”), made by and between Star Deep Water Petroleum, DnB NOR Bank ASA as Security Trustee for the benefit of the secured parties under the PFA, and, collectively, the Owner and PIDWAL as the Contractor therein named (the Drilling Contract and the QEA, each a “**Drilling Document**” and collectively, the “**Drilling Documents**”), or either party repudiates or threatens to repudiate a Drilling Document; or

(d) a Change of Control (defined below) occurs.

A “Change of Control” means:

(i) the Guarantor ceases to own and control, directly or indirectly, free and clear of encumbrances (other than the security interest of the lenders and hedging parties under the PFA):

(A) (i) 70% of the issued and outstanding equity interests of Pacific Drilling Limited, a Liberian corporation (“**PDL**”), the Obligor, or the Owner or (ii) in the event of a registered securities offering or a private placement of the Equity Interests of PDL, 42% of the issued and outstanding Equity Interests of PDL; or

(B) at least 28% of the issued and outstanding equity interests of PIDWAL provided this item (B) shall not apply if there has been a registered securities offering or a private placement of the equity interests of PDL;

(ii) the current beneficial equity owners of the Guarantor (being such beneficial owners as of the date of this Guaranty) cease to own and control, directly or indirectly, free and clear of encumbrances, more than 50% of the issued and outstanding equity interests of the Guarantor.

11. Guarantor Events of Default. Each of the following events constitutes a “**Guarantor Event of Default**”:

(i) the Guarantor fails to pay any principal amount payable under this Guaranty when the same shall become due and payable or
(b) the Guarantor shall fail to pay any interest or make any other payment under this Guaranty, in each case under this clause (b) within five (5) Business Days after the same shall become due and payable;

(ii) (x) the Guarantor fails to perform or observe any term, covenant or agreement contained in Section 10 (iii), (iv) or (vi); or (y) the Guarantor fails to perform or observe any other term, covenant or agreement contained in this Guaranty if such failure remains unremedied for 10 days after written notice thereof has been given to the Guarantor by Citi;

(iii) any representation or warranty made or deemed made by the Guarantor herein proves to have been incorrect in any material respect when made or deemed made;

(iv) the Guarantor or any of its subsidiaries fails to pay any principal of or premium or interest on any indebtedness for borrowed money that is outstanding in a principal or notional amount of at least US\$ 5,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or any other event shall occur or condition exists under any agreement or instrument relating to any such indebtedness and continues after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such indebtedness; or any such indebtedness is declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such indebtedness is required to be made, in each case prior to the stated maturity thereof;

(v) the Guarantor or any of its subsidiaries is generally not paying its debts as such debts become due, or admits in writing its inability to pay such debts generally, or makes a general assignment for the benefit of creditors; or any proceeding is instituted by or against the Guarantor or any of its subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for the Guarantor or any of its subsidiaries or for any substantial part of the Guarantor's or such subsidiary's property and, in the case of any such proceeding instituted against the Guarantor or such subsidiary (but not instituted by the Guarantor or such subsidiary), either such proceeding remains undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official) occurs; or the Guarantor or any of its subsidiaries takes any corporate action to authorize any of the actions set forth above in this subsection (v);

(vi) any judgment or order for the payment of money in excess of US\$ 5,000,000 is rendered against the Guarantor or any of its subsidiaries and either (x) enforcement proceedings have been commenced by any creditor upon such judgment or order or (y) there is any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, is not in effect; and

(vii) a Change of Control shall occur.

Upon the occurrence and during the continuance of a Guarantor Event of Default and upon the demand of Citi made from time to time, the Guarantor will purchase from, and pay Citi for, the outstanding Obligations (including any contingent Obligations) at a purchase price equal to the aggregate amount of the outstanding Obligations (including any contingent Obligations); provided however, that the Guarantor's obligation to make such purchase shall be automatic (and Citi shall not be required to make demand therefore)

immediately upon the occurrence of a Guarantor Event of Default set forth in clause (v) of this Section. Such purchase will be made not later than 12:00 noon two business days after the date of such demand for purchase, and in a place and currency as set forth in Section 7; provided further however, that such purchase shall be made immediately upon the occurrence of a Guarantor Event of Default set forth in clause (v) of this Section. The Guarantor hereby agrees that the purchase of the Obligations (including any contingent Obligations) by it hereunder will be without recourse to or representation or warranty by Citi. The foregoing remedy is in addition to any other rights and remedies otherwise available to Citi, including without limitation, any rights and remedies available to it under the documents or instruments evidencing the Obligations (including any contingent Obligations).

12. Continuing Guaranty. This is a continuing guaranty and applies to all Obligations whenever arising. This Guaranty is irrevocable and will remain in full force and effect until the payment in full of the Obligations and all amounts payable hereunder and the termination of all of the agreements relating to the Obligations.

13. Amendments, Etc. No amendment or waiver of any provision of this Guaranty, and no consent to departure by the Guarantor herefrom, will in any event be effective unless the same is in writing and signed by Citibank, N.A., on behalf of Citi, and then such waiver or consent will be effective only in the specific instance and for the specific purpose for which given.

14. Addresses. All notices and other communications provided for hereunder will be in writing (including telecopier communication), and mailed, telecopied or delivered to it, if to the Guarantor, at its address at Villa Saint Jean, 83 Ruelle Saint Jean, 98000 Monaco, Attention: John Frank Megginson, and if to Citi, at its address c/o Citibank, N.A., _____, Attention: _____ Department, or, as to either party, at such other address as is designated by such party in a written notice to the other party. All such notices and other communications will, when mailed or telecopied, be effective when deposited in the mails or telecopied, respectively.

15. Guarantor's Credit Decision, Etc. The Guarantor has, independently and without reliance on Citi and based on such documents and information as the Guarantor has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty. The Guarantor has adequate means to obtain from the Obligor on a continuing basis information concerning the financial condition, operations and business of the Obligor, and the Guarantor is not relying on Citi to provide such information now or in the future. The Guarantor acknowledges that it will receive substantial direct and indirect benefit from the extensions of credit contemplated by this Guaranty.

16. Judgment. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in U.S. Dollars into a Non-USD Currency, the Guarantor agrees that the rate of exchange used will be that at which, in accordance with normal banking procedures, Citi could purchase U.S. Dollars with such Non-USD Currency on the business day preceding that on which final judgment is given. The obligation of the Guarantor in respect of any sum due hereunder will, notwithstanding any judgment in a Non-USD Currency, be discharged only to the extent that on the date the Guarantor makes payment to Citi of any sum adjudged to be so due in such Non-USD Currency, Citi may, in accordance with normal banking procedures, purchase U.S. Dollars with such Non-USD Currency; if the U.S. Dollars so purchased are less than the sum originally due to Citi in U.S. Dollars, the Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify Citi against such loss, and if the U.S. Dollars so purchased exceed the sum originally due to Citi in U.S. Dollars, Citi agrees to remit to the Guarantor such excess.

17. Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

18. Consent to Jurisdiction, Etc. The Guarantor irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any New York State or Federal court located in the County of New York, State of New York, over any suit, action or proceeding arising out of or relating to this Guaranty, (ii) accepts for itself and in respect of its property the jurisdiction of such courts, and (iii) waives any objection to the laying of venue of any such suit, action or proceeding brought in any such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. The Guarantor hereby irrevocably appoints CT Corporation System (the “**Process Agent**”) with an office on the date hereof at 111 Eighth Avenue, 13th Floor, New York 10011, United States, as its agent to receive on behalf of the Guarantor and its property service of copies of the summons and complaint and any other notice, document or process which may be served in such suit, action or proceeding. Such service may be made by mailing or delivering a copy of such process to the Guarantor in care of the Process Agent, and the Guarantor hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, the Guarantor also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Company at its address specified in Section 14. A final judgment in any such suit, action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein will affect the right of Citi to serve legal process in any other manner permitted by law or affect Citi’s right to bring any suit, action or proceeding against the Guarantor or its property in the courts of other jurisdictions. To the extent that the Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Guarantor irrevocably waives such immunity in respect of its obligations under this Guaranty.

19. WAIVER OF JURY TRIAL. THE GUARANTOR IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS GUARANTY OR CITI’S ACTIONS IN THE NEGOTIATION, ADMINISTRATION OR ENFORCEMENT HEREOF.

Quantum Pacific International Ltd.

By /s/ D.U. Tugman

Name: D.U. Tugman

Title: Director

LETTER OF CREDIT PLEDGE FORMPLEDGE AGREEMENT

PLEDGE AGREEMENT, dated as of **June 27, 2011** between **PACIFIC DRILLING (GIBRALTAR) LTD.**, a corporation organized and existing under the laws of Gibraltar (together with its successors and permitted assigns, the “**Pledgor**”), and CITIBANK, N.A. (together with its successors and assigns, the “**Bank**”).

PRELIMINARY STATEMENTS:

(1) The Pledgor has deposited the amount of \$ **50,000,000.00** in a special non-interest bearing cash collateral account (the “**Account**”) with the Bank at its office at 399 Park Avenue, New York, New York 10022, Account No. **3084-2436**, in the name of the Pledgor but under the sole control and dominion of the Bank and subject to the terms of this Agreement.

(2) The Bank has been requested to issue, and after the date hereof may be requested to issue (it being understood that any future issuances are at the sole discretion of the Bank), one or more of its irrevocable letters of credit listed on Schedule A attached hereto and made a part hereof, which Schedule A may be amended, supplemented or otherwise modified from time to time pursuant to the terms hereof (each such letter of credit, as amended or otherwise modified from time to time, a “**Letter of Credit**”) for the benefit of the beneficiaries listed on Schedule A, in the face amounts listed on Schedule A, and for the account of the Pledgor pursuant to one or more Applications and Agreements for Standby Letters of Credit listed on Schedule A (together with any related instruments and documents, as the same may be amended, supplemented or otherwise modified from time to time, the “**Applications**”).

(3) It is a condition precedent to the issuance of the Letters of Credit that the Pledgor shall have made the pledge contemplated by this Agreement. The Pledgor will derive substantial direct and indirect benefit from the transactions contemplated by the Letters of Credit.

NOW THEREFORE, in consideration of the premises and in order to induce the Bank to issue the Letters of Credit, the Pledgor hereby agrees as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Bank, and grants to the Bank a security interest in and express right of setoff against, all of the right, title and interest of the Pledgor in, to and under the following property, whether now owned or existing or hereafter from time to time acquired or coming into existence (collectively, the “**Collateral**”):

- (a) the Account, all funds held therein or credited thereto, all rights to renew or withdraw the same, and all certificates and instruments, if any, from time to time representing or evidencing the Account;
- (b) any notes, deposit accounts, certificates of deposit or instruments evidencing the Account or any funds held in or credited to the Account or otherwise carried in the Account;

(c) any financial assets (as defined in Section 8-102(a)(9) of the Uniform Commercial Code in effect in the State of New York from time to time (the "Code")) or investment property arising out of the investment of any funds held in or credited to the Account or otherwise carried in the Account and any security entitlement (as defined in Section 8-102(a)(17) of the Code) with respect to such financial assets or investment property;

(d) any interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Collateral; and

(e) all proceeds of any and all of the foregoing Collateral.

The Pledgor and the Bank agree that the Bank shall have sole control and dominion over the Collateral.

SECTION 2. Security for Obligations. This Agreement secures the payment of (a) all obligations of the Pledgor now or hereafter existing under and in connection with each Application, whether for reimbursement of amounts drawn under any Letter of Credit, interest, fees, expenses or otherwise, and (b) all obligations of the Pledgor now or hereafter existing under this Agreement (all such obligations of the Pledgor being collectively the "Obligations").

SECTION 3. Delivery of Collateral. All certificates or instruments, if any, representing or evidencing the Collateral or any portion thereof shall be delivered to and held by or on behalf of the Bank pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Bank. The Bank shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or register in the name of the Bank or any of its nominees any or all of the Collateral. In addition, the Bank shall have the right at any time to exchange certificates or instruments representing or evidencing Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. Maintaining the Account. So long as any Letter of Credit shall remain outstanding or any amount shall remain unpaid under an Application, the Pledgor will maintain the Account with the Bank; and it shall be a term and condition of the Account, notwithstanding any term or condition to the contrary in any other agreement relating to the Account, that:

(a) the Bank will have sole control and dominion over the Account and any security entitlement relating to the Collateral;

(b) all financial assets (other than cash) credited to the Account will be registered in the name of the Bank, indorsed to the Bank or in blank or credited to a security account (as defined in Section 8-501 of the Code) maintained in the name of the Bank, and in no case will any such financial asset be registered in the Pledgor's name, payable to its order or specially indorsed to the Pledgor unless further indorsed to the Bank or in blank;

(c) all interest on the Account, distributions in respect of any financial assets credited to the Account and all other proceeds of the Collateral will be deposited and held in the Account; and

(d) except as otherwise provided by the provisions of Section 6 and Section 13, no amount (including interest on the Account or distributions in respect of any financial assets credited to the Account or other proceeds of any Collateral) will be paid or released to or for the account of, or withdrawn by or for the account of, the Pledgor or any other person or entity from the Account.

The Account shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any other appropriate banking or governmental authority, as may now or hereafter be in effect. The parties acknowledge and agree that the Account is a “deposit account” with respect to any cash credited to the Account and is a “securities account” with respect to any financial assets (other than cash) credited to the Account, and that the Bank is a “securities intermediary” (as defined in Section 8-102(14) of the Code) with respect to such securities account.

SECTION 5. Investing of Amounts in the Account. If requested by the Pledgor, the Bank may, subject to the provisions of Section 6 and Section 13, from time to time (a) invest amounts on deposit in the Account in sweep investments offered by the Bank or such deposit accounts, certificates of deposit, bankers’ acceptances, debt instruments, investment property or financial assets as the Pledgor may select and the Bank may approve in its discretion and (b) invest interest paid on the property referred to in clause (a) above, and reinvest other proceeds of any such property which may mature or be sold, in each case in sweep investments offered by the Bank or such deposit accounts, certificates of deposit, bankers’ acceptances, debt instruments, investment property or financial assets as the Pledgor may select and the Bank may approve. Interest and proceeds that are not invested or reinvested as provided above will be deposited and held in the Account. The Bank and the Pledgor agree that all property (other than cash) referred to in this Section 5 and carried in the Account shall be treated as financial assets under Article 8 of the Code.

SECTION 6. Release of Amounts. So long as no Event of Default (as defined in any Application, an “Event of Default”) or event which, with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing, the Bank will pay and release to the Pledgor or at its order, at the request of the Pledgor, accrued interest due and payable on the Account and income in respect of financial assets credited to the Account (other than income constituting a return of the principal thereof, whether upon sale, redemption or maturity).

SECTION 7. Representations and Warranties. The Pledgor represents and warrants as follows:

- (a) The Pledgor is the legal and beneficial owner of the Collateral free and clear of any lien, security interest, option or other charge or encumbrance except for the security interest created by this Agreement.
- (b) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Obligations.
- (c) No consent of any other person or entity and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required (i) for the pledge by the Pledgor of the Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Pledgor, (ii) for the perfection or maintenance of the security interest created hereby (including the first priority nature of such security interest) or (iii) for the exercise by the Bank of its rights and remedies hereunder.
- (d) There are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived.
- (e) The Pledgor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

(f) The execution, delivery and performance by the Pledgor of this Agreement and the transactions contemplated hereby are within the Pledgor's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene the Pledgor's charter or by-laws, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, or (iii) conflict with or result in the breach of, or constitute a default under, any material contract binding on or affecting the Pledgor or any of its properties. This Agreement has been duly executed and delivered by the Pledgor.

(g) This Agreement is the legal, valid and binding obligation of the Pledgor, enforceable against the Pledgor in accordance with its terms.

SECTION 8. Delivery of Opinions, Etc.; Further Assurances. (a) The Pledgor agrees to promptly provide the following to the Bank, each in form and substance satisfactory to the Bank: (i) a counterpart of this Agreement duly executed by the Pledgor and the Bank; and (ii) opinion (s) from counsel to the Pledgor as to such matters as the Bank may reasonably request.

(b) The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Bank may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Bank to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

SECTION 9. Transfers and Other Liens. The Pledgor agrees that it will not (a) sell, assign (by operation of law or otherwise), or otherwise dispose of, or grant any option with respect to, any of the Collateral, or (b) create or permit to exist any lien, security interest, option or other charge or encumbrance upon or with respect to any of the Collateral, except for the security interest under this Agreement, or (c) file, authorize or permit to be on file, in any jurisdiction, any financing statement with respect to the Collateral in which the Bank is not named as the sole secured party.

SECTION 10. Bank Appointed Attorney-in-Fact. The Pledgor hereby appoints the Bank the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Bank's discretion to take any action and to execute any instrument which the Bank may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation, to receive, indorse and collect all instruments made payable to the Pledgor representing any interest payment, dividend or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

SECTION 11. Bank May Perform. If the Pledgor fails to perform any agreement contained herein, the Bank may itself perform, or cause performance of, such agreement, and the expenses of the Bank incurred in connection therewith shall be payable by the Pledgor under Section 14.

SECTION 12. The Bank's Duties. The powers conferred on the Bank hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Bank shall have no duty as to any Collateral, including as to (a) the investment or reinvestment of the Collateral (except as provided in Section 5), (b) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Bank has or is deemed to have knowledge of such matters, or (c) the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Bank shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Bank accords its own property.

SECTION 13. Remedies upon Default. If any Event of Default shall have occurred and be continuing, then the Bank may take one or both of the following actions:

- (a) The Bank may, without notice to the Pledgor except as required by law and at any time or from time to time, charge, setoff and otherwise apply all or any part of the Account against the Obligations or any part thereof.
- (b) The Bank may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Code (whether or not the Code applies to the affected Collateral).

SECTION 14. Expenses. The Pledgor will upon demand pay to the Bank the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Bank may incur in connection with (a) the administration of this Agreement, (b) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (c) the exercise, enforcement or preservation of any of the rights of the Bank hereunder or (d) the occurrence of any Event of Default or the failure by the Pledgor to perform or observe any of the provisions hereof.

SECTION 15. Security Interest Absolute. All rights of the Bank and security interests hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional irrespective of:

- (i) any lack of validity or enforceability of any Letter of Credit, any Application or any other agreement or instrument relating thereto;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or consent to departure from any Letter of Credit or any Application, including without limitation, any increase in the Obligations resulting from the extension of additional credit to the Pledgor or any of its subsidiaries or otherwise;
- (iii) any taking, exchange, release or non-perfection of any other collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;
- (iv) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral for all or any of the Obligations or any other assets of the Pledgor or its subsidiaries;
- (v) any change, restructuring or termination of the corporate structure of the Pledgor or any of its subsidiaries; or
- (vi) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Pledgor.

SECTION 16. Amendments, Etc. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 17. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including faxes) and mailed, telecopied or delivered to it, if to the Pledgor, sent care of **Pacific Drilling Services, Inc at 3050 Post Oak Blvd., Suite 1500, Houston, TX 77056**, and if to the Bank, at its address at Citibank, N.A., 388 Greenwich Street, New York, New York 10013, Attention: Robert Malleck, or, as to either party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and other communications shall, when mailed or faxed, be effective when deposited in the mails or faxed, respectively.

SECTION 18. Continuing Security Interest. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Obligations and all other amounts payable under this Agreement and the expiry of all Letters of Credit, (b) be binding upon the Pledgor, its successors and assigns, and (c) inure to the benefit of, and be enforceable by, the Bank and its respective successors, transferees and assigns. Upon the payment in full of the Obligations and all other amounts payable under this Agreement and the expiry of all Letters of Credit, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Pledgor. Upon any such termination, the Bank will, at the Pledgor's expense, return to the Pledgor such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to the Pledgor such documents as the Pledgor shall reasonably request to evidence such termination.

SECTION 19. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the law of the State of New York. Unless otherwise defined herein or in any Application, terms defined in Article 8 and Article 9 of the Code are used herein as therein defined. The parties agree that New York is the "bank's jurisdiction" (as defined in Section 9-304 of the Code) and the "securities intermediary's jurisdiction" (as defined in Section 8-110 of the Code) with respect to the Bank for all purposes under this Agreement and under the Code.

SECTION 20. Consent to Jurisdiction

The Pledgor hereby irrevocably and unconditionally (i) submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, (ii) agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such Federal court, (iii) waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding, (iv) consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to CT Corporation at 111 Eighth Avenue, New York, NY 10011, United States of America, or in any other manner permitted by applicable law, and (v) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement will affect the Bank's right to serve legal process in any other manner permitted by law or affect the Bank's right to bring any action or proceeding relating to this Agreement or the transactions contemplated hereby against the Pledgor or its property in the courts of any jurisdiction. To the extent that the Pledgor has or hereafter may acquire any immunity from jurisdiction of any court or from set-off or any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Pledgor hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

SECTION 21. WAIVER OF JURY TRIAL. EACH OF THE PLEDGOR AND THE BANK IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BANK'S ACTIONS IN THE NEGOTIATION, ADMINISTRATION OR ENFORCEMENT HEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the date first written above.

PACIFIC DRILLING (GIBRALTAR) LTD

By: /s/ Christian Beckett

Name: Christian Beckett

Title: Director

CITIBANK, N.A.

By: /s/ Robert Malleck

Name: Robert Malleck

Title: Vice President

SCHEDULE A (as of June 27, 2011)
(of Pledge Agreement dated as of June 24, 2011 between Pacific Drilling Gibraltar Limited and
Citibank, N.A.)

[Letters of Credit]	[Beneficiaries]	[Face Amounts]	[Applications and Agreements for Standby Letters of Credit]
	CITIBANK NIGERIA LIMITED	\$50,000,000.00	

PACIFIC DRILLING S.A.
2011 OMNIBUS STOCK INCENTIVE PLAN

SECTION 1. Purpose. The purpose of this Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan is to promote the interests of Pacific Drilling S.A., a limited liability company (*société anonyme*) organized under the laws of Luxembourg, having its registered office located at 16, avenue Pasteur, L-2310 Luxembourg, and registered with the Luxembourg register of commerce and companies under number B 159658, organized under the laws of Luxembourg (the “Company”), and its stockholders by (a) attracting and retaining exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of the Company and its Affiliates (as defined below) and (b) enabling such individuals to participate in the long-term growth and financial success of the Company.

SECTION 2. Definitions. As used herein, the following terms shall have the meanings set forth below:

“Affiliate” means (a) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company (including any Subsidiary) and (b) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

“Award” means any award that is permitted under Section 6 and granted under the Plan.

“Award Agreement” means any written agreement, contract or other instrument or document evidencing any Award which shall contain such terms and conditions with respect to such Award as the Committee shall determine consistent with the Plan, and which may, but need not, require execution or acknowledgment by a Participant.

“Board” means the Board of Directors of the Company.

“Change of Control” shall (a) have the meaning set forth in an Award Agreement or (b) if there is no definition set forth in an Award Agreement, mean the first of any of the following events to occur:

(i) the consummation of a merger or consolidation to which the Company is a party if the merger or consolidation would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) less than 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation;

(ii) the direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act) in the aggregate of securities of the Company representing 50% or more of the total combined voting power of the Company’s then issued and outstanding securities is acquired by any person or entity, or group of associated persons or entities acting in concert; *provided, however*, that for purposes hereof, the following acquisitions shall not constitute a Change of Control: (1) any acquisition by the Company or any of its subsidiaries, (2) any acquisition by any employee benefit plan (or related trust or fiduciary) sponsored or

maintained by the Company or any corporation controlled by the Company, (3) any acquisition by an underwriter temporarily holding securities pursuant to an offering of such securities, (4) any acquisition by a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (5) any acquisition in connection with a merger or consolidation which, pursuant to paragraph (i) above, does not constitute a Change of Control or (6) any acquisition by an Affiliate of the Company in connection with an internal restructuring of the Company or its Affiliates;

(iii) the consummation of a transaction contemplated by an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale;

(iv) complete a liquidation of the Company, other than a liquidation in which the assets of the Company are transferred to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such liquidation; or

(v) such other event or transaction as the Board shall determine constitutes a Change of Control.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

"Committee" means the compensation committee of the Board, the full Board, or such other committee of the Board as may be designated by the Board from time to time to administer the Plan.

"Company" means Pacific Drilling S.A. or, where relevant with regard to the holding and delivery of Shares pursuant to Awards, any third party appointed by the Committee to hold Shares for the purposes of this Plan.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute thereto.

"Exercise Price" means (a) in the case of Options, the price specified in the applicable Award Agreement as the price-per-Share at which Shares may be purchased pursuant to such Option or (b) in the case of SARs, the price specified in the applicable Award Agreement as the reference price-per-Share used to calculate the amount payable to the Participant.

"Fair Market Value" means (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (b) with respect to the Shares, the fair market value of the Shares as determined in good faith by the Committee in accordance with Section 409A of the Code and the regulations thereunder.

“Incentive Stock Option” means an option to purchase Shares from the Company that (a) is granted under Section 6 and (b) is intended to qualify for special Federal income tax treatment pursuant to Sections 421 and 422 of the Code, as now constituted or subsequently amended, or pursuant to a successor provision of the Code, and which is so designated in the applicable Award Agreement.

“IRS” means the Internal Revenue Service or any successor thereto and includes the staff thereof.

“Nonqualified Stock Option” means an option to purchase Shares from the Company that (a) is granted under Section 6 and (b) is not an Incentive Stock Option.

“Option” means an Incentive Stock Option or a Nonqualified Stock Option or both, as the context requires.

“Participant” means any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or its Affiliates who is eligible for an Award under Section 5 and who is selected by the Committee to receive an Award under the Plan or who receives a Substitute Award pursuant to Section 4(c).

“Plan” means this Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan, as in effect from time to time.

“Restricted Share” means a Share Award delivered under the Plan that is subject to certain transfer restrictions, forfeiture provisions and/or other terms and conditions specified herein and in the applicable Award Agreement.

“RSU” means a restricted stock unit Award that is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property in accordance with the terms of the applicable Award Agreement.

“SAR” means a stock appreciation right Award that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Share over the Exercise Price per Share of the SAR, subject to the terms of the applicable Award Agreement.

“SEC” means the Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

“Shares” means shares of common stock of the Company, par value \$0.01 per share, or such other securities of the Company (a) into which such shares shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (b) as may be determined by the Committee pursuant to Section 4(b).

“Subsidiary” means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

“Substitute Awards” shall have the meaning specified in Section 4(c).

SECTION 3. Administration.

(a) Composition of Committee. The Plan shall be administered by the Committee, which shall be composed of one or more individuals, as determined by the Board.

(b) Authority of Committee. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have sole and plenary authority to administer the Plan, including, but not limited to, the authority to (i) designate Participants, (ii) determine the type or types of Awards to be granted to a Participant, (iii) determine the number or Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Awards, (iv) determine the terms and conditions of any Awards, (v) determine the vesting schedules of Awards and, if certain performance criteria must be attained in order for an Award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (vi) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended, (vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee, (viii) interpret, administer, reconcile any inconsistency in, correct any default in and supply any omission in, the Plan and any instrument or agreement relating to, or Award made under, the Plan, (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, (x) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards, (xi) amend an outstanding Award or grant a replacement Award for an Award previously granted under the Plan if, in its sole discretion, the Committee determines that (A) the tax consequences of such Award to the Company or the Participant differ from those consequences that were expected to occur on the date the Award was granted or (B) clarifications or interpretations of, or changes to, tax law or regulations permit Awards to be granted that have more favorable tax consequences than initially anticipated and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) Committee Decisions. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole and plenary discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award and any stockholder.

(d) Indemnification. No member of the Board, the Committee or any employee of the Company (each such person, a “Covered Person”) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the

Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; *provided* that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding, and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Certificate of Incorporation or Bylaws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(e) Delegation of Authority to Senior Officers . The Committee may delegate, on such terms and conditions as it determines in its sole and plenary discretion, to one or more senior officers of the Company the authority to make grants of Awards to officers (other than executive officers), employees and consultants of the Company and its Affiliates (including any prospective officer, employee or consultant) and all necessary and appropriate decisions and determinations with respect thereto.

(f) Awards to Committee Members . Notwithstanding anything to the contrary contained herein, the Board may, in its sole and plenary discretion, at any time and from time to time, grant Awards to members of the Committee or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Committee herein.

SECTION 4. Shares Available for Awards; Other Limits .

(a) Shares Available . Subject to adjustment as provided in Section 4(b), the aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be 7.2 million. The maximum aggregate number of Shares that may be delivered pursuant to Incentive Stock Options granted under the Plan shall be 7.2 million . If, after the effective date of the Plan, any Award granted under the Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of Shares, then the Shares covered by such forfeited, expired, terminated or canceled Award shall again become available to be delivered

pursuant to Awards under the Plan. If Shares issued upon exercise, vesting or settlement of an Award, or Shares owned by a Participant (which are not subject to any pledge or other security interest), are surrendered or tendered to the Company in payment of the Exercise Price of an Award or any taxes required to be withheld in respect of an Award, in each case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered Shares shall again become available to be delivered pursuant to Awards under the Plan.

(b) Adjustments for Changes in Capitalization and Similar Events. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, capital contribution, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee in its discretion to be appropriate or desirable, then the Committee may (i) in such manner as it may deem equitable or desirable, adjust any or all of (A) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including the aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan, as provided in Section 4(a) and (B) the terms of any outstanding Award, including (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price with respect to any Award, and (ii) if deemed appropriate or desirable by the Committee, make provision for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR.

(c) Substitute Awards. Awards may, in the discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its Affiliates or a company acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines (“Substitute Awards”). The number of Shares underlying any Substitute Awards shall be counted against the aggregate number of Shares available for Awards under the Plan; *provided, however*, that, unless otherwise required under applicable law, Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding awards previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall not be counted against the aggregate number of Shares available for Awards under the Plan; *provided further, however*, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding stock options intended to qualify for special tax treatment under Sections 421 and 422 of the Code that were previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall be counted against the aggregate number of Shares available for Incentive Stock Options under the Plan.

(d) Sources of Shares Deliverable Under Awards. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

SECTION 5. Eligibility. Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or any of its Affiliates shall be eligible to be designated a Participant.

SECTION 6. Awards.

(a) Types of Awards. Awards may be made under the Plan in the form of (i) Options, (ii) SARs, (iii) Restricted Shares, (iv) RSUs, and (v) other equity-based or equity-related Awards that the Committee determines are consistent with the purpose of the Plan and the interests of the Company. Awards may be granted in tandem with other Awards. No Incentive Stock Option (other than an Incentive Stock Option that may be assumed or issued by the Company in connection with a transaction to which Section 424(a) of the Code applies) may be granted to a person who is ineligible to receive an Incentive Stock Option under the Code.

(b) Options.

(i) Grant. Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Options shall be granted, the number of Shares to be covered by each Option, whether the Option will be an Incentive Stock Option or a Nonqualified Stock Option and the conditions and limitations applicable to the vesting and exercise of the Option. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code and any regulations related thereto, as may be amended from time to time. All Options granted under the Plan shall be Nonqualified Stock Options unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if for any reason such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan; *provided* that such Option (or portion thereof) otherwise complies with the Plan's requirements relating to Nonqualified Stock Options.

(ii) Exercise Price. Except as otherwise established by the Committee at the time an Option is granted and set forth in the applicable Award Agreement, the Exercise Price of each Share covered by an Option shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the Option is granted); *provided, however*, that in the case of an Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the per Share Exercise Price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(iii) Vesting and Exercise. Each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter. Except as otherwise specified by the Committee in the applicable Award Agreement, an Option may only be exercised to the extent that it has already vested at the time of exercise. Except as

otherwise specified by the Committee in the Award Agreement, Options shall become vested and exercisable with respect to one-quarter of the Shares subject to such Options on each of the first four anniversaries of the date of grant. An Option shall be deemed to be exercised when written or electronic notice of such exercise has been given to the Company in accordance with the terms of the Award and the Award Agreement by the person entitled to exercise the Award and full payment pursuant to Section 6(b)(iv) for the Shares with respect to which the Award is exercised has been received by the Company. Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available for purchase under the Option and, except as expressly set forth in Section 4(c), in the number of Shares that may be available for purposes of the Plan, by the number of Shares as to which the Option is exercised. The Committee may impose such conditions with respect to the exercise of Options, including, without limitation, any relating to the application of Federal, state, local or foreign securities laws, as it may deem necessary or advisable.

(iv) Payment.

(A) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate Exercise Price therefor is received by the Company, and the Participant has paid to the Company an amount equal to any Federal, state, local and foreign income and employment taxes required to be withheld. Such payments shall be made in cash or by instructing the Company to withhold a portion of the Shares to be acquired by exercise of the Option with a Fair Market Value equal to the Exercise Price plus any Federal, state, local and foreign income and employment taxes required to be withheld. However, in the Committee's sole and plenary discretion, payment for the Exercise Price may be made by exchanging Shares owned by the Participant (which are not the subject of any pledge or other security interest) with a Fair Market Value equal to the Exercise Price and Federal, state, local and foreign income and employment taxes required to be withheld; *provided* that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company or withheld from such Option as of the date of such tender or withholding is at least equal to such aggregate Exercise Price and the amount of any Federal, state, local or foreign income or employment taxes required to be withheld.

(B) Wherever in the Plan or any Award Agreement a Participant is permitted to pay the Exercise Price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares. Such Shares must be in good form to transfer and shall be valued at their Fair Market Value on the date of Option exercise. Once the Participant has established its ownership of the Shares and that the Shares are in good form for transfer, the Company shall treat the Option as exercised (to the extent the Shares so presented are sufficient to cover the Exercise Price and all Federal, state, local and foreign income and employment taxes required to be withheld thereon) without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

(v) Expiration. Except as otherwise set forth in the applicable Award Agreement, each Option shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the Option is granted and (B) either (x) 90 days after the date the Participant who is holding the Option ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates for any reason other than the Participant's death or (y) six months after the date the Participant who is holding the Option ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates by reason of the Participant's death. In no event may an Option be exercisable after the tenth anniversary of the date the Option is granted.

(c) SARs.

(i) Grant. Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom SARs shall be granted, the number of Shares to be covered by each SAR, the Exercise Price thereof and the conditions and limitations applicable to the exercise thereof. SARs may be granted in tandem with another Award, in addition to another Award or freestanding and unrelated to another Award. SARs granted in tandem with, or in addition to, an Award may be granted either at the same time as the Award or at a later time.

(ii) Exercise Price. Except as otherwise established by the Committee at the time a SAR is granted and set forth in the applicable Award Agreement, the Exercise Price of each Share covered by a SAR shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the SAR is granted).

(iii) Exercise. A SAR shall entitle the Participant to receive an amount equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the Exercise Price thereof. The Committee shall determine, in its sole and plenary discretion, whether a SAR shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(iv) Other Terms and Conditions. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR. Any such determination by the Committee may be changed by the Committee from time to time and may govern the exercise of SARs granted or exercised thereafter. The Committee may impose such conditions or restrictions on the exercise of any SAR as it shall deem appropriate or desirable.

(d) Restricted Shares and RSUs.

(i) Grant. Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Restricted Shares and RSUs shall be granted, the number of Restricted Shares and RSUs to be granted to each Participant, the duration of the period during which, and the conditions, if any, under which, the Restricted Shares and RSUs may vest or may be forfeited to the Company and the other terms and conditions of such Awards.

(ii) Transfer Restrictions. Restricted Shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or as may be provided in the applicable Award Agreement; *provided, however*, that the Committee may in its discretion determine that Restricted Shares and RSUs may be transferred by the Participant. Restricted Shares shall be registered in the Company's share register in the name of the Participant or such custodian as may be designated by the Committee or the Company, or if the shares are held through a central depository, in an account opened with a broker in the name of the Participant or such custodian, and shall be held by the Participant or such custodian until such time as the restrictions applicable to such Restricted Shares lapse. Upon the lapse of the restrictions applicable to such Restricted Shares, the Company or other custodian, as applicable, shall deliver such certificates to the Participant or the Participant's legal representative.

(iii) Payment/Lapse of Restrictions. Each RSU shall be granted with respect to one Share or shall have a value equal to the Fair Market Value of one Share. RSUs shall be paid in cash, Shares, other securities, other Awards or other property, as determined in the sole and plenary discretion of the Committee, upon the lapse of restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement.

(e) Other Stock-Based Awards. Subject to the provisions of the Plan, the Committee shall have the sole and plenary authority to grant to Participants other equity-based or equity-related Awards (including, but not limited to, fully-vested Shares) in such amounts and subject to such terms and conditions as the Committee shall determine.

(f) Dividend Equivalents. In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, without limitation, (A) payment directly to the Participant, (B) withholding of such amounts by the Company subject to vesting of the Award or (C) reinvestment in additional Shares, Restricted Shares or other Awards.

SECTION 7. Amendment and Termination.

(a) Amendments to the Plan. Subject to any applicable law or government regulation, the Plan may be amended, modified or terminated by the Board without the approval of the stockholders of the Company except that stockholder approval shall be required for any amendment that would (i) increase the maximum number of Shares for which Awards may be granted under the Plan or increase the maximum number of Shares that may be delivered pursuant to Incentive Stock Options granted under the Plan; *provided, however*, that any adjustment under Section 4(b) shall not constitute an increase for purposes of this Section 7(a) or (ii) change the class of employees or other individuals eligible to participate in the Plan. No modification, amendment or termination of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, materially and adversely affect the rights of such Participant (or his or her transferee) under such Award, unless otherwise provided by the Committee in the applicable Award Agreement.

(b) Amendments to Awards. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Award theretofor granted, prospectively or retroactively; *provided, however*, that, except as set forth in the Plan (including, without limitation, any adjustment of Awards made pursuant to Section 4(b) or 7(c)), unless otherwise provided by the Committee in the applicable Award Agreement, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any Participant or any holder or beneficiary of any Award theretofor granted shall not to that extent be effective without the consent of the impaired Participant, holder or beneficiary.

(c) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) or the occurrence of a Change of Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the Committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (iii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by canceling and terminating any Option or SAR having a per Share Exercise Price equal to, or in excess of, the Fair Market Value (as of a date specified by the Committee) of a Share subject to such Option or SAR without any payment or consideration therefor.

SECTION 8. Change of Control. Unless otherwise provided in the applicable Award Agreement, in the event of a Change of Control after the date of the adoption of the Plan, unless provision is made in connection with the Change of Control for (a) assumption of Awards previously granted or (b) substitution for such Awards of new awards covering stock of a successor corporation or its “parent corporation” (as defined in Section 424(e) of the Code) or “subsidiary corporation” (as defined in Section 424(f) of the Code) with appropriate adjustments as to the number and kinds of shares and the Exercise Prices, if applicable, (i) any outstanding Options or SARs then held by Participants that are unexercisable or otherwise unvested shall automatically be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to such Change of Control and (ii) all other outstanding Awards (i.e., other than Options and SARs) then held by Participants that are unexercisable, unvested or still subject to restrictions or forfeiture, shall automatically be deemed exercisable and vested and all restrictions and forfeiture provisions related thereto shall lapse as of immediately prior to such Change of Control.

SECTION 9. General Provisions.

(a) Nontransferability. Except as otherwise specified in the applicable Award Agreement, during each Participant's lifetime each Award (and any rights and obligations thereunder) shall be exercisable only by the Participant, or, if permissible under applicable law, by the Participant's legal guardian or representative, and no Award (or any rights and obligations thereunder) may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; *provided* that (i) the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance and (ii) the Board or the Committee may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability; *provided, however*, that Incentive Stock Options granted under the Plan shall not be transferable in any way that would violate Section 1.422-2(a)(2) of the Treasury Regulations. All terms and conditions of the Plan and all Award Agreements shall be binding upon any permitted successors and assigns.

(b) No Rights to Awards. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(c) Participant Representations. The Committee, in its sole discretion, may require a Participant to make certain representations or acknowledgements, on or prior to the purchase or receipt of any Shares pursuant to Awards granted under this Plan including, without limitation, that the Participant is acquiring the Shares for an investment purpose and not for resale and, if the Participant is an Affiliate, additional acknowledgements regarding when and to what extent any transfers of such Shares may occur.

(d) Certificates. Notwithstanding anything herein to the contrary, no Shares shall be issued under the Plan pursuant to any Award unless the Committee determines, in its sole discretion, that the issuance and delivery of such Shares complies with (or is exempt from) the requirements of applicable law including, without limitation, the Luxembourg law of 10 August 1915 on commercial companies, as amended, the Securities Act of 1933, as amended (and the rules and regulations promulgated thereunder), and any state, local and foreign securities laws and regulations. Any certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement or any applicable Federal, state, local or foreign laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions and may appropriately instruct any transfer agent in respect of registered Shares. Notwithstanding anything herein to the contrary, the Company may, at its discretion, retain custody of registered Shares until such time as all applicable restrictions lapse.

(e) Restrictions on Shares . Any Shares received by a Participant pursuant to an Award shall be subject to such rights of repurchase, rights of first refusal or other restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Award Agreement and shall apply in addition to any general restriction that may apply to holders of Shares.

(f) Withholding . A Participant may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise, vesting or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such taxes.

(g) Section 409A of the Code . It is intended that the provisions of the Plan and the Award Agreements comply with Section 409A, and all provisions of the Plan and the Award Agreements shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. To the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the adoption of the Plan. With respect to any Award that is subject to Section 409A of the Code, the provisions of Sections 4(b) and 7 shall be applied in a manner that is consistent with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan to the contrary, in the event that following the adoption of the Plan, the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the adoption of the Plan), the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid application of penalty taxes under Section 409A. Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including any taxes arising under Section 409A of the Code), and the Company shall not have any obligation to indemnify or otherwise hold any Participant harmless from any or all of such taxes.

(h) Award Agreements . Each Award hereunder shall be evidenced by an Award Agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including, but not limited to, the effect on such Award of the death, disability or termination of employment or service of a Participant

and the effect, if any, of such other events as may be determined by the Committee. Award Agreements may also contain such put and call rights as shall be determined by the Committee in its sole discretion.

(i) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, shares and other types of equity-based awards (subject to stockholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(j) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained as a director, officer, employee or consultant of or to the Company or any Affiliate, nor shall it be construed as giving a Participant any rights to continued service on the Board. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(k) No Rights as Stockholder. No Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. The rights of the Participant or holder or beneficiary shall be described in the Award Agreement or such separate agreement as shall be approved by the Committee for such purpose. Except as otherwise provided in Section 4(b), Section 7(c) or the applicable Award Agreement, no adjustments shall be made for dividends or distributions on (whether ordinary or extraordinary, and whether in cash, Shares, other securities or other property), or other events relating to, Shares subject to an Award for which the record date is prior to the date such Shares are delivered.

(l) No Effect on Right or Power. The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization, or other change in the Company's or any Affiliate's capital structure or its business, any merger or consolidation of the Company or any Affiliate, any issue of debt or equity securities ahead of or affecting shares representing the Company's share capital or the rights thereof, the dissolution or liquidation of the Company or any Affiliate, any sale, lease, exchange, or other disposition of all or any part of its assets or business, or any other corporate act or proceeding.

(m) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of New York, without giving effect to the conflict of laws provisions thereof.

(n) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it

cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(o) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on one hand, and a Participant or any other Person, on the other hand. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or such Affiliate.

(p) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(q) Requirement of Consent and Notification of Election Under Section 83(b) of the Code or Similar Provision. No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Committee in writing prior to the making of such election. If an Award recipient, in connection with the acquisition of Shares under the Plan or otherwise, is expressly permitted under the terms of the applicable Award Agreement or by such Committee action to make such an election and the Participant makes the election, the Participant shall notify the Committee of such election within ten days of filing notice of the election with the IRS or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or other applicable provision.

(r) Requirement of Notification Upon Disqualifying Disposition Under Section 421(b) of the Code. If any Participant shall make any disposition of Shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) or any successor provision of the Code, such Participant shall notify the Company of such disposition within ten days of such disposition.

(s) Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 10. Term of the Plan.

(a) Effective Date. The Plan shall be effective as of the date of its adoption by the Board and approval by the Company's stockholders; *provided, however*, that no Incentive Stock Options may be granted under the Plan unless it is approved by the Company's stockholders within twelve (12) months before or after the date the Plan is adopted by the Board.

(b) Expiration Date. No Award shall be granted under the Plan after the tenth anniversary of the date the Plan is approved under Section 10(a). Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award shall, nevertheless continue thereafter.

FORM OF REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this “*Agreement*”) is made and entered into as of _____, 2011, by and between Pacific Drilling S.A., a company organized under the laws of Luxembourg (the “*Company*”), and Quantum Pacific (Gibraltar) Limited, a company organized under the laws of Gibraltar (“*Quantum*”). The Company and Quantum are referred to collectively herein as the “*Parties*.”

WHEREAS, unless the context otherwise requires, capitalized terms used and not otherwise defined herein shall have the meanings ascribed in Section 1;

WHEREAS, Quantum owns 150,000,000 of the Company’s common shares, U.S.\$0.01 per share par value (the “*Common Shares*”), constituting a majority of the Common Shares currently outstanding;

WHEREAS, the Company contemplates an initial public offering of its common shares in the U.S. (the “*IPO*”) pursuant to a registration statement on Form F-1 (the “*IPO Registration Statement*”) to be filed with the U.S. Securities and Exchange Commission (the “*Commission*”);

WHEREAS, in consideration of Quantum’s support and cooperation in connection with the transactions contemplated by the IPO Registration Statement, and in order to ensure an orderly distribution of any Common Shares owned by Quantum, the Company and Quantum desire to set forth certain matters regarding the registration rights of the Common Shares owned by Quantum.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Definitions**. As used in this Agreement, the following terms shall have the respective meanings set forth in this Section 1:

“*2011 Private Placement*” is defined in the recitals of this Agreement.

“*Affiliate*” of any specified Person means any other person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such specified Person. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Agreement**” has the meaning set forth in the preamble.

“**Automatic Shelf Registration Statement**” means an “automatic shelf registration statement” as defined under Rule 405.

“**Business Day**” means any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Houston, Texas are required or authorized to be closed.

“**Commission**” is defined in the recitals of this Agreement.

“**Common Shares**” is defined in the recitals of this Agreement.

“**Company**” is defined in the introductory paragraph of this Agreement, and includes any successor thereto.

“**Demand Notice**” has the meaning set forth in Section 2(a).

“**Demand Registration**” has the meaning set forth in Section 2(a).

“**Effective Date**” means the time and date that a Registration Statement is first declared effective by the Commission or otherwise becomes effective.

“**Effectiveness Period**” has the meaning set forth in Section 2(a).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Indemnified Persons**” has the meaning set forth in Section 5.

“**IPO**” is defined in the recitals of this Agreement.

“**IPO Registration Statement**” is defined in the recitals of this Agreement.

“**Losses**” has the meaning set forth in Section 5.

“**Parties**” has the meaning set forth in the preamble.

“**Person**” means an individual or group, corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“**Piggyback Notice**” has the meaning set forth in Section 2(b).

“ **Piggyback Registration** ” has the meaning set forth in Section 2(b).

“ **Piggyback Request** ” has the meaning set forth in Section 2(b).

“ **Pledge Holder** ” has the meaning set forth in Section 7(e)(ii).

“ **Private Placement Shares** ” is defined in the recitals of this Agreement.

“ **Proceeding** ” means any action, claim, suit, proceeding or investigation (including a preliminary investigation or partial proceeding, such as a deposition) pending or known to the Company to be threatened.

“ **Prospectus** ” means the prospectus included in a Registration Statement (including a prospectus that includes any information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

“ **Quantum** ” is defined in the introductory paragraph of this Agreement, and includes any successor thereto.

“ **Registrable Securities** ” means any Common Shares issued to or acquired by Quantum, including the 150,000,000 Common Shares currently owned by Quantum.

“ **Registration Expenses** ” has the meaning set forth in Section 4.

“ **Registration Statement** ” means a registration statement in the form required to register the resale of the Registrable Securities under the Securities Act and other applicable law, and including any Prospectus, amendments and supplements to each such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

“ **Rule 144** ” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“ **Rule 405** ” means Rule 405 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“ **Rule 415** ” means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“ **Rule 424** ” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“ **Rule 433** ” means Rule 433 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“ **Securities Act** ” is defined in the recitals of this Agreement.

“ **Selling Expenses** ” means all underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for Quantum.

“ **Shelf Registration Statement** ” has the meaning set forth in Section 2(a)(iii).

“ **Stand-Off Period** ” has the meaning set forth in Section 7(g).

“ **Suspension Period** ” has the meaning set forth in Section 2(a).

“ **Trading Day** ” means a day during which trading in the Common Shares generally occurs on the Trading Market.

“ **Trading Market** ” means the principal national securities exchange on which Registrable Securities are listed.

“ **Unaffiliated Board Members** ” is defined in Section 2(a)(iv).

“ **WKSI** ” means a “ *well known seasoned issuer* ” as defined under Rule 405.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; (c) the terms “include”, “includes”, “including” or words of like import shall be deemed to be followed by the words “without limitation”; (d) the terms “hereof”, “herein” or “hereunder” refer to this Agreement as a whole and not to any particular provision of this Agreement; (e) unless the context otherwise requires, the term “or” is not exclusive and shall have the inclusive meaning of “and/or”; (f) defined terms herein will apply equally to both the singular and plural forms and derivative forms of defined terms will have correlative meanings; (g) references to any law or statute shall include all rules and regulations promulgated thereunder, and references to any law or statute shall be construed as including any legal and statutory provisions consolidating, amending, succeeding or replacing the applicable law or statute; (h) references to any Person include such Person’s successors and permitted assigns; and (i) references to “days” are to calendar days unless otherwise indicated.

2. Registration .

(a) Demand Registration .

(i) Quantum shall have the option and right, exercisable by delivering a written notice to the Company (a “**Demand Notice**”), to require the Company to, pursuant to the terms of and subject to the limitations contained in this Agreement, prepare and file with the Commission a Registration Statement registering the offering and sale of the number and type of Registrable Securities on the terms and conditions specified in the Demand Notice in accordance with the intended timing and method or methods of distribution thereof specified in the Demand Notice, which may include sales on a delayed or continuous basis pursuant to Rule 415 (the “**Demand Registration**”).

(ii) Following receipt of a Demand Notice, the Company shall file a Registration Statement as promptly as practicable covering all of the Registrable Securities that Quantum requests on such Demand Notice to be included in such Demand Registration in accordance with the terms and conditions of this Agreement and shall use its reasonable best efforts to cause such Registration Statement to become effective under the Securities Act and remain effective under the Securities Act for not less than twenty four (24) months following the Effective Date or such shorter period when all Registrable Securities covered by such Registration Statement have been sold (the “**Effectiveness Period**”); *provided, however*, (i) that the Company shall not be required to effect the registration of Registrable Securities pursuant to this Section 2(a) unless the Registrable Securities are offered at an aggregate proposed offering price of not less than \$50 million and (ii) the Effectiveness Period shall be extended by one (1) day for each additional day during any Suspension Period in effect following the Effective Date applicable thereto pursuant to Section 2(a)(iv). Subject to the other limitations contained in this Agreement, the Company is not obligated hereunder to effect more than three (3) Demand Registrations in any twelve (12) month period.

(iii) Notwithstanding any other provision of this Section 2(a), the Company shall not be required to: (A) file a Registration Statement pursuant to this Section 2(a) during the period starting with the date thirty (30) days prior to a good faith estimate by the majority of the members of the board of directors of the Company (excluding any members of the board of directors that are employees or Affiliates of Quantum)(the “**Unaffiliated Board Members**”), of the date of filing of, and ending on a date ninety (90) days after the effective date of, a Company initiated registration; provided that the Company is actively employing its reasonable best efforts to cause such registration statement to become effective; (B) effect a registration or file a Registration Statement for a period of up to one hundred twenty (120) days after the date of a Demand Notice for registration pursuant to this Section 2(a) if at the time of such request (1) the Company is engaged, or has plans to engage, within thirty (30) days of the time of such Demand Notice, in a firm commitment underwritten public offering of Common Shares), or (2) the Company is currently engaged in a self-tender or exchange offer and the filing of a Registration Statement would cause a violation of the Exchange Act; (C) effect a registration or file a Registration Statement for a period of up to ninety (90) days, if (1) the Unaffiliated Board Members determine such registration would render the Company unable to comply with applicable securities laws or (2) the Unaffiliated Board Members determine such registration would require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (D) if the Company has filed a “shelf” registration statement pursuant to a Demand Notice

under this Section 2(a) and has included Registrable Securities therein (each such Registration Statement, a “**Shelf Registration Statement**”), the Company shall be entitled to suspend, for a reasonable period of time not in excess of 45 consecutive days and not more than 90 days in any 12 month period (except as a result of a review of any post-effective amendment by the Commission before declaring any post-effective amendment to the Registration Statement effective; provided, that the Company has used its reasonable best efforts to cause such post-effective amendment to be declared effective), the offer or sale of Registrable Securities pursuant to such registration statement by any holder of Registrable Securities if (1) a “road show” is not then in progress with respect to a proposed offering of Registrable Securities by such holder and (2) either (A) the Unaffiliated Board Members, in good faith, determine that (i) the offer or sale of any shares of Common Stock would materially impede, delay or interfere with a significant transaction under negotiation by the Company, including any proposed financing, offer or sale of securities, acquisition, merger, tender offer, business combination, corporate reorganization, or consolidation, (ii) after the advice of counsel, the sale of Common Shares covered by the shelf Registration Statement would require disclosure of non-public material information not otherwise required to be disclosed under applicable law, and (iii) either (x) the Company has a bona fide business purpose for preserving the confidentiality of the proposed transaction, (y) disclosure would have a material adverse effect on the Company or the Company’s ability to consummate the proposed transaction, or (z) the proposed transaction renders the Company unable to comply with requirements of the Commission; or (B) the Unaffiliated Board Members, in good faith, determines that the Company is required by law, rule or regulation to supplement the Shelf Registration Statement or file a post-effective amendment to the Shelf Registration Statement in order to incorporate information into the Shelf Registration Statement for the purpose of (i) including in the Shelf Registration Statement any Prospectus required under Section 10(a)(3) of the Securities Act or (ii) reflecting in the Prospectus included in the Shelf Registration Statement any facts or events arising after the effective date of the Shelf Registration Statement (or the most recent post-effective amendment) that, individually or in the aggregate, represents a fundamental change in the information set forth in the Prospectus (any such period referred to in this Section 2(a)(iii), a “**Suspension Period**”); *provided, however*, that (i) in no event shall the Company postpone, defer or suspend any Demand Registration pursuant to this Section 2(a)(iii) and/or Section 7(g) for more than an aggregate of one hundred twenty (120) days in any twelve (12) month period, (ii) in the event the Company postpones, defers or suspends any Demand Registration pursuant to Section 2(a)(iii)(C)(1) or (2) or Section 2(a)(iii)(D), then during such Suspension Period, the Company shall not engage in any transaction involving the offer, issuance, sale, or purchase of Common Shares (whether for the benefit of the Company or a third Person), except transactions involving the issuance or purchase of Common Shares as contemplated by Company employee benefit plans or employee or director arrangements. In order to suspend the use of the registration statement pursuant to this Section 2(a)(iii)(D), the Company shall promptly upon determining to seek such suspension, deliver to the holders of Registrable Securities included in such registration statement, a certificate signed by the Chief Executive Officer of the Company stating that the Company is suspending use of such registration statement pursuant to Section 2(a)(iii)(D), the basis therefor in reasonable detail and a good faith estimate as to the anticipated duration of such suspension.

(iv) The Company may include in any such Demand Registration other Common Shares for sale for its own account or for the account of any other Person; *provided* that if the managing underwriter for the offering determines that the number of Common Shares proposed to be offered in such offering would likely have an adverse effect in any material respect on the price, timing or distribution of the Company Securities proposed to be included in such offering or the market for the Common Shares, then the Registrable Securities to be sold by Quantum shall be included in such registration before any Common Shares proposed to be sold for the account of the Company or any other Person.

(v) Subject to the limitations contained in this Agreement, the Company shall effect any Demand Registration on Form F-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form F-3, in which case such Demand Registration shall be effected on another appropriate form for such purpose pursuant to the Securities Act) and if the Company becomes, and is at the time of its receipt of a Demand Notice, a WKSI, the Demand Registration for any offering and selling of Registrable Securities through a firm commitment underwriting shall be effected pursuant to an Automatic Shelf Registration Statement, which shall be on Form F-3 or any equivalent or successor form under the Securities Act (if available to the Company); *provided, however*, that if at any time a Registration Statement on Form F-3 is effective and Quantum provides written notice to the Company that it intends to effect an offering of all or part of the Registrable Securities included on such Registration Statement, the Company will amend or supplement such Registration Statement as may be necessary in order to enable such offering to take place.

(vi) Without limiting Section 3, in connection with any Demand Registration pursuant to and in accordance with this Section 2(a), the Company shall, (A) promptly prepare and file or cause to be prepared and filed (1) such additional forms, amendments, supplements, prospectuses, certificates, letters, opinions and other documents, as may be necessary or advisable to register or qualify the securities subject to such Demand Registration, including under the securities laws of such states as Quantum shall reasonably request; *provided, however*, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Company would become subject to general service of process or to taxation or qualification to do business in such jurisdiction solely as a result of registration and (2) such forms, amendments, supplements, prospectuses, certificates, letters, opinions and other documents as may be necessary to apply for listing or to list the Registrable Securities subject to such Demand Registration on the Trading Market and (B) do any and all other acts and things that may be necessary or appropriate or reasonably requested by Quantum to enable Quantum to consummate a public sale of such Registrable Securities in accordance with the intended timing and method or methods of distribution thereof.

(b) Piggyback Registration.

(i) If the Company shall at any time propose to file a Registration Statement, other than pursuant to any Demand Registration, for an offering of Common Shares for cash (whether in connection with a public offering of Common Shares by the Company, a public offering of Common Shares by shareholders, or both, but excluding

an offering relating solely to an employee benefit plan, an offering relating to a transaction on Form F-4 or an offering on any registration statement form that does not permit secondary sales), the Company shall promptly notify Quantum of such proposal reasonably in advance of (and in any event at least five (5) Trading Days before) the anticipated filing date (the “**Piggyback Notice**”). The Piggyback Notice shall offer Quantum the opportunity to include for registration in such Registration Statement the number of Registrable Securities as it may request (a “**Piggyback Registration**”). The Company shall include in each such Piggyback Registration such Registrable Securities for which the Company has received written requests within five (5) days after delivery to Quantum of the Piggyback Notice (“**Piggyback Request**”) for inclusion therein. If Quantum decides not to include all of its Registrable Securities in any Registration Statement thereafter filed by the Company, Quantum shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of Common Shares, all upon the terms and conditions set forth herein.

(ii) If the Registration Statement under which the Company gives notice under this Section 2(b) is for an underwritten offering, the Company shall so advise Quantum. In such event, the right of Quantum to be included in a registration pursuant to this Section 2(b) shall be conditioned upon Quantum’s participation in such underwriting and the inclusion of Quantum’s Registrable Securities in the underwriting to the extent provided herein. In the event Quantum proposes to distribute its Registrable Securities through such underwriting, it shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. If the managing underwriter or managing underwriters of such offering advise the Company and Quantum in writing that in their reasonable opinion that the inclusion of all of Quantum’s Registrable Securities in the subject Registration Statement (or any other Common Shares proposed to be included in such offering) would likely have an adverse effect in any material respect on the price, timing or distribution of the Company Securities proposed to be included in such offering or the market for the Common Shares, the Company shall include in such offering only that number or amount, if any, of Common Shares proposed to be included in such offering that, in the reasonable opinion of the managing underwriter or managing underwriters, will not have such effect, with such number to be allocated as follows: (i) first, to the Company or the Person or Persons demanding such underwritten Offering and (ii) if there remains availability for additional Common Shares to be included in such registration, second, to Quantum and third, pro-rata among all other holders of Common Shares who may be seeking to register such Common Shares based on the number of Common Shares such other holders are entitled to include in such registration. If Quantum disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to the Company and the managing underwriter(s) delivered on or prior to the time of pricing of such offering. Any Registrable Securities withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(iii) The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2(b) prior to the Effective Date of such Registration Statement whether or not Quantum has elected to include Registrable Securities in such Registration Statement. The registration expenses of such withdrawn registration shall be borne by the Company in accordance with Section 4 hereof.

(c) Subject to Section 2(a)(ii), all registration rights granted under this Section 2 shall continue to be applicable with respect to Quantum for so long as may be required for Quantum to sell all of the Registrable Securities held by Quantum (without any limitation on volume, timing, recipients or intended method or methods of distribution, including through the use of an underwriter, that would not be applicable with a registration under the Securities Act).

(d) Any Demand Notice or Piggyback Request shall (i) specify the Registrable Securities intended to be offered and sold by Quantum, (ii) express Quantum's present intent to offer such Registrable Securities for distribution, (iii) describe the nature or method of the proposed offer and sale of Registrable Securities, which may include sales on a delayed or continuous basis and (iv) contain the undertaking of Quantum to provide all such information and materials and take all action as may reasonably be required in order to permit the Company to comply with all applicable requirements in connection with the registration of such Registrable Securities.

(e) Quantum shall not have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(f) The Company will not enter into any agreement during the term of this Agreement which would allow any holder of Common Shares to include Common Shares in any Registration Statement filed by the Company in a manner that would violate or restrict in any material respect the rights granted to Quantum hereunder.

(g) Any Registrable Security will cease to be an Registrable Security when (a) it has been sold or otherwise transferred by Quantum (other than a transfer by Quantum to an Affiliate or in conjunction with an assignment of this Agreement permitted under Section 7) or (b) it is eligible for sale pursuant to Rule 144 (or any successor provision) under the Securities Act without restriction pursuant to such rule on the volume of securities that may be sold in any single transaction.

3. Registration Procedures

The procedures to be followed by the Company and Quantum in a Registration Statement pursuant to this Agreement, and the respective rights and obligations of the Company and Quantum, with respect to the preparation, filing and effectiveness of such Registration Statement, are as follows:

(a) The Company will, at least five (5) Business Days prior to the anticipated filing of a Registration Statement or any related Prospectus or any amendment or supplement thereto (other than amendments and supplements that do nothing more than name Quantum and provide information with respect thereto), (i) unless available to Quantum through public filings

with the Commission, furnish to Quantum and its underwriters, if any, copies of all such documents proposed to be filed and (ii) use its reasonable efforts to address in each such document when so filed with the Commission such comments as Quantum reasonably shall propose within three (3) Business Days of the delivery of such copies to Quantum.

(b) The Company will use reasonable best efforts to as promptly as reasonably possible (i) prepare and file with the Commission such amendments, including post-effective amendments, and supplements to each Registration Statement and the Prospectus used in connection therewith as may be necessary under applicable law to keep such Registration Statement continuously effective with respect to the disposition of all Registrable Securities covered thereby for its Effectiveness Period and, subject to the limitations contained in this Agreement, prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities held by Quantum; (ii) cause the related Prospectus to be amended or supplemented by any required prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424; and (iii) respond to any comments received from the Commission with respect to each Registration Statement or any amendment thereto and, as promptly as reasonably possible provide Quantum true and complete copies of all correspondence from and to the Commission relating to such Registration.

(c) The Company will comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the Registration Statements and the disposition of all Registrable Securities covered by each Registration Statement.

(d) The Company will notify Quantum as promptly as reasonably practicable: (i)(A) when a Prospectus or any prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed; (B) when the Commission notifies the Company whether there will be a “*review*” of such Registration Statement and whenever the Commission comments in writing on such Registration Statement; and (C) with respect to each Registration Statement or any post-effective amendment thereto, when the same has been declared effective; (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information that pertains to Quantum as sellers of Registrable Securities; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (v) of the occurrence of (but not the nature or details concerning) any event or passage of time that makes any statement made in such Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to such Registration Statement, Prospectus or other documents so that, in the case of such Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (*provided, however* , that no notice by the Company shall be required pursuant to this clause (v) in the event that the Company either promptly files a

prospectus supplement to update the Prospectus or a Form 6-K or other appropriate Exchange Act report that is incorporated by reference into the Registration Statement, which in either case, contains the requisite information that results in such Registration Statement no longer containing any untrue statement of material fact or omitting to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading).

(e) The Company will use its reasonable best efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment, or if any such order or suspension is made effective during any Suspension Period, at the earliest practicable moment after the Suspension Period is over.

(f) During the Effectiveness Period, the Company will furnish to Quantum and its underwriter(s), if any, without charge, at least one conformed copy of each Registration Statement and each amendment thereto and all exhibits to the extent requested by Quantum (including those incorporated by reference) promptly after the filing of such documents with the Commission; *provided*, that the Company will not have any obligation to provide any document pursuant to this clause that is available on the Commission's EDGAR system.

(g) The Company will promptly deliver to Quantum and its underwriter(s), if any, without charge, as many copies of each Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as Quantum and its underwriter(s), if any, may reasonably request during the Effectiveness Period. The Company consents to the use of such Prospectus and each amendment or supplement thereto by Quantum in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(h) The Company will facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free of all restrictive legends indicating that the Registrable Securities are unregistered or unqualified for resale under the Securities Act, Exchange Act or other applicable securities laws, and to enable such Registrable Securities to be in such denominations and registered in such names as Quantum may request in writing. In connection therewith, if required by the Company's transfer agent, the Company will promptly, after the Effective Date of the Registration Statement, cause an opinion of counsel as to the effectiveness of the Registration Statement to be delivered to and maintained with its transfer agent, together with any other authorizations, certificates and directions required by the transfer agent which authorize and direct the transfer agent to issue such Registrable Securities without any such legend upon sale by Quantum of such Registrable Securities under the Registration Statement.

(i) Upon the occurrence of any event contemplated by Section 3(d)(v), subject to Section 2(a)(iii), as promptly as reasonably possible, the Company will prepare a supplement or amendment, including a post-effective amendment, if required by applicable law, to the affected Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required

document so that, as thereafter delivered, no Registration Statement nor any Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) Quantum may distribute the Registrable Securities by means of an underwritten offering; *provided* that (i) Quantum provide written notice to the Company of their intention to distribute Registrable Securities by means of an underwritten offering, (ii) the managing underwriter or managing underwriters thereof shall be designated by Quantum in the case of a Demand Registration (*provided* , *however* , that such designated managing underwriter or managing underwriters shall be reasonably acceptable to the Company) or by the Company in the case of a registration initiated by the Company, (iii) Quantum agrees to enter into an underwriting agreement in customary form and sell Quantum's Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled to select the managing underwriter or managing underwriters hereunder and (v) Quantum will complete and execute all questionnaires, powers of attorney, indemnities and other documents reasonably required under the terms of such underwriting arrangements. The Company hereby agrees with Quantum that, in connection with any underwritten offering in accordance with the terms hereof, it will negotiate in good faith and execute all indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, including using all reasonable best efforts to procure customary legal opinions and auditor "comfort" letters at the Company's expense.

(k) In the event Quantum seek to complete an underwritten offering, for a reasonable period prior to the filing of any Registration Statement and throughout the Effectiveness Period, the Company will make available upon reasonable notice at the Company's principal place of business or such other reasonable place for inspection by the managing underwriter or managing underwriters selected in accordance with Section 3(j) such financial and other information and books and records of the Company, and cause the officers, employees, counsel and independent certified public accountants of the Company to respond to such inquiries, as shall be reasonably necessary (and in the case of counsel, not violate an attorney-client privilege in such counsel's reasonable belief) to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act.

(l) In connection with any registration of Registrable Securities pursuant to this Agreement, the Company will take all commercially reasonable actions as are necessary or advisable in order to expedite or facilitate the disposition of Registrable Securities by Quantum, including causing appropriate officers and employees to be available, on a customary basis and upon reasonable notice, to meet with prospective investors in presentations, meetings and road shows.

4. Registration Expenses . All Registration Expenses incident to the Parties' performance of or compliance with their respective obligations under this Agreement or otherwise in connection with any Demand Registration or Piggyback Registration (excluding any Selling Expenses) shall be borne by the Company, whether or not any Registrable Securities are sold pursuant to a Registration Statement. "**Registration Expenses** " shall include, without limitation, (i) all registration and filing fees (including fees and expenses (A) with respect to filings required to be made with the Trading Market and (B) in compliance with applicable state

securities or “Blue Sky” laws), (ii) printing expenses (including expenses of printing certificates for Common Shares and of printing prospectuses if the printing of prospectuses is reasonably requested by Quantum), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel, auditors and accountants for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including expenses payable to third parties and including all salaries and expenses of their officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on the Trading Market.

5. **Indemnification**. If requested by Quantum, the Company shall indemnify and hold harmless each underwriter, if any, engaged in connection with any registration referred to in Section 2 and provide representations, covenants, opinions and other assurances to any underwriter in form and substance reasonably satisfactory to such underwriter and the Company. Further, the Company shall indemnify and hold harmless Quantum, its Affiliates and each of their respective officers and directors and any Person who controls Quantum (within the meaning of the Securities Act) and any agent thereof (collectively, “**Indemnified Persons**”), to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, joint or several, costs (including reasonable costs of preparation and reasonable attorneys’ fees) and expenses, judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnified Person may be involved, or is threatened to be involved, as a party or otherwise, under the Securities Act or otherwise (collectively, “**Losses**”), as incurred, arising out of or relating to any untrue or alleged untrue statement of a material fact contained in any Registration Statement under which any Registrable Securities were registered, in any preliminary prospectus (if used prior to the Effective Date of such Registration Statement), or in any summary or final prospectus or free writing prospectus or in any amendment or supplement thereto (if used during the period the Company is required to keep the Registration Statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances in which they were made, not misleading; *provided, however*, that the Company shall not be liable to any Indemnified Person to the extent that any such claim arises out of, is based upon or results from an untrue or alleged untrue statement or omission or alleged omission made in such Registration Statement, such preliminary, summary or final prospectus or free writing prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Indemnified Person specifically for use in the preparation thereof. The Company shall notify Quantum promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement. Notwithstanding anything to the contrary herein, this Section 5 shall survive any termination or expiration of this Agreement indefinitely.

6. **Facilitation of Sales Pursuant to Rule 144**. To the extent it shall be required to do so under the Exchange Act, the Company shall timely file the reports required to be filed by it under the Exchange Act or the Securities Act (including the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144), and shall take such further action as Quantum may reasonably request, all to the extent required from time to time to enable Quantum to sell Registrable Securities without registration under the Securities Act within the limitations of the exemption provided by Rule 144. Upon the request Quantum in connection with **Quantum**'s sale pursuant to Rule 144, the Company shall deliver to Quantum a written statement as to whether it has complied with such requirements.

7. **Miscellaneous**.

(a) Remedies. In the event of a breach by the Company of any of its obligations under this Agreement, Quantum, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) Discontinued Disposition. Quantum agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in clauses (ii) through (v) of Section 3(d), Quantum will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until Quantum's receipt of the copies of the supplemental Prospectus or amended Registration Statement or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. The Company may provide appropriate stop orders to enforce the provisions of this Section 7(b).

(c) Amendments and Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed by the Company and Quantum. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any Party to exercise any right hereunder in any manner impair the exercise of any such right.

(d) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile or electronic mail as specified in this Section 7(d) prior to 5:00 p.m. (Eastern Standard Time) on a Business Day, (ii) the Business Day after the date of transmission, if such notice or communication is delivered via facsimile or electronic mail as specified in this Agreement later than 5:00 p.m. (Eastern Standard Time) on any date and earlier than 11:59 p.m. (Eastern Standard Time) on such date, (iii) the Business Day following the date of mailing, if sent by nationally recognized overnight courier service or (iv) upon actual receipt by the Party to whom such notice is required to be given. The address for such notices and communications shall be as follows:

If to the Company:

Pacific Drilling S.A.
Attention: Kinga Doris
Vice President and General Counsel
3050 Post Oak Blvd., Suite 1500
Houston, Texas 77056
Phone: (713) 334-6662
Fax:

If to Quantum or any of its Affiliates:

c/o Quantum Pacific (Gibraltar) Limited
Attention:
57/63 Line Wall Road
Gibraltar
Phone: +350 200 79000
Fax: +350 200 77343

(e) Successors and Assigns .

(i) This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns. Except as provided below in Section 7(e)(ii) and any transfers to Affiliates of Quantum, this Agreement, and any rights or obligations hereunder, may not be assigned without the prior written consent of the Company and Quantum.

(ii) In the event Quantum transfers Registrable Securities included on a Registration Statement in connection with the foreclosure of a pledge of such Registrable Securities and, following the transfer, such Registrable Securities would not be eligible for sale pursuant to Rule 144 (or any successor provision) under the Securities Act without restriction pursuant to such rule on the volume of securities that may be sold in any single transaction, then (A) at the request of the new holder of such Registrable Securities (the "**Pledge Holder**"), the Company shall amend or supplement such Registration Statement as may be necessary in order to enable such transferee to offer and sell such Registrable Securities pursuant to such Registration Statement; provided that in no event shall the Company be required to file a post-effective amendment to the Registration Statement unless (X) such Registration Statement includes only Registrable Securities held by the holder, Affiliates of the holder or transferees of the holder or (Y) the Company has received a written consent therefor from every Person for whom Common Shares have been registered on (but not yet sold under) such Registration Statement, other than the holder, Affiliates of the holder or transferees of the holder and (B) all of the rights and obligations of the Company and the Pledge Holder with respect to such Registrable Securities granted under Sections 2(a)(iii), Section 3, Section 4, Section 5, Section 6 and Section 7 shall continue to be applicable with respect to such Registrable Securities until the earlier of (X) the time required for the Pledge Holder to sell all of the Registrable Securities held by the Pledge Holder or (Y) the end of the Effectiveness Period of the Registration Statement relating to such Registrable Securities.

(f) Third Party Beneficiaries. There are no third party beneficiaries having rights under or with respect to this Agreement.

(g) Execution and Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile or electronic mail transmission, such signature shall create a valid binding obligation of the Party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such signature delivered by facsimile or electronic mail transmission were the original thereof.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without regard to the principles of conflicts of law.

(i) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(j) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the Parties shall use their reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the Parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(k) Entire Agreement. This Agreement, together with the other Transaction Documents, constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior contracts or agreements with respect to the subject matter hereof and the matters addressed or governed hereby or in the other Transaction Documents, whether oral or written.

(l) Headings; Section References. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. Unless otherwise stated, references to Sections, Schedules and Exhibits are to the Sections, Schedules and Exhibits of this Agreement.

[THIS SPACE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

PACIFIC DRILLING S.A.

By: _____
Name: Christian J. Beckett
Title: Chief Executive Officer

QUANTUM PACIFIC (GIBRALTAR) LIMITED

By: _____
Name: John Frank Megginson
Title: Director

SIGNATURE PAGE TO
REGISTRATION RIGHTS AGREEMENT

SUBSIDIARIES OF PACIFIC DRILLING S.A.

<u>Entity</u>	<u>Jurisdiction of Formation</u>
Pacific Drilling do Brasil Investimentos Ltda.	Brazil
Pacific Drilling do Brasil Serviços de Perfuração Ltda	Brazil
Pacific Drilling Services Pte. Ltd.	Singapore
Pacific International Drilling West Africa Ltd.	Nigeria
Pacific Drilling Netherlands Coöperatief U.A.	The Netherlands
Pacific Drilling N.V.	Curacao
Pacific Drilling Administrator Ltd.	British Virgin Islands
Pacific Deepwater Construction Limited	British Virgin Islands
Pacific Drilling International Ltd.	British Virgin Islands
Pacific Drilling Manpower Ltd.	British Virgin Islands
Pacific Drilling Operations Limited	British Virgin Islands
Pacific Drilling South America 1 Limited	British Virgin Islands
Pacific Drilling South America 2 Limited	British Virgin Islands
Pacific Drilling V Limited	British Virgin Islands
Pacific Drilling VI Limited	British Virgin Islands
Pacific Bora Ltd.	Liberia
Pacific Mistral Ltd.	Liberia
Pacific Santa Ana Ltd.	Liberia
Pacific Scirocco Ltd.	Liberia
Pacific Drilling Limited	Liberia
Pacific Drilling, Inc.	USA, Delaware
Pacific Drilling International, LLC	USA, Delaware
Pacific Drilling Services, Inc.	USA, Delaware
Pacific Drillship SARL	Luxembourg
Pacific Drilling (Gibraltar) Limited	Gibraltar

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Pacific Drilling S.A.:

We consent to the use of our report dated August 15, 2011, with respect to the balance sheet of Pacific Drilling S.A. as of March 11, 2011, included herein and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ KPMG LLP

Houston, Texas
November 7, 2011

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Pacific Drilling S.A.:

We consent to the use of our report dated August 12, 2011, except for notes 1 and 2 to the consolidated financial statements as to which the date is October 28, 2011, with respect to the consolidated balance sheets of Pacific Drilling S.A. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive income, shareholder's equity, and cash flows for each of the years in the three-year period ended December 31, 2010, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Houston, Texas
November 7, 2011

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated August 11, 2011, with respect to the consolidated financial statements of Transocean Pacific Drilling Inc. included in the Registration Statement and related Prospectus of Pacific Drilling S.A. for the registration of its common shares.

/s/ Ernst & Young LLP

Houston, Texas
November 4, 2011