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

FORM 10-Q

(Mark one)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

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

For the transition period from _____ to _____

Commission file number 000-53533

TRANSOCEAN LTD.

(Exact name of registrant as specified in its charter)

Zug, Switzerland	**98-0599916**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10 Chemin de Blandonnet **Vernier, Switzerland**	**1214**
(Address of principal executive offices)	(Zip Code)

+41 (22) 930-9000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer (do not check if a smaller reporting company) ☐ Smaller reporting company ☐

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

As of July 28, 2015, 363,553,885 shares were outstanding.

TRANSOCEAN LTD. AND SUBSIDIARIES
INDEX TO FORM 10-Q
QUARTER ENDED JUNE 30, 2015

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating revenues				
Contract drilling revenues	$ 1,777	$ 2,278	$ 3,777	$ 4,570
Other revenues	107	50	150	97
	1,884	2,328	3,927	4,667
Costs and expenses				
Operating and maintenance	197	1,213	1,281	2,482
Depreciation	249	288	540	561
General and administrative	44	63	90	120
	490	1,564	1,911	3,163
Loss on impairment	(890)	—	(1,826)	(65)
Gain (loss) on disposal of assets, net	2	1	(5)	(2)
Operating income	506	765	185	1,437
Other income (expense), net				
Interest income	6	15	12	25
Interest expense, net of amounts capitalized	(120)	(112)	(236)	(238)
Other, net	(5)	8	42	6
	(119)	(89)	(182)	(207)
Income (loss) from continuing operations before income tax expense	387	676	3	1,230
Income tax expense	40	72	123	152
Income (loss) from continuing operations	347	604	(120)	1,078
Income (loss) from discontinued operations, net of tax	1	(7)	(1)	(15)
Net income (loss)	348	597	(121)	1,063
Net income attributable to noncontrolling interest	6	10	20	20
Net income (loss) attributable to controlling interest	$ 342	$ 587	$ (141)	$ 1,043
Earnings (loss) per share-basic				
Earnings (loss) from continuing operations	$ 0.93	$ 1.63	$ (0.39)	$ 2.90
Loss from discontinued operations	—	(0.02)	—	(0.04)
Earnings (loss) per share	$ 0.93	$ 1.61	$ (0.39)	$ 2.86
Earnings (loss) per share-diluted				
Earnings (loss) from continuing operations	$ 0.93	$ 1.63	$ (0.39)	$ 2.90
Loss from discontinued operations	—	(0.02)	—	(0.04)
Earnings (loss) per share	$ 0.93	$ 1.61	$ (0.39)	$ 2.86
Weighted-average shares outstanding				
Basic	363	362	363	362
Diluted	363	362	363	362

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$ 348	$ 597	$ (121)	$ 1,063
Net income attributable to noncontrolling interest	6	10	20	20
Net income (loss) attributable to controlling interest	342	587	(141)	1,043
Other comprehensive income (loss) before reclassifications				
Components of net periodic benefit costs	(1)	78	(14)	73
Reclassifications to net income				
Components of net periodic benefit costs	5	—	10	6
Gain on derivative instruments	—	—	—	(2)
Other comprehensive income (loss) before income taxes	4	78	(4)	77
Income taxes related to other comprehensive income	—	(3)	(2)	(3)
Other comprehensive income (loss)	4	75	(6)	74
Other comprehensive income attributable to noncontrolling interest	—	—	—	—
Other comprehensive income (loss) attributable to controlling interest	4	75	(6)	74
Total comprehensive income (loss)	352	672	(127)	1,137
Total comprehensive income attributable to noncontrolling interest	6	10	20	20
Total comprehensive income (loss) attributable to controlling interest	$ 346	$ 662	$ (147)	$ 1,117

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 3,769	$ 2,635
Accounts receivable, net of allowance for doubtful accounts of $14 at June 30, 2015 and December 31	1,806	2,120
Materials and supplies, net of allowance for obsolescence of $107 and $109 at June 30, 2015 and December 31, 2014, respectively	741	818
Assets held for sale	9	25
Deferred income taxes, net	180	161
Other current assets	214	242
Total current assets	6,719	6,001
Property and equipment	24,708	28,516
Less accumulated depreciation	(5,051)	(6,978)
Property and equipment, net	19,657	21,538
Other assets	597	874
Total assets	$ 26,973	$ 28,413
Liabilities and equity		
Accounts payable	$ 585	$ 784
Accrued income taxes	76	131
Debt due within one year	1,026	1,033
Other current liabilities	1,215	1,822
Total current liabilities	2,902	3,770
Long-term debt	8,989	9,059
Deferred income taxes, net	188	237
Other long-term liabilities	1,236	1,354
Total long-term liabilities	10,413	10,650
Commitments and contingencies		
Redeemable noncontrolling interest	10	11
Shares, CHF 15.00 par value, 396,260,487 authorized, 167,617,649 conditionally authorized, 373,830,649 issued at June 30, 2015 and December 31, 2014 and 363,548,290 and 362,279,530 outstanding at June 30, 2015 and December 31, 2014, respectively	5,186	5,169
Additional paid-in capital	5,596	5,797
Treasury shares, at cost, 2,863,267 held at June 30, 2015 and December 31, 2014	(240)	(240)
Retained earnings	3,208	3,349
Accumulated other comprehensive loss	(410)	(404)
Total controlling interest shareholders' equity	13,340	13,671
Noncontrolling interest	308	311
Total equity	13,648	13,982
Total liabilities and equity	$ 26,973	$ 28,413

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In millions)
(Unaudited)

	Six months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	Shares		Amount	
Shares				
Balance, beginning of period	362	361	$ 5,169	$ 5,147
Issuance of shares under share-based compensation plans	2	1	17	20
Balance, end of period	364	362	$ 5,186	$ 5,167
Additional paid-in capital				
Balance, beginning of period			$ 5,797	$ 6,784
Share-based compensation			33	51
Issuance of shares under share-based compensation plans			(18)	(19)
Reclassification of obligation for distribution of qualifying additional paid-in capital			(218)	(1,088)
Allocated capital for sale of noncontrolling interest			9	—
Other, net			(7)	(8)
Balance, end of period			$ 5,596	$ 5,720
Treasury shares, at cost				
Balance, beginning of period			$ (240)	$ (240)
Balance, end of period			$ (240)	$ (240)
Retained earnings				
Balance, beginning of period			$ 3,349	$ 5,262
Net income (loss) attributable to controlling interest			(141)	1,043
Balance, end of period			$ 3,208	$ 6,305
Accumulated other comprehensive loss				
Balance, beginning of period			$ (404)	$ (262)
Other comprehensive income (loss) attributable to controlling interest			(6)	74
Balance, end of period			$ (410)	$ (188)
Total controlling interest shareholders' equity				
Balance, beginning of period			$ 13,671	$ 16,691
Total comprehensive income (loss) attributable to controlling interest			(147)	1,117
Share-based compensation			33	51
Issuance of shares under share-based compensation plans			(1)	1
Reclassification of obligation for distribution of qualifying additional paid-in capital			(218)	(1,088)
Allocated capital for sale of noncontrolling interest			9	—
Other, net			(7)	(8)
Balance, end of period			$ 13,340	$ 16,764
Noncontrolling interest				
Balance, beginning of period			$ 311	$ (6)
Total comprehensive income attributable to noncontrolling interest			20	17
Distributions to holders of noncontrolling interest			(14)	—
Allocated capital for sale of noncontrolling interest			(9)	—
Balance, end of period			$ 308	$ 11
Total equity				
Balance, beginning of period			$ 13,982	$ 16,685
Total comprehensive income (loss)			(127)	1,134
Share-based compensation			33	51
Issuance of shares under share-based compensation plans			(1)	1
Reclassification of obligation for distribution of qualifying additional paid-in capital			(218)	(1,088)
Distributions to holders of noncontrolling interest			(14)	—
Other, net			(7)	(8)
Balance, end of period			$ 13,648	$ 16,775

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cash flows from operating activities				
Net income (loss)	$ 348	$ 597	$ (121)	$ 1,063
Adjustments to reconcile to net cash provided by operating activities				
Amortization of drilling contract intangibles	(3)	(4)	(7)	(8)
Depreciation	249	288	540	561
Share-based compensation expense	14	23	33	51
Loss on impairment	890	—	1,826	65
(Gain) loss on disposal of assets, net	(2)	(1)	5	2
Loss on disposal of assets in discontinued operations, net	—	—	—	10
Deferred income taxes	8	(25)	(90)	(40)
Other, net	16	5	28	17
Changes in deferred revenues, net	(68)	96	(107)	70
Changes in deferred costs, net	59	(18)	116	20
Changes in operating assets and liabilities	(200)	(325)	(386)	(1,039)
Net cash provided by operating activities	1,311	636	1,837	772
Cash flows from investing activities				
Capital expenditures	(195)	(351)	(396)	(1,482)
Proceeds from disposal of assets, net	23	10	30	101
Proceeds from disposal of assets in discontinued operations, net	1	22	3	36
Proceeds from repayment of loans and notes receivable	15	98	15	101
Other, net	—	—	—	(15)
Net cash used in investing activities	(156)	(221)	(348)	(1,259)
Cash flows from financing activities				
Repayments of debt	(6)	(6)	(69)	(243)
Proceeds from restricted cash investments	—	—	57	107
Deposits to restricted cash investments	—	—	—	(20)
Distributions of qualifying additional paid-in capital	(55)	(272)	(327)	(474)
Distributions to holders of noncontrolling interest	(7)	—	(14)	—
Other, net	—	(7)	(2)	(9)
Net cash used in financing activities	(68)	(285)	(355)	(639)
Net increase (decrease) in cash and cash equivalents	1,087	130	1,134	(1,126)
Cash and cash equivalents at beginning of period	2,682	1,987	2,635	3,243
Cash and cash equivalents at end of period	$ 3,769	$ 2,117	$ 3,769	$ 2,117

See accompanying notes.

Note 1—Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. Our mobile offshore drilling fleet is considered one of the most versatile fleets in the world. We contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. At June 30, 2015, we owned or had partial ownership interests in and operated 63 mobile offshore drilling units, including 27 Ultra-Deepwater Floaters, seven Harsh Environment Floaters, six Deepwater Floaters, 13 Midwater Floaters and 10 High-Specification Jackups. At June 30, 2015, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed. See Note 9—Drilling Fleet.

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC ("Transocean Partners"), a Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See Note 15—Noncontrolling Interest.

Note 2—Significant Accounting Policies

Presentation—We have prepared our accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S.") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the U.S. 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 noted. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in our annual report on Form 10-K filed on February 26, 2015.

Accounting estimates—To prepare financial statements in accordance with accounting principles generally accepted in the U.S., we are required 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, assets held for sale, property and equipment, investments, income taxes, contingencies, share-based compensation, defined benefit pension plans and other postretirement benefits. 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) significant observable inputs, including unadjusted quoted prices for identical assets or liabilities in active markets ("Level 1"), (2) significant other observable inputs, including direct or indirect market data for similar assets or liabilities in active markets or identical assets or liabilities in less active markets ("Level 2") and (3) significant unobservable inputs, including those that require considerable 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.

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 an investment in an entity if we have the ability to exercise significant influence over the 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 an investment in an entity if we do not have the ability to exercise significant influence over the unconsolidated entity. We separately present within equity on our condensed consolidated balance sheets the ownership interests attributable to parties with noncontrolling interests in our consolidated subsidiaries, and we separately present net income attributable to such parties on our condensed consolidated statements of operations. See Note 4—Variable Interest Entities and Note 15—Noncontrolling Interest.

Property and equipment—The carrying amounts of our property and equipment, consisting primarily of offshore drilling rigs and related equipment, are based on our 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. At June 30, 2015, the aggregate carrying amount of our property and equipment represented approximately 73 percent of our total assets.

We compute depreciation using the straight-line method after allowing for salvage values. In December 2014, we reduced the salvage values of certain drilling units due to existing market conditions. In the three and six months ended June 30, 2015, this change in estimate resulted in increased depreciation expense of $14 million ($14 million, or $0.04 per diluted share, net of tax) and $44 million ($42 million, or $0.12 per diluted share, net of tax), respectively. For the year ending December 31, 2015, we expect this change in estimate to result in increased depreciation expense of approximately $51 million ($49 million, net of tax).

Share-based compensation—In the three and six months ended June 30, 2015, we recognized share-based compensation expense of $14 million and $33 million, respectively. In the three and six months ended June 30, 2014, we recognized share-based compensation expense of $23 million and $51 million, respectively.

Capitalized interest—We capitalize interest costs for qualifying construction and upgrade projects. In the three and six months ended June 30, 2015, we capitalized interest costs on construction work in progress of $29 million and $55 million, respectively. In the three and six months ended June 30, 2014, we capitalized interest costs on construction work in progress of $42 million and $76 million, respectively.

Reclassifications—We have made certain reclassifications to prior period amounts to conform with the current period's presentation. Such reclassifications did not have a material effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Subsequent events—We evaluate subsequent events through the time of our filing on the date we issue our financial statements. See Note 18—Subsequent Events.

Note 3—New Accounting Pronouncements

Recently adopted accounting standards

Presentation of financial statements—Effective January 1, 2015, we adopted the accounting standards update that changes the criteria for reporting discontinued operations. The update expands the disclosures for discontinued operations and requires new disclosures related to the disposal of individually significant components of an entity that do not qualify for discontinued operations. The update is effective for interim and annual periods beginning on or after December 15, 2014 and does not apply to components, such as our discontinued operations, that have been evaluated and reported as discontinued operations under previous guidance. Our adoption did not have an effect on our condensed consolidated financial statements or the disclosures contained in our notes to condensed consolidated financial statements.

Recently issued accounting standards

Interest—Effective January 1, 2016, we will adopt the accounting standards update that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The update is effective for interim and annual periods beginning after December 15, 2015, and early adoption is permitted. At June 30, 2015 and December 31, 2014, the aggregate carrying amount of the debt issue costs related to our recognized debt liabilities was $46 million and $51 million, respectively, recorded in other assets. We do not expect that our adoption will have a material effect on our condensed consolidated balance sheets or the disclosures contained in our notes to condensed consolidated financial statements.

Presentation of financial statements—Effective with our annual report for the period ending December 31, 2016, we will adopt the accounting standards update that requires us to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued. The update is effective for the annual period ending after December 15, 2016 and for interim and annual periods thereafter. We do not expect that our adoption will have a material effect on the disclosures contained in our notes to condensed consolidated financial statements.

Revenue from contracts with customers—Effective January 1, 2018, we will adopt the accounting standards update that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The update was originally effective for interim and annual periods beginning on or after December 15, 2016, but has since been approved for a one-year deferral, effective for interim and annual periods beginning on or after December 15, 2017 and permits adoption as early as the original effective date. We are evaluating the requirements to determine the effect such requirements may have on our revenue recognition policies.

Note 4—Variable Interest Entities

Consolidated variable interest entities— Angola Deepwater Drilling Company Limited ("ADDCL"), a consolidated Cayman Islands company, and Transocean Drilling Services Offshore Inc. ("TDSOI"), a consolidated British Virgin Islands company, are variable interest entities for which we are the primary beneficiary. Accordingly, we consolidate the operating results, assets and liabilities of ADDCL and TDSOI. The carrying amounts associated with our consolidated variable interest entities, after eliminating the effect of intercompany transactions, were as follows (in millions):

	June 30, 2015	December 31, 2014
Assets	$ 1,250	$ 1,257
Liabilities	60	74
Net carrying amount	$ 1,190	$ 1,183

Note 5—Impairments

Assets held and used—During the three months ended March 31, 2015, we identified indicators that the asset groups in our contract drilling services reporting unit may not be recoverable. Such indicators included a reduction in the number of new contract opportunities, recent low dayrate fixtures and contract terminations. Our Deepwater Floater asset group, in particular, has experienced further declines in projected dayrates and utilization partly caused by more technologically advanced drilling units aggressively competing with less capable drilling units. As a result of our testing, we determined that the carrying amount of the Deepwater Floater asset group was impaired. In the six months ended June 30, 2015, we recognized a loss of $507 million ($481 million, or $1.33 per diluted share, net of tax), associated with the impairment of these long-lived assets, including a loss of $41 million associated with construction in progress for the Deepwater Floater asset group.

During the three months ended June 30, 2015, we identified additional indicators that the asset groups in our contract drilling services reporting unit may not be recoverable. Such indicators included additional customer suspensions of drilling programs and cancellations of contracts, further reduction in the number of new contract opportunities, resulting in reduced dayrate fixtures. Our Midwater Floater asset group, specifically, experienced further declines in projected dayrates and utilization as drilling activity has sharply declined in the U.K. and Norwegian North Sea, which has accelerated the marginalization of some of the less capable drilling units in this asset group. As a result of our testing, we determined that the carrying amount of the Midwater Floater asset group was impaired. In the three and six months ended June 30, 2015, we recognized a loss of $668 million ($653 million, or $1.79 per diluted share, net of tax) associated with the impairment of these long-lived assets, including a loss of $11 million associated with construction in progress for the Midwater Floater asset group.

In each case, we measured the fair value of the asset group by applying a combination of income and cost approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. Our estimates of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig availability and dayrates. If we experience increasingly unfavorable changes to actual or anticipated dayrates or other impairment indicators, or if we are unable to secure new or extended contracts for our active units or the reactivation of any of our stacked units, we may be required to recognize additional losses in future periods as a result of impairments of the carrying amount of one or more of our asset groups.

Assets held for sale—In the three months ended June 30, 2015, we recognized an aggregate loss of $222 million ($144 million, or $0.39 per diluted share, net of tax), associated with the impairment of the Ultra-Deepwater Floater *GSF Explorer*, the Deepwater Floater *GSF Celtic Sea* and the Midwater Floater *Transocean Amirante* along with related equipment, which were classified as held for sale at the time of impairment. In the six months ended June 30, 2015, we recognized an aggregate loss of $651 million ($537 million, or $1.48 per diluted share, net of tax), associated with the impairment of the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer,* the Deepwater Floaters *GSF Celtic Sea, Sedco 707* and *Transocean Rather* and the Midwater Floaters *GSF Aleutian Key*, *GSF Arctic III, Transocean Amirante* and *Transocean Legend*, along with related equipment, which were classified as assets held for sale at the time of impairment. We measured the impairment of the drilling units and related equipment as the amount by which the carrying amount exceeded the estimated fair value less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including indicative market values for the drilling units and related equipment to be sold for scrap value. If we commit to plans to sell additional rigs for scrap value, we may be required to recognize additional losses in future periods associated with the impairment of such assets.

In the six months ended June 30, 2014, we recognized an aggregate loss of $65 million ($0.19 per diluted share), which had no tax effect, associated with the impairment of the Midwater Floater *Sedneth 701* and the High-Specification Jackup *GSF Magellan*, along with related equipment, which were classified as assets held for sale at the time of impairment. We measured the impairments of the drilling units and related equipment as the amount by which the carrying amount exceeded the estimated fair value less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including indicative market values for comparable drilling units or a binding sale and purchase agreement for the drilling unit and related equipment.

Note 6—Income Taxes

Tax rate—Transocean Ltd., a holding company and Swiss resident, is exempt from cantonal and communal income tax in Switzerland, but is subject to Swiss federal income tax. At the federal level, qualifying net dividend income and net capital gains on the sale of qualifying investments in subsidiaries are exempt from Swiss federal income tax. Consequently, Transocean Ltd. expects dividends from its subsidiaries and capital gains from sales of investments in its subsidiaries to be exempt from Swiss federal income tax.

Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. The relationship between our provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. In the six months ended June 30, 2015 and 2014, our estimated annual effective tax rates were 21.6 percent and 13.8 percent, respectively, based on estimated annual income from continuing operations before income taxes, after excluding certain items, such as losses on impairment and gains and losses on certain asset disposals. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits.

In December 2014, the U.K. Treasury released a draft proposal that would impose tax on groups that use certain tax planning techniques that are perceived as diverting profits from the U.K. The Diverted Profit Tax rule was included in the 2015 Finance Bill and on March 26, 2015, the legislation received Royal Assent with an effective date of April 1, 2015. The change in the law did not affect our existing annual income tax rate or deferred tax balances.

Deferred taxes—The valuation allowance for our non-current deferred tax assets was as follows (in millions):

	June 30, 2015	December 31, 2014
Valuation allowance for non-current deferred tax assets	$ 409	$ 340

The increase in the valuation allowance for our non-current deferred tax assets was primarily related to the current net operating losses generated in Norway and the U.K. carryforward deductions related to charter payments.

Unrecognized tax benefits—The liabilities related to our unrecognized tax benefits, including related interest and penalties that we recognize as a component of income tax expense, were as follows (in millions):

	June 30, 2015	December 31, 2014
Unrecognized tax benefits, excluding interest and penalties	$ 279	$ 265
Interest and penalties	122	120
Unrecognized tax benefits, including interest and penalties	$ 401	$ 385

In the year ending December 31, 2015, it is reasonably possible that our existing liabilities for unrecognized tax benefits may increase or decrease primarily due to the progression of open audits or the expiration of statutes of limitation. However, we cannot reasonably estimate a range of potential changes in our existing liabilities for unrecognized tax benefits due to various uncertainties, such as the unresolved nature of various audits.

Tax returns—We file federal and local tax returns in several jurisdictions throughout the world. With few exceptions, we are no longer subject to examinations of our U.S. and non-U.S. tax matters for years prior to 2010.

Our tax returns in the major jurisdictions in which we operate, other than the U.S., Norway and Brazil, which are mentioned below, are generally subject to examination for periods ranging from three to six years. We have agreed to extensions beyond the statute of limitations in two major jurisdictions for up to 20 years. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the timing or the outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated statement of cash flows.

U.S. tax investigations—In January 2014, we received a draft assessment from the U.S. tax authorities related to our 2010 and 2011 U.S. federal income tax returns. The significant issue raised in the assessment relates to transfer pricing for certain charters of drilling rigs between our subsidiaries. This issue, if successfully challenged, would result in net adjustments of approximately $290 million of additional taxes, excluding interest and penalties. We believe our U.S. federal income tax returns are materially correct as filed, and we intend to continue to vigorously defend against all such claims to the contrary. An unfavorable outcome on these adjustments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. Furthermore, if the authorities were to continue to pursue these positions with respect to subsequent years and were successful in such assertions, our effective tax rate on worldwide earnings with respect to years following 2011 could increase substantially, and could have a material adverse effect on our consolidated results of operations or cash flows.

Norway tax investigations and trial—Norwegian civil tax and criminal authorities are investigating various transactions undertaken by our subsidiaries in 1999, 2001 and 2002 as well as the actions of certain employees of our former external tax advisors on these transactions. Excluding one assessment that was formally dismissed, the authorities issued the following tax assessments: (a) NOK 412 million, equivalent to approximately $52 million, plus interest, related to a 2001 dividend payment and (b) NOK 43 million, equivalent to approximately $5 million, plus interest, related to certain foreign exchange deductions and dividend withholding tax. In November 2012, the Norwegian district court in Oslo heard the civil tax case regarding the disputed tax assessment of NOK 684 million related to the migration of our subsidiary. On March 1, 2013, the Norwegian district court in Oslo overturned the initial civil tax assessment and ruled in our favor, and the tax authorities filed an appeal. On June 26, 2014, the Norwegian district court in Oslo ruled that our subsidiary was liable for the civil tax assessment of NOK 412 million, equivalent to approximately $52 million, but waived all penalties and interest. On September 12, 2014, we filed an appeal. We intend to take all other appropriate action to continue to support our position that our Norwegian tax returns are materially correct as filed.

In June 2011, the Norwegian authorities issued criminal indictments against two of our subsidiaries alleging misleading or incomplete disclosures in Norwegian tax returns for the years 1999 through 2002, as well as inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. Two employees of our former external tax advisors were also issued criminal indictments with respect to the disclosures in our tax returns, and our former external Norwegian tax attorney was issued criminal indictments related to certain of our restructuring transactions and the 2001 dividend payment. In January 2012, the Norwegian authorities supplemented the previously issued criminal indictments by issuing a financial claim of NOK 1.8 billion, equivalent to approximately $229 million, jointly and severally, against our two subsidiaries, the two external tax advisors and the external tax attorney. In February 2012, the authorities dropped the previously existing civil tax claim related to a certain restructuring transaction. In April 2012, the Norwegian tax authorities supplemented the previously issued criminal indictments against our two subsidiaries by extending a criminal indictment against a third subsidiary, alleging misleading or incomplete disclosures in Norwegian tax returns for the years 2001 and 2002. The criminal trial commenced in December 2012. In May 2013, the Norwegian authorities dropped the financial claim of NOK 1.8 billion against one of our subsidiaries and the criminal case related to the migration case of another subsidiary. The criminal trial proceedings ended in September 2013. The Norwegian authorities subsequently suggested, if we were found guilty, that the court assess criminal penalties of NOK 230 million, equivalent to approximately $29 million, against three of our subsidiaries in addition to any civil tax penalties and the financial claim.

On July 2, 2014, the Norwegian district court in Oslo acquitted our three subsidiaries, two external tax attorneys and an external tax advisor of all criminal charges related to the disclosures in our Norwegian tax returns for the years 1999 through 2002 and statutory financial statements for the years ended December 31, 1996 through 2001. On July 16, 2014, the Norwegian authorities dropped the financial claim of NOK 1.8 billion, equivalent to approximately $229 million, against two of our subsidiaries, fully closing this matter, and on the same date, filed an appeal with respect to the following charges: (a) disclosures in our Norwegian tax returns related to a dividend payment in 2001, (b) disclosures in our Norwegian tax returns related to an intercompany rig sale in 1999 and (c) certain inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. We believe our Norwegian tax returns are materially correct as filed, and we intend to continue to vigorously contest any assertions to the contrary by the Norwegian civil and criminal authorities in connection with the various transactions being investigated. An unfavorable outcome on the Norwegian civil or criminal tax matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Brazil tax investigations—Certain of our Brazilian income tax returns for the years 2000 through 2004 are currently under examination. In December 2005, the Brazilian tax authorities issued an aggregate tax assessment of BRL 730 million, equivalent to approximately $235 million, including a 75 percent penalty and interest. On January 25, 2008, we filed a protest letter with the Brazilian tax authorities, and we are currently engaged in the appeals process. On May 19, 2014, with respect to our Brazilian income tax returns for the years 2009 and 2010, the Brazilian tax authorities issued an aggregate tax assessment of BRL 128 million, equivalent to approximately $41 million, including a 75 percent penalty and interest. On June 18, 2014, we filed a protest letter with the Brazilian tax authorities. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. An unfavorable outcome on these proposed assessments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Other tax matters—We conduct operations through our various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions, employee contribution requirements and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Note 7—Discontinued Operations

Summarized results of discontinued operations

The summarized results of operations included in income from discontinued operations were as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating revenues	$ —	$ 25	$ —	$ 133
Operating and maintenance expense	1	(27)	—	(131)
Loss on disposal of assets in discontinued operations, net	—	—	—	(10)
Income (loss) from discontinued operations before income tax expense	1	(2)	—	(8)
Income tax expense	—	(5)	(1)	(7)
Income (loss) from discontinued operations, net of tax	$ 1	$ (7)	$ (1)	$ (15)

Standard jackup and swamp barge contract drilling services

Overview—In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment.

Sale transactions with Shelf Drilling—In November 2012, we completed the sale of 38 drilling units to Shelf Drilling Holdings, Ltd. ("Shelf Drilling"). For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the standard jackups under operating agreements with Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under the operating agreements, we agreed to remit the collections from our customers under the associated drilling contracts to Shelf Drilling, and Shelf Drilling agreed to reimburse us for our direct costs and expenses incurred while operating the standard jackups on behalf of Shelf Drilling with certain exceptions. Amounts due to Shelf Drilling under the operating agreements and transition services agreement may be contractually offset against amounts due from Shelf Drilling. The costs to us for providing such operating and transition services, including allocated indirect costs, exceeded the amounts we received from Shelf Drilling for providing such services.

Under the operating agreements, we agreed to operate the standard jackups on behalf of Shelf Drilling for periods ranging from nine months to 27 months, until expiration or novation of the underlying drilling contracts by Shelf Drilling, the last of which was completed in January 2015. Until the expiration or novation of such drilling contracts, we retained possession of the materials and supplies associated with the standard jackups that we operated under the operating agreements. In the three and six months ended June 30, 2015, we received cash proceeds of $1 million and $3 million, respectively, associated with the sale of equipment and materials and supplies to Shelf Drilling upon expiration or novation of the drilling contracts. In the three and six months ended June 30, 2014, we received cash proceeds of $22 million and $25 million, respectively, and recognized net gains of $1 million and $2 million, respectively, which had no tax effect, associated with the sale of equipment and materials and supplies to Shelf Drilling upon expiration or novation of the drilling contracts.

For a period through November 2015, we agreed to provide to Shelf Drilling up to $125 million of financial support by maintaining letters of credit, surety bonds and guarantees for various contract bidding and performance activities associated with the drilling units sold to Shelf Drilling and in effect at the closing of the sale transactions. At the time of the sale transactions, we had $113 million of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of rigs sold to Shelf Drilling. Included within the $125 million maximum amount, we agreed to provide up to $65 million of additional financial support in connection with any new drilling contracts related to such drilling units. Shelf Drilling is required to reimburse us in the event that any of these instruments are called. At June 30, 2015 and December 31, 2014, we had $84 million and $91 million, respectively, of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of drilling units sold to Shelf Drilling. See Note 13—Commitments and Contingencies.

Drilling management services

Overview—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of ADTI, which performs drilling management services in the North Sea. As a result of the sale, we reclassified the results of operations of our drilling management services operating segment to discontinued operations for all periods presented.

Disposition—In the six months ended June 30, 2014, we received net cash proceeds of $11 million associated with the sale of the drilling management services business. In the three and six months ended June 30, 2014, in connection with the sale, we recognized a net loss of $1 million and $12 million ($0.03 per diluted share), respectively, which had no tax effect. We also agreed to provide a $15 million working capital line of credit to the buyer through March 2016. At December 31, 2014, ADTI owed to us borrowings of $15 million outstanding under the working capital line of credit, recorded in other assets. In May 2015, ADTI repaid the borrowings and terminated the credit agreement.

Note 8—Earnings (Loss) Per Share

The numerator and denominator used for the computation of basic and diluted per share earnings (loss) from continuing operations were as follows (in millions, except per share data):

	Three months ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator for earnings (loss) per share								
Income (loss) from continuing operations attributable to controlling interest	$ 341	$ 341	$ 594	$ 594	$ (140)	$ (140)	$ 1,058	$ 1,058
Undistributed earnings allocable to participating securities	(3)	(3)	(4)	(4)	—	—	(9)	(9)
Income (loss) from continuing operations available to shareholders	$ 338	$ 338	$ 590	$ 590	$ (140)	$ (140)	$ 1,049	$ 1,049
Denominator for earnings (loss) per share								
Weighted-average shares outstanding	363	363	362	362	363	363	362	362
Effect of stock options and other share-based awards	—	—	—	—	—	—	—	—
Weighted-average shares for per share calculation	363	363	362	362	363	363	362	362
Per share earnings (loss) from continuing operations	$ 0.93	$ 0.93	$ 1.63	$ 1.63	$ (0.39)	$ (0.39)	$ 2.90	$ 2.90

In the three and six months ended June 30, 2015, we excluded 3.3 million and 5.3 million share-based awards, respectively, from the calculation since the effect would have been anti-dilutive. In the three and six months ended June 30, 2014, we excluded 2.9 million and 2.3 million share-based awards, respectively, from the calculation since the effect would have been anti-dilutive.

Note 9—Drilling Fleet

Construction work in progress—For the six months ended June 30, 2015 and 2014, the changes in our construction work in progress, including capital expenditures and capitalized interest, were as follows (in millions):

	Six months ended June 30,	
	2015	2014
Construction work in progress, at beginning of period	$ 2,451	$ 2,710
Newbuild construction program		
Deepwater Invictus (a) (b)	—	477
Deepwater Asgard (a) (b)	—	272
Deepwater Thalassa (c)	53	58
Deepwater Proteus (c)	21	21
Deepwater Conqueror (d)	42	109
Deepwater Pontus (c)	28	83
Deepwater Poseidon (c)	22	80
Transocean Cassiopeia (e)	2	3
Transocean Centaurus (e)	2	2
Transocean Cepheus (e)	2	2
Ultra-Deepwater drillship TBN1 (f)	6	28
Transocean Cetus (e)	2	2
Transocean Circinus (e)	2	2
Ultra-Deepwater drillship TBN2 (f)	1	27
Other construction projects and capital additions	213	316
Total capital expenditures	396	1,482
Changes in accrued capital expenditures	(43)	(76)
Impairment of construction work in progress	(52)	—
Property and equipment placed into service		
Other property and equipment	(229)	(350)
Construction work in progress, at end of period	$ 2,523	$ 3,766

(a) The accumulated construction costs of this rig are no longer included in construction work in progress, as the construction project had been completed as of June 30, 2015.

(b) The Ultra-Deepwater drillships *Deepwater Invictus* and *Deepwater Asgard*, commenced operations in July 2014 and August 2014, respectively. The total carrying amount included capitalized costs of $272 million, representing the estimated fair value of construction in progress acquired in connection with our acquisition of Aker Drilling ASA in October 2011.

(c) *Deepwater Thalassa*, *Deepwater Proteus*, *Deepwater Pontus* and *Deepwater Poseidon*, four newbuild Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to commence operations in the first quarter of 2016, the third quarter of 2016, the first quarter of 2017 and the second quarter of 2017, respectively.

(d) *Deepwater Conqueror*, a newbuild Ultra-Deepwater drillship under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, is expected to commence operations in the fourth quarter of 2016.

(e) *Transocean Cassiopeia*, *Transocean Centaurus*, *Transocean Cepheus*, *Transocean Cetus* and *Transocean Circinus*, five Keppel FELS Super B 400 Bigfoot class design newbuild High-Specification Jackups under construction at Keppel FELS' shipyard in Singapore do not yet have drilling contracts and are expected to be delivered in the first quarter of 2018, the third quarter of 2018, the first quarter of 2019, the third quarter of 2019 and the first quarter of 2020, respectively. These delivery expectations reflect the terms of our construction agreements, as amended to delay delivery in consideration of existing market conditions.

(f) Our two unnamed dynamically positioned Ultra-Deepwater drillships under construction at the Jurong Shipyard Pte Ltd. in Singapore do not yet have drilling contracts and are expected to be delivered in the second quarter of 2019 and the first quarter of 2020, respectively. These delivery expectations reflect the terms of our construction agreements, as amended to delay delivery in consideration of existing market conditions.

Dispositions—During the six months ended June 30, 2015, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer*, the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 707*, *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *C. Kirk Rhein, Jr.*, *GSF Arctic I*, *GSF Arctic III*, *Sedco 601*, *Sedco 700* and *Transocean Legend,* along with related equipment. In the three and six months ended June 30, 2015, we received aggregate net cash proceeds of $19 million and $24 million, respectively, and recognized an aggregate net gain of $4 million and $6 million, respectively. In the three and six months ended June 30, 2015, we received cash proceeds of $4 million and $6 million, respectively, and recognized an aggregate net loss of $2 million and $11 million, respectively, associated with disposals of assets unrelated to rig sales.

During the six months ended June 30, 2014, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the High-Specification Jackup *GSF Monitor* along with related equipment, and in the six months ended June 30, 2014, we received net cash proceeds of $83 million. In the three and six months ended June 30, 2014, we received cash proceeds of $9 million and $17 million, respectively, and recognized an aggregate net gain of $1 million and an aggregate net loss of $2 million, respectively, associated with the disposal of assets unrelated to rig sales.

During the six months ended June 30, 2015, we committed to a plan to sell the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer*, the Deepwater Floaters *GSF Celtic Sea, Sedco 707* and *Transocean Rather* and the Midwater Floaters *GSF Aleutian Key, GSF Arctic III, Transocean Amirante* and *Transocean Legend* along with related equipment. At June 30, 2015, the aggregate carrying amount of our assets held for sale was $9 million, including the Deepwater Floaters *GSF Celtic Sea* and *Transocean Rather* and the Midwater Floaters *Falcon 100, GSF Aleutian Key, J.W. McLean, Sedneth 701* and *Transocean Amirante*, along with related equipment. At December 31, 2014, the aggregate carrying amount of our assets held for sale was $25 million, including an aggregate carrying amount of $23 million for the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *C. Kirk Rhein, Jr.*, *Falcon 100*, *GSF Arctic I*, *J.W. McLean*, *Sedco 601*, *Sedco 700* and *Sedneth 701*, along with related equipment, and an aggregate carrying amount of $2 million for the then remaining assets of our discontinued operations.

See Note 5—Impairments and Note 7—Discontinued Operations.

Note 10—Debt

Debt, net of unamortized discounts, premiums and fair value adjustments, was comprised of the following (in millions):

	June 30, 2015	December 31, 2014
4.95% Senior Notes due November 2015 (a)	$ 895	$ 898
5.05% Senior Notes due December 2016 (a)	1,000	999
2.5% Senior Notes due October 2017 (a)	749	748
Eksportfinans Loans due January 2018	296	369
6.00% Senior Notes due March 2018 (a)	1,003	1,001
7.375% Senior Notes due April 2018 (a)	247	247
6.50% Senior Notes due November 2020 (a)	916	911
6.375% Senior Notes due December 2021 (a)	1,199	1,199
3.8% Senior Notes due October 2022 (a)	746	745
7.45% Notes due April 2027 (a)	97	97
8% Debentures due April 2027 (a)	57	57
7% Notes due June 2028	309	309
Capital lease contract due August 2029	603	615
7.5% Notes due April 2031 (a)	599	598
6.80% Senior Notes due March 2038 (a)	999	999
7.35% Senior Notes due December 2041 (a)	300	300
Total debt	10,015	10,092
Less debt due within one year		
4.95% Senior Notes due November 2015 (a)	895	898
Eksportfinans Loans due January 2018	108	114
Capital lease contract due August 2029	23	21
Total debt due within one year	1,026	1,033
Total long-term debt	$ 8,989	$ 9,059

(a) Transocean Inc., a 100 percent owned subsidiary of Transocean Ltd., is the issuer of the notes and debentures, which have been guaranteed by Transocean Ltd. Transocean Ltd. has also guaranteed borrowings under the Five-Year Revolving Credit Facility. Transocean Ltd. and Transocean Inc. are not subject to any significant restrictions on their ability to obtain funds from their consolidated subsidiaries by dividends, loans or return of capital distributions. See Note 17—Condensed Consolidating Financial Information.

Scheduled maturities—At June 30, 2015, the scheduled maturities of our debt were as follows (in millions):

	Total
Twelve months ending June 30,	
2016	$ 1,026
2017	1,134
2018	2,106
2019	31
2020	34
Thereafter	5,666
Total debt, excluding unamortized discounts, premiums and fair value adjustments	9,997
Total unamortized discounts, premiums and fair value adjustments, net	18
Total debt	$ 10,015

Five-Year Revolving Credit Facility—In June 2014, we entered into an amended and restated bank credit agreement, which established a $3.0 billion unsecured five-year revolving credit facility, that is scheduled to expire on June 28, 2019 (the "Five-Year Revolving Credit Facility"). Among other things, the Five-Year Revolving Credit Facility includes limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The Five-Year Revolving Credit Facility also includes a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. Borrowings under the Five-Year Revolving Credit Facility are subject to acceleration upon the occurrence of an event of default, borrowings are guaranteed by Transocean Ltd. and may be prepaid in whole or in part without premium or penalty.

We may borrow under the Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate ("LIBOR") plus a margin (the "Five-Year Revolving Credit Facility Margin"), which ranges from 1.125 percent to 2.0 percent based on the credit rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating"), or (2) the base rate specified in the credit agreement plus the Five-Year Revolving Credit Facility Margin, less one percent per annum. Throughout the term of the Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.15 percent to 0.35 percent depending on our Debt Rating. Effective March 19, 2015, as a result of a reduction of our Debt Rating, the Five-Year Revolving Credit Facility Margin increased to 1.75 percent from 1.5 percent and the facility fee increased to 0.275 percent from 0.225 percent. At June 30, 2015, we had no borrowings outstanding or letters of credit issued, and we had $3.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility.

4.95% Senior Notes—In September 2010, we issued $1.1 billion aggregate principal amount of 4.95% Senior Notes due November 2015 (the "4.95% Senior Notes"). We may redeem some or all of the 4.95% Senior Notes at any time at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. On June 26, 2015, we announced our intent to redeem the 4.95% Senior Notes. At June 30, 2015 and December 31, 2014, the aggregate outstanding principal amount of the 4.95% Senior Notes was $893 million. See Note 18—Subsequent Events.

5.05% Senior Notes, 6.375% Senior Notes and 7.35% Senior Notes—In December 2011, we issued $1.0 billion aggregate principal amount of 5.05% Senior Notes due December 2016 (the "5.05% Senior Notes"), $1.2 billion aggregate principal amount of 6.375% Senior Notes due December 2021 (the "6.375% Senior Notes") and $300 million aggregate principal amount of 7.35% Senior Notes due December 2041 (the "7.35% Senior Notes"). The interest rates for the notes are subject to adjustment from time to time upon a change to our Debt Rating. Effective June 15, 2015, as a result of a reduction of our Debt Rating, the interest rates on the 5.05% Senior Notes, the 6.375% Senior Notes and the 7.35% Senior Notes increased 0.5 percent from the stated rate to 5.55 percent, 6.875 percent and 7.85 percent, respectively. At June 30, 2015, the aggregate outstanding principal amount of the 5.05% Senior Notes, the 6.375% Senior Notes and the 7.35% Senior Notes was $1.0 billion, $1.2 billion and $300 million, respectively.

2.5% Senior Notes and 3.8% Senior Notes—In September 2012, we issued $750 million aggregate principal amount of 2.5% Senior Notes due October 2017 (the "2.5% Senior Notes") and $750 million aggregate principal amount of 3.8% Senior Notes due October 2022 (the "3.8% Senior Notes"). The interest rates for the notes are subject to adjustment from time to time upon a change to our Debt Rating. Effective April 15, 2015, as a result of a reduction of our Debt Rating, the interest rates on the 2.5% Senior Notes and the 3.8% Senior Notes increased 0.5 percent from the stated rate to 3.0 percent and 4.3 percent, respectively. At June 30, 2015, the aggregate outstanding principal amount of the 2.5% Senior Notes and the 3.8% Senior Notes was $750 million each.

Eksportfinans Loans—We have borrowings under the Loan Agreement dated September 12, 2008 and the Loan Agreement dated November 18, 2008, between one of our subsidiaries and Eksportfinans ASA (together, the "Eksportfinans Loans"). At June 30, 2015 and December 31, 2014, aggregate borrowings of NOK 2.3 billion and NOK 2.8 billion, respectively, equivalent to approximately $297 million and $370 million, respectively, were outstanding under the Eksportfinans Loans.

The Eksportfinans Loans require collateral to be held by a financial institution through expiration (the "Aker Restricted Cash Investments"). At June 30, 2015 and December 31, 2014, the aggregate principal amount of the Aker Restricted Cash Investments was NOK 2.3 billion and NOK 2.8 billion, respectively, equivalent to approximately $297 million and $370 million, respectively.

Note 11—Derivatives and Hedging

In the six months ended June 30, 2014, we entered into interest rate swaps, which qualified for and we designated as a fair value hedge to reduce our exposure to changes in the fair value of the 6.0% Senior Notes due March 2018 and the 6.5% Senior Notes due November 2020, respectively. The interest rate swaps have aggregate notional amounts equal to the corresponding face values of the hedged instruments and have stated maturities that coincide with those of the hedged instruments. We determined that the hedging relationships qualify for and we have applied the shortcut method of accounting, under which the interest rate swaps are considered to have no ineffectiveness and no ongoing assessment of effectiveness is required. Accordingly, changes in the fair value of the interest rate swaps recognized in interest expense offset the changes in the fair value of the hedged fixed-rate notes. During the three months ended June 30, 2015, we terminated the interest rate swaps designated as a fair value hedge of the 6.5% Senior Notes, and in the three months ended June 30, 2015, we received an aggregate net cash payment of $24 million in connection with the settlement.

At June 30, 2015, the aggregate notional amounts and the weighted average interest rates associated with our derivatives designated as hedging instruments were as follows (in millions, except weighted average interest rates):

	Pay			Receive		
	Aggregate notional amount	Fixed or variable rate	Weighted average rate	Aggregate notional amount	Fixed or variable rate	Weighted average rate
Interest rate swaps, fair value hedge	$ 750	Variable	4.86%	$ 750	Fixed	6%

The balance sheet classification and aggregate carrying amount of our derivatives designated as hedging instruments, measured at fair value, were as follows (in millions):

	Balance sheet classification	June 30, 2015	December 31, 2014
Interest rate swaps, fair value hedge	Other current assets	$ 2	$ 4
Interest rate swaps, fair value hedge	Other assets	4	11

Note 12—Postemployment Benefit Plans

Effective January 1, 2015, we froze the benefits of our qualified defined benefit pension plan in the U.S., which covered substantially all U.S. employees, and one of our unfunded supplemental benefit plans. Including these plans, we have several frozen defined benefit pension plans, both funded and unfunded, that cover certain current and former U.S. employees and certain former directors of our predecessors (the "U.S. Plans"). We also have various defined benefit plans in the U.K., Norway, Nigeria, Egypt and Indonesia that cover certain current and former employees in those areas (the "Non-U.S. Plans"). Additionally, we maintain several unfunded contributory and noncontributory other postretirement employee benefit plans covering substantially all of our U.S. employees (the "OPEB Plans").

The components of net periodic benefit costs, before tax, and funding contributions for these plans were as follows (in millions):

	Three months ended June 30, 2015				Three months ended June 30, 2014			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Net periodic benefit costs								
Service cost	$ 2	$ 6	$ —	$ 8	$ 10	$ 7	$ —	$ 17
Interest cost	16	5	—	21	17	8	—	25
Expected return on plan assets	(21)	(8)	—	(29)	(18)	(8)	—	(26)
Settlements and curtailments	—	—	—	—	(6)	1	—	(5)
Actuarial losses, net	2	3	—	5	5	1	—	6
Net transition obligation	—	1	—	1	—	—	—	—
Prior service cost, net	—	—	—	—	(1)	—	—	(1)
Net periodic benefit costs	$ (1)	$ 7	$ —	$ 6	$ 7	$ 9	$ —	$ 16
Funding contributions	$ 1	$ 2	$ 2	$ 5	$ 41	$ 14	$ —	$ 55

	Six months ended June 30, 2015				Six months ended June 30, 2014			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Net periodic benefit costs								
Service cost	$ 3	$ 13	$ —	$ 16	$ 21	$ 15	$ —	$ 36
Interest cost	32	10	1	43	34	14	1	49
Expected return on plan assets	(43)	(14)	—	(57)	(37)	(15)	—	(52)
Settlements and curtailments	—	—	—	—	(6)	1	—	(5)
Actuarial losses, net	5	5	—	10	10	2	—	12
Net transition obligation	—	1	—	1	—	—	—	—
Prior service cost, net	—	—	—	—	(1)	—	—	(1)
Net periodic benefit costs	$ (3)	$ 15	$ 1	$ 13	$ 21	$ 17	$ 1	$ 39
Funding contributions	$ 1	$ 11	$ 4	$ 16	$ 42	$ 23	$ —	$ 65

Note 13—Commitments and Contingencies

Macondo well incident settlement obligations

Overview—On April 22, 2010, the Ultra-Deepwater Floater *Deepwater Horizon* sank after a blowout of the Macondo well caused a fire and explosion on the rig. Eleven persons died in, and others were injured as a result of the incident. At the time of the explosion, *Deepwater Horizon* was located approximately 41 miles off the coast of Louisiana in Mississippi Canyon Block 252 and was contracted to an affiliate of BP plc (together with its affiliates, "BP"). Litigation commenced shortly after the incident, and most claims against us were consolidated by the U.S. Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Eastern District of Louisiana (the "MDL Court"). A significant portion of the contingencies arising from the Macondo well incident has now been resolved as a result of settlements with the U.S. Department of Justice (the "DOJ"), BP, and the Plaintiffs' Steering Committee (the "PSC").

U.S. Department of Justice settlement agreements—On January 3, 2013, we reached an agreement with the DOJ to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident. As part of this resolution, we agreed to a guilty plea ("Plea Agreement") and a civil consent decree ("Consent Decree") by which, among other things, we agreed to pay $1.4 billion in fines, recoveries and civil penalties, excluding interest, in scheduled installments through February 2017. In the six months ended June 30, 2015 and 2014, we paid an aggregate installment of $264 million and $472 million, respectively, including interest, towards our obligations under the Plea Agreement and Consent Decree. At June 30, 2015, we had satisfied our financial obligations under the Consent Decree and had $120 million outstanding under the Plea Agreement.

Macondo well incident contingencies

Overview—During the three months ended June 30, 2015, in connection with the settlements, as further described below, we adjusted our assets and liabilities associated with contingencies resulting from the Macondo well incident. In the three and six months ended June 30, 2015, we recognized income of $788 million ($735 million, or $2.02 per diluted share, net of tax), recorded as a net reduction to operating and maintenance costs and expenses, including $538 million associated with recoveries from insurance for our previously incurred losses, $125 million associated with partial reimbursement from BP for our previously incurred legal costs, and $125 million associated with a net reduction to certain related contingent liabilities, primarily associated with contingencies that have either been settled or otherwise resolved as a result of settlements with BP and the PSC. We made such adjustments with corresponding entries to increase accounts receivable by $663 million and decrease other current liabilities by $125 million. In the three and six months ended June 30, 2015, we received cash proceeds of $445 million from insurance recoveries. See Note 18—Subsequent Events.

We have recognized a liability for the remaining estimated loss contingencies associated with litigation resulting from the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. At June 30, 2015 and December 31, 2014, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $291 million and $426 million, respectively, recorded in other current liabilities. The liability for estimated loss contingencies at June 30, 2015, included, among others, the amount we have agreed to pay as a result of our settlement with the PSC, which is subject to approval by the MDL Court (see "—PSC Settlement Agreement" below). The remaining litigation could result in certain loss contingencies that we believe are either reasonably possible or probable but for which we do not believe a reasonable estimate can be made. Although we have not recognized a liability for such loss contingencies, these contingencies could result in liabilities that we ultimately recognize.

We believe the remaining most notable claims against us arising from the Macondo well incident are the potential settlement class opt-outs from the PSC Settlement Agreement and the claims individual states may have against us for fines, penalties or punitive damages for which we are not indemnified by BP (see "—BP Settlement Agreement" below).

We have also recognized an asset associated with the portion of our estimated losses that we believe is probable of recovery from insurance and for which we had received from underwriters confirmation of expected payment. At June 30, 2015 and December 31, 2014, the insurance recoverable asset was $93 million, recorded in accounts receivable (see Note 18—Subsequent Events), and $10 million, recorded in other assets, respectively. Although we have available policy limits that could result in additional amounts recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts (see "—Insurance coverage"). Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may increase our estimated loss contingencies arising out of the Macondo well incident or reduce our estimated recoveries from insurance, and the resulting losses could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

The Consent Decree resolved the claim by the U.S. for civil penalties under the Clean Water Act. The Consent Decree did not resolve United States' claim under the Oil Pollution Act ("OPA") for natural resource damages ("NRD") or for removal costs. However, BP has agreed to indemnify us for NRD and most removal costs as further discussed under "—BP Settlement Agreement" and "—Pending Claims" below.

BP Settlement Agreement—On May 20, 2015, we entered into a confidential settlement agreement with BP (the "BP Settlement Agreement"). We believe the BP Settlement Agreement resolves all Macondo well-related litigation between BP and us, and the indemnity BP has committed to provide will generally address claims by third parties, including claims for economic and property damages, economic loss and NRD. However, the indemnity obligations do not extend to fines, penalties, or punitive damages. The BP Settlement Agreement generally provides that:

- BP will pay us $125 million, as noted above, towards the legal costs we have incurred in connection with the Macondo well incident;
- BP will indemnify us for compensatory damages, including all natural resource damages and all cleanup and removal costs incurred before the date of the settlement and any future cleanup and removal costs for oil or pollutants originating from the Macondo well;
- We will indemnify BP for personal and bodily injury claims of our employees and for any future costs for the cleanup or removal of pollutants stored on the *Deepwater Horizon* vessel;
- BP will no longer attempt to recover as an "additional insured" under our excess liability insurance policies, and BP will be bound to the MDL Court's and Texas Supreme Court's insurance reimbursement rulings for the Macondo well litigation;
- BP and we will each release and withdraw all claims we have against each other arising from the Macondo well litigation; and
- Neither BP nor we will make statements asserting the other company's conduct was grossly negligent in the Macondo well incident.

PSC Settlement Agreement—On May 29, 2015, together with the PSC, we filed a settlement agreement (the "PSC Settlement Agreement") with the MDL Court finalizing the terms as initially agreed to by us and the PSC in a Term Sheet Agreement on May 20, 2015. The PSC Settlement Agreement is subject to approval by the MDL Court. Through the PSC Settlement Agreement, we have agreed to pay a total of $212 million, plus up to $25 million for partial reimbursement of attorneys' fees, to be allocated between two classes of plaintiffs as follows: (1) private plaintiffs, businesses, and local governments who could have asserted punitive damages claims against us under general maritime law (the "Punitive Damages Class"); and (2) private plaintiffs who previously settled economic damages claims against BP and were assigned certain claims BP had made against us. A court-appointed neutral representative will allocate the payment between the two classes. In exchange for these payments, each of the classes will release all respective claims it has against us. Members of the Punitive Damages Class may opt out of the PSC Settlement Agreement and continue to pursue punitive damages claims against us, but we may terminate the PSC Settlement Agreement if the number of opt outs exceeds the specified threshold amount.

Multidistrict litigation proceeding—Most Macondo well related claims against us have been resolved by our settlements with the DOJ, BP, and the PSC. There are, however, still pending claims by state governments, potential opt-outs from the settlement with the PSC, and a number of other parties. As of June 30, 2015, the MDL Court has completed two trials involving us, and additional litigation and appeals continue.

Phase One trial—The Phase One trial in 2013 addressed fault for the Macondo blowout and resulting oil spill. The MDL Court's September 2014 Phase One ruling concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that we were negligent and 30 percent at fault; and that Halliburton Company ("Halliburton") was negligent and three percent at fault.

The finding that we were negligent, but not grossly negligent, meant that, subject to a successful appeal, we would not be held liable for punitive damages and that BP was required to honor its contractual agreements to indemnify us for compensatory damages and release its claims against us. Our settlements with BP and the PSC finally resolve the indemnity and release issues (see "—BP Settlement Agreement" and "—PSC Settlement Agreement") and largely eliminate our risk should these determinations be reversed through the appeal process.

The MDL Court also concluded that we were an "operator" of the Macondo well for purposes of 33 U.S.C. § 2704(c)(3), a provision of the Oil Pollution Act ("OPA") that permits government entities to recover removal costs by owners and operators of a facility or vessel that caused a discharge. The MDL Court, however, found that "Transocean's liability to government entities for removal costs is ultimately shifted to BP by virtue of contractual indemnity," and BP has agreed to indemnify removal costs through the BP Settlement Agreement (see "—BP Settlement Agreement").

The Phase One ruling did not quantify damages or result in a final monetary judgment. However, because it is a determination of liability under maritime law, the Phase One ruling is appealable, and we, along with BP, the PSC, Halliburton and the State of Alabama have each appealed or cross-appealed aspects of the ruling. These appeals have been stayed. See Note 18 —Subsequent Events.

We can provide no assurances as to the outcome of these appeals, as to the timing of any further rulings, or that we will not enter into additional settlements as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlements.

Pending claims—As of June 30, 2015, approximately 1,398 actions or claims are pending against us, along with other unaffiliated defendants arising from individual complaints as well as putative class-action complaints that were filed in the federal and state courts in Louisiana, Texas, Mississippi, Alabama, Georgia, Kentucky, South Carolina, Tennessee, Florida and other courts. These claims were originally filed in various state and federal courts, and most have been consolidated in the MDL Court. We believe our settlement with the PSC, if approved by the MDL Court, will resolve many of these pending actions. As for any actions not resolved by these settlements, including any remaining personal injury claims, any claims by individuals who opt-out of the PSC Settlement Agreement, claims by State governments, claims by private environmental groups, and securities actions, we are vigorously defending those claims and pursuing any and all defenses available.

Wrongful death and personal injury claims—As of June 30, 2015, two personal injury claims have not yet been settled. These claims are not indemnified by BP.

State and other government claims—Claims have been filed against us by over 200 state, local and foreign governments, including the States of Alabama, Florida, Louisiana, Mississippi and Texas; the Mexican States of Veracruz, Quintana Roo, Tamaulipas and Yucatan; the federal government of Mexico and other local governments by and on behalf of multiple towns and parishes.

The MDL Court dismissed damages claims brought under state common and statutory law and subsequently dismissed civil penalty claims brought under state statutory law. Certain Louisiana parishes appealed the dismissal of their civil penalty claims brought under Louisiana law. The Fifth Circuit affirmed the MDL Court's dismissal of these claims, and the U.S. Supreme Court denied certiorari.

The state, local and foreign government claims include claims under OPA for economic damages, natural resource damages and removal costs. As noted above, BP has agreed to indemnify us for these damages (see "—Macondo well incident settlement obligations"). Our settlement with the PSC, if approved by the MDL Court will resolve the punitive damages claims of local governments that do not opt out of the settlement. However, the States with whom we have not settled may continue to pursue punitive damages claim by appealing the MDL Court's determination that we were not grossly negligent in connection with the blowout. The OPA claims of the Mexican States of Veracruz, Quintana Roo, Tamaulipas and Yucatan were dismissed for failure to demonstrate that recovery under OPA was authorized by treaty or executive agreement. The MDL Court subsequently granted summary judgment and the Fifth Circuit upheld the decision on the Mexican States' general maritime law claims on the ground that the federal government of Mexico, rather than the Mexican States, had the proprietary interest in the claims. Accordingly, we believe we will be indemnified for all OPA claims from the Mexican States through the BP Settlement Agreement.

Citizen suits under environmental statutes—The Center for Biological Diversity (the "Center"), a private environmental group, sued BP and us under multiple federal environmental statutes seeking monetary penalties and injunctive relief. The MDL Court dismissed all of the claims, and in January 2013, the Fifth Circuit affirmed the dismissal with one exception: the Fifth Circuit remanded to the MDL Court the Center's claim for injunctive relief, but not for penalties, based on BP and our alleged failure to make certain reports about the constituents of oil spilled into the U.S. Gulf of Mexico as required by the Emergency Planning and Community Right-to-Know Act of 1986. In April 2014, BP and we moved for summary judgment and the Center moved for partial summary judgment against BP. It did not move for partial summary judgment against us, though it purported to reserve its right to do so in the future. The MDL Court has not indicated when it will rule on the motions.

Federal securities claims—On September 30, 2010, a proposed federal securities class action was filed in the U.S. District Court for the Southern District of New York, naming us, former chief executive officers of Transocean Ltd. and one of our acquired companies as defendants. In the action, a former shareholder of the acquired company alleged that the joint proxy statement relating to our shareholder meeting in connection with the merger with the acquired company violated Section 14(a) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The plaintiff claimed that the acquired company's shareholders received inadequate consideration for their shares as a result of the alleged violations and sought compensatory and rescissory damages and attorneys' fees on behalf of the plaintiff and the proposed class members. In connection with this action, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors' and officers' liability insurance, subject to a deductible. On March 11, 2014, the District Court for the Southern District of New York dismissed the claims as time-barred. Plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit. Oral argument has been set for August 18, 2015.

Wreck removal—By letter dated December 6, 2010, the U.S. Coast Guard requested that we formulate and submit a comprehensive oil removal plan to remove any diesel fuel that can be recovered from *Deepwater Horizon.* We have conducted a survey of the rig wreckage and have confirmed that no diesel fuel remains on the rig. The U.S. Coast Guard has not requested that we remove the rig wreckage from the sea floor. In February 2013, the U.S. Coast Guard submitted a request seeking analysis and recommendations as to the potential life of the rig's riser and cofferdam, which are resting on the seafloor, and potential remediation or removal options. We have insurance coverage for wreck removal for up to 25 percent of *Deepwater Horizon*'s insured value, or $140 million, with any excess wreck removal liability generally covered to the extent of our remaining excess liability limits. Under the BP Settlement Agreement, we have agreed to indemnify BP for any costs associated with wreck removal.

Insurance coverage—At the time of the Macondo well incident, our excess liability insurance program offered aggregate insurance coverage of $950 million, excluding a $15 million deductible and a $50 million self-insured layer through our wholly owned captive insurance subsidiary. This excess liability insurance coverage consisted of a first and a second layer of $150 million each, a third and fourth layer of $200 million each and a fifth layer of $250 million. The first four excess layers have similar coverage and contractual terms, while the $250 million fifth layer is on a different policy form, which varies to some extent from the underlying coverage and contractual terms. Generally, the policy forms for all layers include coverage for personal injury and fatality claims, subject to reasonableness determinations, of our crew and vendors, for which indemnity agreements are in place as to the latter, actual and compensatory damages, punitive damages and related legal defense costs. The policy forms for the first four excess layers provide coverage for fines; however, we do not expect payments deemed to be criminal in nature to be covered by any of the layers.

In May 2010, we received notice from BP claiming an entitlement to unlimited "additional insured" status under our excess liability insurance program. In response, our wholly owned captive insurance subsidiary and our first four excess layer insurers filed declaratory judgment actions in May 2010 seeking a declaration that they have limited additional insured obligations to BP. The MDL Court ruled that BP's coverage rights are limited to the scope of our indemnification of BP in the drilling contract, and the Texas Supreme Court later made the same ruling. Under the BP Settlement Agreement, BP has agreed to accept the rulings of the MDL Court and Texas Supreme Court for purposes of this litigation and to discontinue its attempts to recover as an additional insured under our liability insurance policies (see "—BP Settlement Agreement"). Accordingly, consistent with the rulings of the MDL Court and Texas Supreme Court, we have recognized and confirmed recovery of insurance proceeds through the fourth layer, which is now exhausted.

We have asserted claims to an additional $250 million of insurance coverage in the fifth layer of excess coverage comprised of Bermuda market insurers ("Bermuda Insurers"). The Bermuda Insurers have, in turn, commenced discussions regarding applicability of coverage.

Other legal proceedings

Asbestos litigation—In 2004, several of our subsidiaries were named, along with numerous other unaffiliated defendants, in 21 complaints filed on behalf of 769 plaintiffs in the Circuit Courts of the State of Mississippi and which claimed injuries arising out of exposure to asbestos allegedly contained in drilling mud during these plaintiffs' employment in drilling activities between 1965 and 1986. The complaints generally allege that the defendants used or manufactured asbestos containing drilling mud additives for use in connection with drilling operations and have included allegations of negligence, products liability, strict liability and claims allowed under the Jones Act and general maritime law. In each of these cases, the complaints have named other unaffiliated defendant companies, including companies that allegedly manufactured the drilling-related products that contained asbestos. The plaintiffs generally seek awards of unspecified compensatory and punitive damages, but the court-appointed special master has ruled that a Jones Act employer defendant, such as us, cannot be sued for punitive damages. After ten years of litigation, this group of cases has been winnowed to the point where now only 15 plaintiffs' individual claims remain pending in Mississippi in which we have or may have an interest.

During the year ended December 31, 2014, a group of lawsuits premised on the same allegations as those in Mississippi were filed in Louisiana. As of June 30, 2015, eight plaintiffs have claims pending against one or more of our subsidiaries in four different lawsuits filed in Louisiana. We intend to defend these lawsuits vigorously, although we can provide no assurance as to the outcome. We historically have maintained broad liability insurance, although we are not certain whether insurance will cover the liabilities, if any, arising out of these claims. Based on our evaluation of the exposure to date, we do not expect the liability, if any, resulting from these claims to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries was involved in lawsuits arising out of the subsidiary's involvement in the design, construction and refurbishment of major industrial complexes. The operating assets of the subsidiary were sold and its operations discontinued in 1989, and the subsidiary has no remaining assets other than the insurance policies involved in its litigation, with its insurers and, either directly or indirectly through a qualified settlement fund. The subsidiary has been named as a defendant, along with numerous other companies, in lawsuits alleging bodily injury or personal injury as a result of exposure to asbestos. As of June 30, 2015, the subsidiary was a defendant in approximately 672 lawsuits, some of which include multiple plaintiffs, and we estimate that there are approximately 921 plaintiffs in these lawsuits. For many of these lawsuits, we have not been provided with sufficient information from the plaintiffs to determine whether all or some of the plaintiffs have claims against the subsidiary, the basis of any such claims, or the nature of their alleged injuries. The first of the asbestos-related lawsuits was filed against the subsidiary in 1990. Through June 30, 2015, the costs incurred to resolve claims, including both defense fees and expenses and settlement costs, have not been material, all known deductibles have been satisfied or are inapplicable, and the subsidiary's defense fees and expenses and settlement costs have been met by insurance made available to the subsidiary. The subsidiary continues to be named as a defendant in additional lawsuits, and we cannot predict the number of additional cases in which it may be named a defendant nor can we predict the potential costs to resolve such additional cases or to resolve the pending cases. However, the subsidiary has in excess of $1.0 billion in insurance limits potentially available to the subsidiary. Although not all of the policies may be fully available due to the insolvency of certain insurers, we believe that the subsidiary will have sufficient funding directly or indirectly from settlements and claims payments from insurers, assigned rights from insurers and coverage-in-place settlement agreements with insurers to respond to these claims. While we cannot predict or provide assurance as to the outcome of these matters, we do not believe that the ultimate liability, if any, arising from these claims will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

Rio de Janeiro tax assessment—In the third quarter of 2006, we received tax assessments of BRL 435 million, equivalent to approximately $140 million, including interest and penalties, from the state tax authorities of Rio de Janeiro in Brazil against one of our Brazilian subsidiaries for taxes on equipment imported into the state in connection with our operations. The assessments resulted from a preliminary finding by these authorities that our record keeping practices were deficient. We currently believe that the substantial majority of these assessments are without merit. We filed an initial response with the Rio de Janeiro tax authorities on September 9, 2006 refuting these additional tax assessments. In September 2007, we received confirmation from the state tax authorities that they believe the additional tax assessments are valid, and as a result, we filed an appeal on September 27, 2007 to the state Taxpayer's Council contesting these assessments. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Brazilian import license assessment—In the fourth quarter of 2010, we received an assessment from the Brazilian federal tax authorities in Rio de Janeiro of BRL 546 million, equivalent to approximately $176 million, including interest and penalties, based upon the alleged failure to timely apply for import licenses for certain equipment and for allegedly providing improper information on import license applications. We believe that a substantial majority of the assessment is without merit and are vigorously pursuing legal remedies. The case was decided partially in favor of our Brazilian subsidiary in the lower administrative court level. The decision cancelled the majority of the assessment, reducing the total assessment to BRL 36 million, equivalent to approximately $12 million. On July 14, 2011, we filed an appeal to eliminate the assessment. On May 23, 2013, a ruling was issued that eliminated all assessment amounts. A further appeal by the taxing authorities was filed in November 2014 and accepted for review in April 2015. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Petrobras withholding taxes—In July 2014, we received letters from Petróleo Brasileiro S.A. ("Petrobras") informing us that the Brazilian Federal Revenue Service (the "RFB") is assessing Petrobras for withholding taxes presumably due and unpaid on payments made in 2008 and 2009 to beneficiaries domiciled outside of Brazil in connection with the charter agreements related to work performed by its contractors, including us. Petrobras contracts include a structure for chartering vessels owned by entities not domiciled in Brazil. Petrobras is challenging such tax assessment and has indicated that, if it loses the tax dispute, it will seek to recover from its contractors, including us, any taxes, penalties, interest and fees that Petrobras is being requested to pay. Petrobras has informed us that it has received from the RFB notices of deficiencies for BRL 283 million, equivalent to approximately $91 million, excluding penalties, interest and fees, related to work performed by us. We have informed Petrobras that we believe it has no basis for seeking reimbursement from us, and we intend to vigorously challenge any assertions to the contrary. Effective January 1, 2015, the Brazilian Government enacted a new law that expressly applies zero rate withholding to charter payments made in connection with a vessel to a beneficiary domiciled outside of Brazil when the agreement is entered into jointly with a services contract to operate the vessel. All of our charter contracts with Petrobras met the criteria for such withholding. While the law and ruling are not retroactive, such rulings strengthen Petrobras' argument for challenging the RFB tax assessment. An unfavorable outcome on these matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Nigerian Cabotage Act litigation—In October 2007, three of our subsidiaries were each served a Notice and Demand from the Nigeria Maritime Administration and Safety Agency, imposing a two percent surcharge on the value of all contracts performed by us in Nigeria pursuant to the Coastal and Inland Shipping (Cabotage) Act 2003 (the "Cabotage Act"). Our subsidiaries each filed an originating summons in the Federal High Court in Lagos challenging the imposition of this surcharge on the basis that the Cabotage Act and associated levy is not applicable to drilling rigs. The respondents challenged the competence of the suits on several procedural grounds. The court upheld the objections and dismissed the suits. In December 2010, our subsidiaries filed a new joint Cabotage Act suit. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Other matters—We are involved in various tax matters, various regulatory matters, and a number of claims and lawsuits, asserted and unasserted, all of which have arisen in the ordinary course of our business. We do not expect the liability, if any, resulting from these other matters to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending, threatened, or possible litigation or liability. We can provide no assurance that our beliefs or expectations as to the outcome or effect of any tax, regulatory, lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

Other environmental matters

Hazardous waste disposal sites—We have certain potential liabilities under CERCLA and similar state acts regulating cleanup of various hazardous waste disposal sites, including those described below. CERCLA is intended to expedite the remediation of hazardous substances without regard to fault. Potentially responsible parties ("PRPs") for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several.

We have been named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. We and other PRPs have agreed with the EPA and the DOJ to settle our potential liabilities for this site by agreeing to perform the remaining remediation required by the EPA. The form of the agreement is a consent decree, which has been entered by the court. The parties to the settlement have entered into a participation agreement, which makes us liable for approximately eight percent of the remediation and related costs. The remediation is complete, and we believe our share of the future operation and maintenance costs of the site is not material. There are additional potential liabilities related to the site, but these cannot be quantified, and we have no reason at this time to believe that they will be material.

One of our subsidiaries has been ordered by the California Regional Water Quality Control Board ("CRWQCB") to develop a testing plan for a site known as Campus 1000 Fremont in Alhambra, California. This site was formerly owned and operated by certain of our subsidiaries. It is presently owned by an unrelated party, which has received an order to test the property. We have also been advised that one or more of our subsidiaries is likely to be named by the EPA as a PRP for the San Gabriel Valley, Area 3, Superfund site, which includes this property. Testing has been completed at the property, but no contaminants of concern were detected. In discussions with CRWQCB staff, we were advised of their intent to issue us a "no further action" letter, but it has not yet been received. Based on the test results, we would contest any potential liability. We have no knowledge at this time of the potential cost of any remediation, who else will be named as PRPs, and whether in fact any of our subsidiaries is a responsible party. The subsidiaries in question do not own any operating assets and have limited ability to respond to any liabilities.

Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. These investigations involve determinations of (a) the actual responsibility attributed to us and the other PRPs at the site, (b) appropriate investigatory or remedial actions and (c) allocation of the costs of such activities among the PRPs and other site users. Our ultimate financial responsibility in connection with those sites may depend on many factors, including (i) the volume and nature of material, if any, contributed to the site for which we are responsible, (ii) the number of other PRPs and their financial viability and (iii) the remediation methods and technology to be used.

It is difficult to quantify with certainty the potential cost of these environmental matters, particularly in respect of remediation obligations. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from all environmental matters, including the liability for all other related pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is adequately accrued and should not have a material effect on our consolidated statement of financial position or results of operations.

Retained risk

Overview—Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies that we renew annually on May 1. We periodically evaluate our insurance limits and self-insured retentions. At June 30, 2015, the insured value of our drilling rig fleet was approximately $25.0 billion, excluding our rigs under construction. We generally do not carry commercial market insurance coverage for loss of revenues or for losses resulting from physical damage to our fleet caused by named windstorms in the U.S. Gulf of Mexico, including liability for wreck removal costs.

Hull and machinery coverage—At June 30, 2015, under the hull and machinery program, we generally maintained a $125 million per occurrence deductible, limited to a maximum of $200 million per policy period. Subject to the same shared deductible, we also had coverage for an amount equal to 50 percent of a rig's insured value for combined costs incurred to mitigate rig damage, wreck or debris removal and collision liability. Any excess wreck or debris removal costs and excess collision liability costs are generally covered to the extent of our remaining excess liability coverage.

Excess liability coverage—At June 30, 2015, we carried excess liability coverage of $700 million in the commercial market excluding the deductibles and self-insured retention noted below, which generally covers offshore risks such as personal injury, third-party property claims, and third-party non-crew claims, including wreck removal and pollution. Our excess liability coverage had separate $10 million per occurrence deductibles on collision liability claims and $5 million per occurrence deductibles on crew personal injury claims and on other third-party non-crew claims. Through our wholly owned captive insurance company, we retained the risk of the primary $50 million excess liability coverage. In addition, we generally retained the risk for any liability losses in excess of $750 million.

Other insurance coverage—At June 30, 2015, we also carried $100 million of additional insurance that generally covers expenses that would otherwise be assumed by the well owner, such as costs to control the well, redrill expenses and pollution from the well. This additional insurance provides coverage for such expenses in circumstances in which we have legal or contractual liability arising from our gross negligence or willful misconduct.

Letters of credit and surety bonds

At June 30, 2015 and December 31, 2014, we had outstanding letters of credit totaling $270 million and $338 million, respectively, issued under various committed and uncommitted credit lines provided by several banks to guarantee various contract bidding, performance activities and customs obligations, including letters of credit totaling $84 million and $91 million, respectively, that we agreed to maintain in support of the operations for Shelf Drilling (see Note 7—Discontinued Operations).

As is customary in the contract drilling business, we also have various surety bonds in place that secure customs obligations relating to the importation of our rigs and certain performance and other obligations. At June 30, 2015 and December 31, 2014, we had outstanding surety bonds totaling $6 million.

Note 14—Shareholders' Equity

Distributions of qualifying additional paid-in capital—In May 2015, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $0.60 per outstanding share, payable in four quarterly installments of $0.15 per outstanding share, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2015, we recognized a liability of $218 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 17, 2015, we paid the first installment in the aggregate amount of $55 million to shareholders of record as of May 29, 2015. At June 30, 2015, the aggregate carrying amount of the distribution payable was $163 million.

In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $3.00 per outstanding share, payable in four quarterly installments of $0.75 per outstanding share, subject to certain limitations. In May 2014, we recognized a liability of $1.1 billion for the distribution payable with a corresponding entry to additional paid-in capital. On June 18, 2014, we paid the first installment in the aggregate amount of $272 million to shareholders of record as of May 30, 2014. At December 31, 2014, the aggregate carrying amount of the distribution payable was $272 million. On March 18, 2015, we paid the final installment in the aggregate amount of $272 million to shareholders of record as of February 20, 2015.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $2.24 per outstanding share, payable in four quarterly installments of $0.56 per outstanding share, subject to certain limitations. On March 19, 2014, we paid the final installment in the aggregate amount of $202 million to shareholders of record as of February 21, 2014.

Shares held by subsidiary—One of our subsidiaries holds our shares for future use to satisfy our obligations to deliver shares in connection with awards granted under our incentive plans or other rights to acquire our shares. At June 30, 2015 and December 31, 2014, our subsidiary held 7.4 million shares and 8.7 million shares, respectively.

Accumulated other comprehensive loss—The changes in accumulated other comprehensive loss, presented net of tax, were as follows (in millions):

	Three months ended June 30, 2015			Three months ended June 30, 2014		
	Defined benefit pension plans	Derivative instruments	Total	Defined benefit pension plans	Derivative instruments	Total
Balance, beginning of period	$ (414)	$ —	$ (414)	$ (263)	$ —	$ (263)
Other comprehensive income before reclassifications	—	—	—	78	—	78
Reclassifications to net income	4	—	4	(3)	—	(3)
Other comprehensive income, net	4	—	4	75	—	75
Balance, end of period	$ (410)	$ —	$ (410)	$ (188)	$ —	$ (188)

	Six months ended June 30, 2015			Six months ended June 30, 2014		
	Defined benefit pension plans	Derivative instruments	Total	Defined benefit pension plans	Derivative instruments	Total
Balance, beginning of period	$ (404)	$ —	$ (404)	$ (264)	$ 2	$ (262)
Other comprehensive income (loss) before reclassifications	(11)	—	(11)	73	—	73
Reclassifications to net income	5	—	5	3	(2)	1
Other comprehensive income (loss), net	(6)	—	(6)	76	(2)	74
Balance, end of period	$ (410)	$ —	$ (410)	$ (188)	$ —	$ (188)

Note 15—Noncontrolling interest

In the three and six months ended June 30, 2015, Transocean Partners declared and paid an aggregate distribution of $25 million and $50 million, respectively, to its unitholders, of which $7 million and $14 million, respectively, was paid to the holders of noncontrolling interest and $18 million and $36 million, respectively, was paid to us and was eliminated in consolidation.

Note 16—Financial Instruments

The carrying amounts and fair values of our financial instruments were as follows (in millions):

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 3,769	$ 3,769	$ 2,635	$ 2,635
Notes and other loans receivable	—	—	15	15
Restricted cash investments	304	315	377	394
Long-term debt, including current maturities	10,015	9,189	10,092	9,778
Derivative instruments, assets	6	6	15	15

We estimated 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—The carrying amount of cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of those instruments. We measured the estimated fair value of our cash equivalents using significant other observable inputs, representative of a Level 2 fair value measurement, including the net asset values of the investments. At June 30, 2015 and December 31, 2014, the aggregate carrying amount of our cash equivalents was $2.7 billion and $1.7 billion, respectively.

Loans receivable—We held certain loans receivable, which originated in connection with certain asset dispositions. The carrying amount represents the amortized cost of our investments. We measured the estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including the credit ratings of the borrowers. At December 31, 2014, the aggregate carrying amount of our loans receivable was $15 million, recorded in other assets. In May 2015, the borrower repaid the outstanding borrowings under the loans receivable and terminated the credit agreement.

Restricted cash investments—The carrying amount of the Eksportfinans Restricted Cash Investments represents the amortized cost of our investment. We measured the estimated fair value of the Eksportfinans Restricted Cash Investments using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of the instruments. At June 30, 2015 and December 31, 2014, the aggregate carrying amount of the Eksportfinans Restricted Cash Investments was $296 million and $369 million, respectively. At June 30, 2015 and December 31, 2014, the estimated fair value of the Eksportfinans Restricted Cash Investments was $307 million and $386 million, respectively.

The carrying amount of the restricted cash investments for certain contingent obligations approximates fair value due to the short-term nature of the instruments in which the restricted cash investments are held. At June 30, 2015 and December 31, 2014, the aggregate carrying amount of the restricted cash investments for certain contingent obligations was $8 million, recorded in other current liabilities.

Debt—We measured the estimated fair value of our fixed-rate debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments. At June 30, 2015 and December 31, 2014, the aggregate carrying amount of our fixed-rate debt was $10.0 billion and $10.1 billion, respectively. At June 30, 2015 and December 31, 2014, the aggregate estimated fair value of our fixed-rate debt was $9.2 billion and $9.8 billion, respectively.

Derivative instruments—The carrying amount of our derivative instruments represents the estimated fair value. We measured the estimated fair value using significant other observable inputs, representative of a Level 2 fair value measurement, including the interest rates and terms of the instruments.

Note 17—Condensed Consolidating Financial Information

Transocean Inc., a wholly owned subsidiary of Transocean Ltd., is the issuer of certain notes and debentures, which have been guaranteed by Transocean Ltd. Transocean Ltd.'s guarantee of debt securities of Transocean Inc. is full and unconditional. Transocean Ltd. is not subject to any significant restrictions on its ability to obtain funds by dividends, loans or return of capital distributions from its consolidated subsidiaries.

The following tables present condensed consolidating financial information for (a) Transocean Ltd. (the "Parent Guarantor"), (b) Transocean Inc. (the "Subsidiary Issuer"), and (c) the other direct and indirect wholly owned and partially owned subsidiaries of the Parent Guarantor, none of which guarantee any indebtedness of the Subsidiary Issuer (the "Other Subsidiaries"). The condensed consolidating financial information may not necessarily be indicative of the results of operations, financial position or cash flows had the subsidiaries operated as independent entities.

The following tables include the consolidating adjustments necessary to present the condensed financial statements on a consolidated basis (in millions):

	Three months ended June 30, 2015				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 1,888	$ (4)	$ 1,884
Cost and expenses	8	2	484	(4)	490
Loss on impairment	—	—	(890)	—	(890)
Gain on disposal of assets, net	—	—	2	—	2
Operating income (loss)	(8)	(2)	516	—	506
Other income (expense), net					
Interest income (expense), net	(2)	(198)	86	—	(114)
Equity in earnings	352	442	—	(794)	—
Other, net	—	(11)	6	—	(5)
	350	233	92	(794)	(119)
Income from continuing operations before income tax expense	342	231	608	(794)	387
Income tax expense	—	—	40	—	40
Income from continuing operations	342	231	568	(794)	347
Gain (loss) from discontinued operations, net of tax	—	3	(2)	—	1
Net income	342	234	566	(794)	348
Net income attributable to noncontrolling interest	—	—	6	—	6
Net income attributable to controlling interest	342	234	560	(794)	342
Other comprehensive income before income taxes	—	1	3	—	4
Income taxes related to other comprehensive income	—	—	—	—	—
Other comprehensive income	—	1	3	—	4
Total comprehensive income	342	235	569	(794)	352
Total comprehensive loss attributable to noncontrolling interest	—	—	6	—	6
Total comprehensive income attributable to controlling interest	$ 342	$ 235	$ 563	$ (794)	$ 346

	Three months ended June 30, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 2,333	$ (5)	$ 2,328
Cost and expenses	9	1	1,559	(5)	1,564
Loss on impairment					
Gain on disposal of assets, net	—	—	1	—	1
Operating income (loss)	(9)	(1)	775	—	765
Other income (expense), net					
Interest income (expense), net	(16)	(417)	336	—	(97)
Equity in earnings	612	1,019	—	(1,631)	—
Other, net	—	—	8	—	8
	596	602	344	(1,631)	(89)
Income from continuing operations before income tax expense	587	601	1,119	(1,631)	676
Income tax expense	—	—	72	—	72
Income from continuing operations	587	601	1,047	(1,631)	604
Loss from discontinued operations, net of tax	—	(1)	(6)	—	(7)
Net income	587	600	1,041	(1,631)	597
Net income attributable to noncontrolling interest	—	—	10	—	10
Net income attributable to controlling interest	587	600	1,031	(1,631)	587
Other comprehensive income before income taxes	14	63	1	—	78
Income taxes related to other comprehensive income	—	—	(3)	—	(3)
Other comprehensive income (loss)	14	63	(2)	—	75
Total comprehensive income	601	663	1,039	(1,631)	672
Total comprehensive income attributable to noncontrolling interest	—	—	10	—	10
Total comprehensive income attributable to controlling interest	$ 601	$ 663	$ 1,029	$ (1,631)	$ 662

	Six months ended June 30, 2015				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 3,931	$ (4)	$ 3,927
Cost and expenses	12	4	1,899	(4)	1,911
Loss on impairment	—	—	(1,826)	—	(1,826)
Loss on disposal of assets, net	—	—	(5)	—	(5)
Operating income (loss)	(12)	(4)	201	—	185
Other income (expense), net					
Interest income (expense), net	(2)	(359)	137	—	(224)
Equity in earnings (loss)	(127)	174	—	(47)	—
Other, net	—	28	14	—	42
	(129)	(157)	151	(47)	(182)
Income (loss) from continuing operations before income tax expense	(141)	(161)	352	(47)	3
Income tax expense	—	—	123	—	123
Income (loss) from continuing operations	(141)	(161)	229	(47)	(120)
Gain (loss) from discontinued operations, net of tax	—	4	(5)	—	(1)
Net income (loss)	(141)	(157)	224	(47)	(121)
Net income attributable to noncontrolling interest	—	—	20	—	20
Net income (loss) attributable to controlling interest	(141)	(157)	204	(47)	(141)
Other comprehensive income (loss) before income taxes	(2)	(8)	6	—	(4)
Income taxes related to other comprehensive income	—	—	(2)	—	(2)
Other comprehensive income (loss)	(2)	(8)	4	—	(6)
Total comprehensive income (loss)	(143)	(165)	228	(47)	(127)
Total comprehensive loss attributable to noncontrolling interest	—	—	20	—	20
Total comprehensive income (loss) attributable to controlling interest	$ (143)	$ (165)	$ 208	$ (47)	$ (147)

	Six months ended June 30, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	$ —	$ —	$ 4,676	$ (9)	$ 4,667
Cost and expenses	18	2	3,152	(9)	3,163
Loss on impairment	—	—	(65)	—	(65)
Gain on disposal of assets, net	—	—	(2)	—	(2)
Operating income (loss)	(18)	(2)	1,457	—	1,437
Other income (expense), net					
Interest expense, net	(10)	(278)	75	—	(213)
Equity in earnings	1,071	1,306	—	(2,377)	—
Other, net	—	1	5	—	6
	1,061	1,029	80	(2,377)	(207)
Income from continuing operations before income tax expense	1,043	1,027	1,537	(2,377)	1,230
Income tax expense	—	—	152	—	152
Income from continuing operations	1,043	1,027	1,385	(2,377)	1,078
Gain (loss) from discontinued operations, net of tax	—	3	(18)	—	(15)
Net income	1,043	1,030	1,367	(2,377)	1,063
Net loss attributable to noncontrolling interest	—	—	20	—	20
Net income attributable to controlling interest	1,043	1,030	1,347	(2,377)	1,043
Other comprehensive income before income taxes	12	57	8	—	77
Income taxes related to other comprehensive income	—	—	(3)	—	(3)
Other comprehensive income	12	57	5	—	74
Total comprehensive income	1,055	1,087	1,372	(2,377)	1,137
Total comprehensive income attributable to noncontrolling interest	—	—	20	—	20
Total comprehensive income attributable to controlling interest	$ 1,055	$ 1,087	$ 1,352	$ (2,377)	$ 1,117

	June 30, 2015				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 15	$ 1,538	$ 2,216	$ —	$ 3,769
Other current assets	4	775	4,590	(2,419)	2,950
Total current assets	19	2,313	6,806	(2,419)	6,719
Property and equipment, net	—	—	19,657	—	19,657
Investment in affiliates	13,524	31,091	—	(44,615)	—
Other assets	—	4,171	28,182	(31,756)	597
Total assets	13,543	37,575	54,645	(78,790)	26,973
Liabilities and equity					
Debt due within one year	—	895	131	—	1,026
Other current liabilities	176	395	3,724	(2,419)	1,876
Total current liabilities	176	1,290	3,855	(2,419)	2,902
Long-term debt	—	23,179	17,566	(31,756)	8,989
Other long-term liabilities	27	278	1,119	—	1,424
Total long-term liabilities	27	23,457	18,685	(31,756)	10,413
Commitments and contingencies					
Redeemable noncontrolling interest	—	—	10	—	10
Total equity	13,340	12,828	32,095	(44,615)	13,648
Total liabilities and equity	$ 13,543	$ 37,575	$ 54,645	$ (78,790)	$ 26,973

	December 31, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 16	$ 842	$ 1,777	$ —	$ 2,635
Other current assets	12	757	5,228	(2,631)	3,366
Total current assets	28	1,599	7,005	(2,631)	6,001
Property and equipment, net	—	—	21,538	—	21,538
Investment in affiliates	13,952	30,925	—	(44,877)	—
Other assets	—	3,899	25,883	(28,908)	874
Total assets	13,980	36,423	54,426	(76,416)	28,413
Liabilities and equity					
Debt due within one year	—	898	135	—	1,033
Other current liabilities	287	473	4,608	(2,631)	2,737
Total current liabilities	287	1,371	4,743	(2,631)	3,770
Long-term debt	—	21,486	16,481	(28,908)	9,059
Other long-term liabilities	22	280	1,289	—	1,591
Total long-term liabilities	22	21,766	17,770	(28,908)	10,650
Commitments and contingencies					
Redeemable noncontrolling interest	—	—	11	—	11
Total equity	13,671	13,286	31,902	(44,877)	13,982
Total liabilities and equity	$ 13,980	$ 36,423	$ 54,426	$ (76,416)	$ 28,413

	Six months ended June 30, 2015				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Cash flows from operating activities	$ (4)	$ (325)	$ 2,166	$ —	$ 1,837
Cash flows from investing activities					
Capital expenditures	—	—	(396)	—	(396)
Proceeds from disposal of assets, net	—	—	30	—	30
Proceeds from disposal of assets in discontinued operations, net	—	—	3	—	3
Proceeds from repayment of notes receivable	—	—	15	—	15
Investing activities with affiliates, net	—	(683)	(1,688)	2,371	—
Net cash used in investing activities	—	(683)	(2,036)	2,371	(348)
Cash flows from financing activities					
Repayments of debt	—	—	(69)	—	(69)
Proceeds from restricted cash investments	—	—	57	—	57
Distribution of qualifying additional paid-in capital	(327)	—	—	—	(327)
Distribution to holders of noncontrolling interest	—	—	(14)	—	(14)
Financing activities with affiliates, net	332	1,704	335	(2,371)	—
Other, net	(2)	—	—	—	(2)
Net cash provided by (used in) financing activities	3	1,704	309	(2,371)	(355)
Net increase (decrease) in cash and cash equivalents	(1)	696	439	—	1,134
Cash and cash equivalents at beginning of period	16	842	1,777	—	2,635
Cash and cash equivalents at end of period	$ 15	$ 1,538	$ 2,216	$ —	$ 3,769

	Six months ended June 30, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Cash flows from operating activities	$ 261	$ (546)	$ 1,057	$ —	$ 772
Cash flows from investing activities					
Capital expenditures	—	—	(1,482)	—	(1,482)
Proceeds from disposal of assets, net	—	—	101	—	101
Proceeds from disposal of discontinued operations, net	—	—	36	—	36
Proceeds from repayment of notes receivable	—	—	101	—	101
Investing activities with affiliates, net	—	(151)	132	19	—
Other, net	—	—	(15)	—	(15)
Net cash used in investing activities	—	(151)	(1,127)	19	(1,259)
Cash flows from financing activities					
Repayments of debt	—	—	(243)	—	(243)
Proceeds from restricted cash investments	—	—	107	—	107
Deposits to restricted cash investments	—	—	(20)	—	(20)
Distribution of qualifying additional paid-in capital	(474)	—	—	—	(474)
Financing activities with affiliates, net	217	(122)	(76)	(19)	—
Other, net	(4)	(5)	—	—	(9)
Net cash used in financing activities	(261)	(127)	(232)	(19)	(639)
Net decrease in cash and cash equivalents	—	(824)	(302)	—	(1,126)
Cash and cash equivalents at beginning of period	4	1,617	1,622	—	3,243
Cash and cash equivalents at end of period	$ 4	$ 793	$ 1,320	$ —	$ 2,117

Note 18—Subsequent Events

Debt—On July 30, 2015, we redeemed the aggregate principal amount of $893 million of the outstanding 4.95% Senior Notes with an aggregate cash payment of $904 million for the full redemption of the outstanding notes.

Macondo well incident recoveries—At June 30, 2015, in connection with the accounts receivable associated with reimbursement for or recoveries of previously incurred losses, we had recorded accounts receivable of $218 million, including $125 million from BP and $93 million from insurance. In July 2015, we received payment in full satisfaction of these accounts receivable.

BP Settlement with U.S. and States—On July 2, 2015, BP announced it had reached an agreement in principle to settle certain claims with the U.S.; the States of Alabama, Florida, Louisiana, Mississippi, and Texas; and local governments in the Gulf region. Among other things, the announced agreement, if finalized and approved by the MDL Court, will resolve the claims of the U.S. and the States for NRD under OPA. In the BP Settlement Agreement, BP has agreed to indemnify us for all NRD claims, and in the July 2, 2015 agreement, which is still subject to completion, the DOJ and the states that are party to the agreement, have agreed to release any such claims against us. In light of these facts, we believe that our exposure to any NRD claims is remote.

The appeals to the Phase One ruling are currently stayed pending the finalization of BP's settlement with the U.S. and the States. When the appeals resume, we expect the State of Alabama to challenge the finding that we were not grossly negligent in connection with the blowout. However, we believe that pursuant to the terms of the BP Settlement Agreement that BP will indemnify us for the compensatory portion of Alabama's claims.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

The statements included in this quarterly report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the United States ("U.S.") Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements in this quarterly report include, but are not limited to, statements about the following subjects:

- our results of operations and cash flow from operations, including revenues, revenue efficiency, costs and expenses,
- the offshore drilling market, including the impact of enhanced regulations in the jurisdictions in which we operate, supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, stacking of rigs, reactivation of rigs, effects of new rigs on the market and effects of declines in commodity prices and a downturn in the global economy or market outlook for our various geographical operating sectors and classes of rigs,
- customer drilling contracts, including contract backlog, force majeure provisions, contract commencements, contract extensions, contract terminations, contract option exercises, contract revenues, indemnity provisions, contract awards and rig mobilizations,
- liquidity and adequacy of cash flows for our obligations,
- debt levels, including impacts of a financial and economic downturn,
- uses of excess cash, including the payment of dividends and other distributions, share repurchases and debt retirement, including the amounts, timing and, as applicable shareholder proposals or approvals associated with uses of excess cash,
- newbuild, upgrade, shipyard and other capital projects, including completion, delivery and commencement of operation dates, expected downtime and lost revenue, the level of expected capital expenditures and the timing and cost of completion of capital projects,
- the cost and timing of acquisitions and the proceeds and timing of dispositions,
- the optimization of rig-based spending,
- the impact of the Macondo well incident, claims, settlement and related matters,
- tax matters, including our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Brazil, Norway, the United Kingdom ("U.K.") and the U.S.,
- legal and regulatory matters, including results and effects of legal proceedings and governmental audits and assessments, outcomes and effects of internal and governmental investigations, customs and environmental matters,
- insurance matters, including adequacy of insurance, renewal of insurance, insurance proceeds and cash investments of our wholly owned captive insurance company,
- effects of accounting changes and adoption of accounting policies, and
- investments in recruitment, retention and personnel development initiatives, pension plan and other postretirement benefit plan contributions, the timing of severance payments and benefit payments.

Forward-looking statements in this quarterly report are identifiable by use of the following words and other similar expressions:

§"anticipates"	§"could"	§"forecasts"	§"might"	§"projects"
§"believes"	§"estimates"	§"intends"	§"plans"	§"scheduled"
§"budgets"	§"expects"	§"may"	§"predicts"	§"should"

Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to:

- those described under "Item 1A. Risk Factors" included in Part I of our annual report on Form 10-K for the year ended December 31, 2014,
- the adequacy of and access to sources of liquidity,
- our inability to obtain drilling contracts for our rigs that do not have contracts,
- our inability to renew drilling contracts at comparable dayrates,
- operational performance,
- the impact of regulatory changes,
- the cancellation of drilling contracts currently included in our reported contract backlog,
- losses on impairment of long-lived assets,
- shipyard, construction and other delays,
- the results of meetings of our shareholders,
- changes in political, social and economic conditions,
- the effect and results of litigation, regulatory matters, settlements, audits, assessments and contingencies, and
- other factors discussed in this quarterly report and in our other filings with the U.S. Securities and Exchange Commission ("SEC"), which are available free of charge on the SEC website at *www.sec.gov*.

The foregoing risks and uncertainties are beyond our ability to control, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We expressly disclaim any obligations or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or beliefs with regard to the statement or any change in events, conditions or circumstances on which any forward-looking statement is based.

Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of July 28, 2015, we owned or had partial ownership interests in and operated 63 mobile offshore drilling units, including 27 Ultra-Deepwater Floaters, seven Harsh Environment Floaters, six Deepwater Floaters, 13 Midwater Floaters and 10 High-Specification Jackups. At July 28, 2015, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed.

We provide contract drilling services, in a single, global operating segment, which involves contracting our mobile offshore drilling fleet, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding regions of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our drilling fleet is one of the most versatile fleets in the world, consisting of floaters and high-specification jackups used in support of offshore drilling activities and offshore support services on a worldwide basis.

Our contract drilling services operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Although rigs can be moved from one region to another, the cost of moving rigs and the availability of rig-moving vessels may cause the supply and demand balance to fluctuate somewhat between regions. Still, significant variations between regions do not tend to persist long term because of rig mobility. Our fleet operates in a single, global market for the provision of contract drilling services. The location of our rigs and the allocation of resources to build or upgrade rigs are determined by the activities and needs of our customers.

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC ("Transocean Partners"), a Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See Notes to Condensed Consolidated Financial Statements—Note 15—Noncontrolling Interest.

Significant Events

Macondo well incident litigation and settlements and insurance recoveries—On May 20, 2015, we entered into a confidential settlement agreement with BP to settle various disputes remaining between the parties with respect to the Macondo well incident (the "BP Settlement Agreement"). On May 29, 2015, together with the Plaintiff's Steering Committee (the "PSC"), we filed a settlement agreement (the "PSC Settlement Agreement") with the U.S. District Court for the Eastern District of Louisiana (the "MDL Court") through which we have agreed to pay, subject to the MDL Court approval, a total of $212 million, plus up to $25 million for partial reimbursement of attorneys' fees. During the three months ended June 30, 2015, in connection with the settlements, we adjusted our assets and liabilities associated with contingencies resulting from the Macondo well incident. In the three and six months ended June 30, 2015, we recognized income of $788 million ($735 million, net of tax), recorded as a net reduction to operating and maintenance costs and expenses, including $538 million associated with recoveries from insurance for our previously incurred losses, $125 million associated with partial reimbursement from BP for our previously incurred legal costs, and $125 million associated with a net reduction to certain related contingent liabilities, either settled, otherwise resolved or increased as a result of such settlements. In the three and six months ended June 30, 2015, we received cash proceeds of $445 million associated with recoveries from insurance. In July 2015, we received cash proceeds of $93 million associated with the remaining recoveries from insurance and $125 million associated with the partial reimbursement from BP for previously incurred legal costs. See "'—Operating Results," "—Liquidity and Capital Resources—Sources and uses of liquidity" and "—Contingencies—Macondo well incident."

Debt redemption—On July 30, 2015, we redeemed the aggregate principal amount of $893 million of the outstanding 4.95% Senior Notes with an aggregate cash payment of $904 million for the full redemption of the notes. See "'—Liquidity and Capital Resources—Sources and uses of liquidity."

Distributions of qualifying additional paid-in capital—In May 2015, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $0.60 per outstanding share, payable in four quarterly installments of $0.15 per outstanding share, subject to certain limitations. On June 17, 2015, we paid the first installment in the aggregate amount of $55 million to shareholders of record as of May 29, 2015.

In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $3.00 per outstanding share, payable in four quarterly installments of $0.75 per outstanding share, subject to certain limitations. On June 18, 2014, we paid the first installment in the aggregate amount of $272 million to shareholders of record as of May 30, 2014. On March 18, 2015, we paid the final installment in the aggregate amount of $272 million to shareholders of record as of February 20, 2015.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $2.24 per outstanding share, payable in four quarterly installments, subject to certain limitations. On March 19, 2014, we paid the final installment in the aggregate amount of $202 million to shareholders of record as of February 21, 2014.

See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Impairments of long-lived assets—During the six months ended June 30, 2015, we identified indicators that our Deepwater Floater and Midwater Floater asset groups may not be recoverable. As a result of our impairment testing, in the three and six months ended June 30, 2015, we recognized a loss of $668 million ($653 million, net of tax) and $1.2 billion ($1.1 billion, net of tax) associated with the impairment of these held and used assets. See "—Operating Results" and Notes to Condensed Consolidated Financial Statements—Note 5—Impairments.

During the six months ended June 30, 2015, we committed to a plan to sell for scrap value the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer*, the Deepwater Floaters *GSF Celtic Sea, Sedco 707* and *Transocean Rather* and the Midwater Floaters *GSF Aleutian Key, GSF Arctic III, Transocean Amirante* and *Transocean Legend* along with related equipment. As a result, we recognized an aggregate loss of $651 million ($537 million, net of tax) associated with the impairment of these held for sale assets. See "—Operating Results", "—Liquidity and Capital Resources—Drilling fleet" and Notes to Condensed Consolidated Financial Statements—Note 5—Impairments.

Dispositions—During the six months ended June 30, 2015, we completed the sale of the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer*, the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 707*, *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *C. Kirk Rhein, Jr.*, *GSF Arctic I*, *GSF Arctic III*, *Sedco 601*, *Sedco 700* and *Transocean Legend* along with related equipment and we received net cash proceeds of $24 million. During the six months ended June 30, 2014, we completed the sale of the High-Specification Jackup *GSF Monitor* along with related equipment and we received net cash proceeds of $83 million. See "—Liquidity and Capital Resources—Drilling fleet."

Outlook

Drilling market— Although our long-term view of the offshore drilling market remains favorable, particularly for high-specification assets, we expect the near to medium term to be challenging given weak commodity pricing, coupled with our customers' focus on capital allocation and cost reductions resulting in delays of various exploration and development programs. The significant and rapid decline in oil and natural gas prices has further accelerated the decline in demand for drilling rigs across all asset classes and regions. As a result of this decline in demand, we currently expect the pace of executing drilling contracts for the global floater fleet to remain stagnant in the near to medium term, giving rise to excess capacity, lower dayrates and idle time for some rigs. Additionally, this excess capacity has resulted in some and may result in additional lower capability assets in the industry being permanently retired, ultimately reducing the available supply of drilling rigs. As of July 15, 2015, the contract backlog for our continuing operations was $18.6 billion compared to $19.9 billion as of April 16, 2015.

Fleet status—As of July 15, 2015, uncommitted fleet rates for the remainder of 2015 and for 2016, 2017, 2018 and 2019 were as follows:

	2015	2016	2017	2018	2019
Uncommitted fleet rate (a)					
Ultra-Deepwater Floaters	36%	50%	58%	74%	77%
Harsh-Environment Floaters	36%	50%	72%	86%	94%
Deepwater Floaters	33%	79%	100%	100%	100%
Midwater Floaters	42%	80%	100%	100%	100%
High-Specification Jackups	26%	52%	77%	93%	100%

(a) The uncommitted fleet rate is defined as the number of uncommitted days divided by the total number of rig calendar days in the measurement period, expressed as a percentage. An uncommitted day is defined as a calendar day during which a rig is idle or stacked, is not contracted to a customer and is not committed to a shipyard.

As of July 15, 2015, we had eight existing drilling contracts that had fixed-price or capped options to extend the contract terms, which are exercisable, at the customer's discretion, any time through their expiration dates. Customers are more likely to exercise fixed-price options when dayrates are higher on new contracts relative to existing contracts, and customers are less likely to exercise fixed-price options when dayrates are lower on new contracts relative to existing contracts. Given current market conditions, we are uncertain whether these options will be exercised by our customers, and, therefore, we have excluded the effect of priced options in the presentation of our uncommitted fleet rates above. Additionally, well-in-progress or similar provisions of our existing contracts may delay the start of higher or lower dayrates in subsequent contracts, and some of the delays could be significant.

Ultra-Deepwater Floaters—During the second quarter of 2015, 11 contracts for Ultra-Deepwater Floaters were entered into worldwide, including our contract extensions for *Sedco Express, Deepwater Champion* and *GSF Development Driller II*. However, availability continues to exceed demand as customers remain focused on capital discipline and cost efficiencies, resulting in further delays to drilling programs and pressure on dayrates and rig utilization into 2016. As of July 15, 2015, we had 17 of our 27 Ultra-Deepwater Floaters contracted through the end of 2015.

Although we believe continued exploration successes in the major deepwater offshore provinces and the emerging markets will eventually generate additional demand and support our long-term positive outlook for our Ultra-Deepwater Floater fleet, we expect reduced dayrates, increased idling of rigs and more intense competition for our floaters in the short term.

Harsh Environment Floaters—Overall demand in the harsh environment areas of the U.K., Norway and Canada has slowed significantly, and we expect this trend to continue in the near term. As of July 15, 2015, we had four of our seven Harsh Environment Floaters contracted through the end of 2015.

Deepwater Floaters—The Deepwater Floater fleet rig utilization rate for the industry decreased during the second quarter of 2015 with one new contract entered into worldwide. The pace of tendering and length of contract terms have decreased, and we are experiencing increased competition for each tendering opportunity. As of July 15, 2015, we had four of our six Deepwater Floaters contracted through the end of 2015.

Midwater Floaters—Customer demand for our Midwater Floater fleet remains stagnant. Although, we secured additional short-term work for *GSF Rig 140* and *Sedco 704* in the second quarter, demand for rigs in this class has sharply declined, which has caused increasing pressure in global rig utilization rates and dayrates for this asset class. We have also increasingly observed higher capability assets competing with these assets more frequently, which is accelerating the marginalization of some of the industry's rigs in this asset class and may cause some to be permanently retired. As of July 15, 2015, we had seven of our 13 Midwater Floaters contracted through the end of 2015.

High-Specification Jackups—Market conditions for High-Specification Jackups are showing signs of weakness as many newbuilds are delivered and programs are delayed. The newbuilds are expected to displace older assets with lower capabilities. During the second quarter, two of our High-Specification Jackups were awarded contract extensions. As of July 15, 2015, we had seven of our 10 High-Specification Jackups contracted through the end of 2015.

Performance and Other Key Indicators

Contract backlog—Contract backlog is defined as the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization and contract preparation or other incentive provisions, which are not expected to be significant to our contract drilling revenues. The contract backlog represents the maximum contract drilling revenues that can be earned considering the contractual operating dayrate in effect during the firm contract period and represents the basis for the maximum revenues in our revenue efficiency measurement. To determine maximum revenues for purposes of calculating revenue efficiency, however, we include the revenues earned for mobilization, demobilization and contract preparation, which are excluded from the amounts presented for contract backlog.

The contract backlog for our contract drilling services was as follows:

	July 15, 2015	April 16, 2015	February 17, 2015
Contract backlog		(In millions)	
Ultra-Deepwater Floaters	$ 15,346	$ 15,944	$ 16,529
Harsh Environment Floaters	1,241	1,434	1,591
Deepwater Floaters	402	542	673
Midwater Floaters	870	1,251	1,613
High-Specification Jackups	698	753	834
Total	$ 18,557	$ 19,924	$ 21,240

Our contract backlog includes only firm commitments, which are represented by signed drilling contracts or, in some cases, by other definitive agreements awaiting contract execution. Our contract backlog includes amounts associated with our newbuild units that are currently under construction. The contractual operating dayrate may be higher than the actual dayrate we ultimately receive or an alternative contractual dayrate, such as a waiting-on-weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances. The contractual operating dayrate may also be higher than the actual dayrate we ultimately receive because of a number of factors, including rig downtime or suspension of operations. In certain contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period of time.

Average daily revenue—Average daily revenue is defined as contract drilling revenues earned per operating day. An operating day is defined as a calendar day during which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations.

The average daily revenue for our contract drilling services was as follows:

	Three months ended		
	June 30, 2015	March 31, 2015	June 30, 2014
Average daily revenue			
Ultra-Deepwater Floaters	$ 531,400	$ 534,300	$ 538,700
Harsh Environment Floaters	513,300	531,300	452,000
Deepwater Floaters	364,000	342,100	371,100
Midwater Floaters	338,800	343,300	363,100
High-Specification Jackups	172,100	174,400	173,400
Total fleet average daily revenue	399,700	398,100	410,000

Our average daily revenue fluctuates relative to market conditions and our revenue efficiency. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as Midwater Floaters and High-Specification Jackups are typically contracted at lower dayrates compared to Ultra-Deepwater Floaters, Harsh Environment Floaters and Deepwater Floaters. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal, classification as held for sale or classification as discontinued operations.

Revenue efficiency—Revenue efficiency is defined as actual contract drilling revenues for the measurement period divided by the maximum revenue calculated for the measurement period, expressed as a percentage. Maximum revenue is defined as the greatest amount of contract drilling revenues the drilling unit could earn for the measurement period, excluding amounts related to incentive provisions.

The revenue efficiency rates for our contract drilling services were as follows:

	Three months ended		
	June 30, 2015	March 31, 2015	June 30, 2014
Revenue efficiency			
Ultra-Deepwater Floaters	97%	97%	94%
Harsh Environment Floaters	99%	97%	96%
Deepwater Floaters	100%	96%	95%
Midwater Floaters	95%	91%	97%
High-Specification Jackups	99%	99%	97%
Total fleet revenue efficiency	97%	96%	95%

Our revenue efficiency rate varies due to revenues earned under alternative contractual dayrates, such as a waiting-on-weather rate, repair rate, standby rate, force majeure rate or zero rate, that may apply under certain circumstances. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We exclude rigs that are not operating under contract, such as those that are stacked.

Rig utilization—Rig utilization is defined as the total number of operating days divided by the total number of rig calendar days in the measurement period, expressed as a percentage.

The rig utilization rates for our fleet were as follows:

	Three months ended		
	June 30, 2015	March 31, 2015	June 30, 2014
Rig utilization			
Ultra-Deepwater Floaters	65%	68%	88%
Harsh Environment Floaters	74%	78%	88%
Deepwater Floaters	71%	85%	62%
Midwater Floaters	89%	85%	64%
High-Specification Jackups	87%	99%	95%
Total fleet rig utilization	75%	79%	78%

Our rig utilization rate declines as a result of idle and stacked rigs and during shipyard and mobilization periods to the extent these rigs are not earning revenues. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal, classification as held for sale or classification as discontinued operations. Accordingly, our rig utilization can increase when idle or stacked units are removed from our drilling fleet.

Operating Results

Three months ended June 30, 2015 compared to three months ended June 30, 2014

The following is an analysis of our operating results from continuing operations. See "—Performance and Other Key Indicators" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Three months ended June 30,			
	2015	2014	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	4,437	5,548	(1,111)	(20)%
Average daily revenue	$ 399,700	$ 410,000	$ (10,300)	(3)%
Revenue efficiency	97%	95%		
Rig utilization	75%	78%		
Contract drilling revenues	$ 1,777	$ 2,278	$ (501)	(22)%
Other revenues	107	50	57	n/m
Total revenues	1,884	2,328	(444)	(19)%
Operating and maintenance expense	(197)	(1,213)	1,016	84%
Depreciation expense	(249)	(288)	39	14%
General and administrative expense	(44)	(63)	19	30%
Loss on impairment	(890)	—	(890)	n/m
Gain on disposal of assets, net	2	1	1	100%
Operating income	506	765	(259)	(34)%
Other income (expense), net				
Interest income	6	15	(9)	(60)%
Interest expense, net of amounts capitalized	(120)	(112)	(8)	(7)%
Other, net	(5)	8	(13)	n/m
Income from continuing operations before income tax expense	387	676	(289)	(43)%
Income tax expense	(40)	(72)	32	44%
Income from continuing operations	$ 347	$ 604	$ (257)	(43)%

"n/m" means not meaningful.

Operating revenues—Contract drilling revenues decreased for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to the following: (a) approximately $425 million of decreased revenues resulting from additional rigs idle or stacked, (b) approximately $285 million of decreased revenues resulting from rigs sold or classified as held for sale and (c) approximately $70 million of decreased revenues resulting from lower dayrates. These decreases were partially offset by increased revenues due to the following: (a) approximately $120 million of increased revenues associated with our two newbuild Ultra-Deepwater drillships that commenced operations subsequent to June 30, 2014, (b) approximately $110 million of increased revenues resulting from fewer shipyard and mobilization days for the active fleet and (c) approximately $50 million resulting from improved efficiency.

Other revenues increased for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to approximately $69 million of fees earned in connection with drilling contracts terminated by our customers in the second quarter of 2015.

Costs and expenses—Excluding the favorable effect of $788 million resulting from cost reimbursements from settlements, recoveries from insurance and net adjustments to contingent liabilities associated with the Macondo well incident, operating and maintenance costs and expenses decreased for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 by approximately $230 million primarily due to the following: (a) approximately $100 million resulting from rigs sold or classified as held for sale, (b) approximately $75 million resulting from cost reductions for our idle or stacked rigs and (c) approximately $60 million resulting from other reduced costs and expenses, primarily personnel related, both offshore and onshore. These decreases were partially offset by approximately $30 million of increased costs and expenses associated with our two newbuild Ultra-Deepwater drillships that commenced operations subsequent to June 30, 2014.

Depreciation expense decreased for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to the following: (a) approximately $52 million of decreased depreciation resulting from rigs sold or classified as held for sale subsequent to June 30, 2014 and (b) approximately $13 million of decreased depreciation resulting from the impairment of our Deepwater Floater asset group. This decrease was partially offset by the following: (a) approximately $14 million of increased depreciation resulting from the reduction of the salvage values for certain drilling units and (b) approximately $12 million of increased depreciation associated with our two newbuild Ultra-Deepwater drillships that commenced operations subsequent to June 30, 2014.

General and administrative expense decreased for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 primarily due to the following: (a) a decrease of $13 million primarily associated with professional fees and (b) a decrease of $6 million associated with reduced personnel costs.

In the three months ended June 30, 2015, we recognized losses on the impairment of long-lived assets, including a loss of $668 million associated with the impairment of our Midwater Floater asset group and an aggregate loss of $222 million associated with the impairment of the Ultra-Deepwater Floater *GSF Explorer*, Deepwater Floater *GSF Celtic Sea* and the Midwater Floater *Transocean Amirante*, along with related equipment, which were classified as assets held for sale at the time of impairment.

Other income and expense—In the three months ended June 30, 2015, we recognized other expense, net primarily due to a loss of $6 million associated with currency exchange. In the three months ended June 30, 2014, we recognized other income, net primarily due to the following: (a) a gain of $7 million associated with the prepayment of certain notes receivable and (b) a gain of $7 million associated with settlement of litigation related to our dual-activity patent, partially offset by (c) a loss of $4 million associated with the early termination of our $900 million three-year secured revolving credit facility.

Income tax expense—We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. At June 30, 2015 and 2014, our annual effective tax rates were 16.9 percent and 12.6 percent, respectively, based on income (loss) from continuing operations before income taxes, after excluding certain items, such as losses on impairment and gains and losses on certain asset disposals. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the three months ended June 30, 2015 and 2014, the effect of the various discrete period tax items was a net tax benefit of less than $1 million and $14 million, respectively. For the three months ended June 30, 2015 and 2014, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in effective tax rates of 10.3 percent and 10.7 percent, respectively, based on income (loss) from continuing operations before income taxes.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the annual effective tax rate calculation for the three months ended June 30, 2015, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, India, Nigeria, Indonesia and the Republic of Congo. Conversely, the countries in which we incurred the most significant income taxes during this period that were based on income before income tax include Norway, the U.K., Switzerland, Brazil and the U.S.

Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the particular taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract. For example, two rigs operating in the same country could generate significantly different provisions for income taxes if they are owned by two different subsidiaries that are subject to differing tax laws and regulations in the respective country of incorporation.

Six months ended June 30, 2015 compared to six months ended June 30, 2014

The following is an analysis of our operating results. See "—Performance and Other Key Indicators" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Six months ended June 30,			
	2015	2014	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	9,452	11,086	(1,634)	(15)%
Average daily revenue	$ 398,800	$ 411,500	$ (12,700)	(3)%
Revenue efficiency	97%	95%		
Rig utilization	77%	78%		
Contract drilling revenues	$ 3,777	$ 4,570	$ (793)	(17)%
Other revenues	150	97	53	55%
Total revenues	3,927	4,667	(740)	(16)%
Operating and maintenance expense	(1,281)	(2,482)	1,201	48%
Depreciation expense	(540)	(561)	21	4%
General and administrative expense	(90)	(120)	30	25%
Loss on impairment	(1,826)	(65)	(1,761)	n/m
Loss on disposal of assets, net	(5)	(2)	(3)	n/m
Operating income	185	1,437	(1,252)	(87)%
Other income (expense), net				
Interest income	12	25	(13)	(52)%
Interest expense, net of amounts capitalized	(236)	(238)	2	1%
Other, net	42	6	36	n/m
Income from continuing operations before income tax expense	3	1,230	(1,227)	(100)%
Income tax expense	(123)	(152)	29	19%
Income (loss) from continuing operations	$ (120)	$ 1,078	$ (1,198)	n/m

"n/m" means not meaningful

Operating revenues—Contract drilling revenues decreased for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 primarily due to the following: (a) approximately $790 million of decreased revenues resulting from additional rigs idle or stacked, (b) approximately $495 million of decreased revenues resulting from rigs sold or classified as held for sale and (c) approximately $65 million of decreased revenues resulting from lower dayrates. These decreases were partially offset by increased revenues due to the following: (a) approximately $270 million resulting from fewer shipyard and mobilization days for the active fleet, (b) approximately $240 million of increased revenues associated with our two newbuild Ultra-Deepwater drillships that commenced operations subsequent to June 30, 2014 and (c) approximately $50 million of increased revenues resulting from improved efficiency.

Other revenues increased for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 primarily due to approximately $69 million of fees earned in connection with drilling contracts terminated by our customers in the second quarter of 2015.

Costs and expenses—Excluding the favorable effect of $788 million resulting from cost reimbursements from settlements, recoveries from insurance and net adjustments to contingent liabilities associated with the Macondo well incident, operating and maintenance costs and expenses decreased for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 by approximately $415 million primarily due to the following: (a) approximately $160 million of decreased costs and expenses resulting from rigs sold or classified as held for sale, (b) approximately $110 million of decreased costs and expenses resulting from fewer shipyard and mobilization, (c) approximately $90 million of decreased costs and expenses resulting from other costs, primarily personnel related, both offshore and onshore and (d) approximately $85 million of decreased costs and expenses resulting from cost reduction for our idle or stacked rigs. These decreases were partially offset by approximately $60 million of increased costs and expenses associated with our two newbuild Ultra-Deepwater drillships that commenced operations subsequent to June 30, 2014.

Depreciation expense decreased for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 primarily due to the following: (a) approximately $77 million of decreased depreciation resulting from rigs sold or classified as held for sale subsequent to June 30, 2014 and (b) approximately $24 million of decreased depreciation resulting from the impairment of our Deepwater Floater asset group. The decrease was partially offset by the following: (a) approximately $44 million of increased depreciation resulting from the reduction of the salvage values for certain drilling units and (b) approximately $23 million of increased depreciation resulting from the introduction of our two newbuild Ultra-Deepwater drillships that commenced operations subsequent to June 30, 2014.

General and administrative expense decreased for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 primarily due to the following: (a) a decrease of $16 million associated with reduced personnel costs primarily related to compensation and (b) a decrease of $14 million associated with professional fees.

In the six months ended June 30, 2015, we recognized losses on the impairment of long-lived assets, including a loss of $507 million associated with the impairment of our Deepwater Floater asset group, a loss of $668 million associated with the impairment of our Midwater Floater asset group and an aggregate loss of $651 million associated with the impairment of the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer*, the Deepwater Floaters *GSF Celtic Sea, Sedco 707* and *Transocean Rather* and the Midwater Floaters *Transocean Amirante, GSF Aleutian Key*, *GSF Arctic III* and *Transocean Legend*, along with related equipment, which were classified as assets held for sale at the time of impairment. In the six months ended June 30, 2014, we recognized a loss of $65 million associated with the impairment of the Midwater Floater *Sedneth 701* and the High-Specification Jackup *GSF Magellan*, along with related equipment, which were classified as assets held for sale at the time of impairment.

Other income and expense—In the six months ended June 30, 2015, we recognized other income, net, primarily related to the following: (a) a gain of $30 million associated with income from a license fee related to our dual-activity patent, (b) a gain of $7 million associated with currency exchange and (c) a gain of $4 million associated with royalty payments related to our dual-activity patent. In the six months ended June 30, 2014, we recognized other income, net, primarily related to the following: (a) a gain of $7 million associated with the receipt of a prepayment of certain notes receivable, (b) a gain of $7 million associated with settlement of litigation related to our dual-activity patent, partially offset by (c) a loss of $5 million associated with the early termination of our former three-year secured credit facility.

Income tax expense—We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. At June 30, 2015 and 2014, the annual effective tax rates were 21.6 percent and 13.8 percent, respectively, based on income from continuing operations before income taxes, after excluding certain items, such as losses on impairment, and gains and losses on certain asset disposals. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the six months ended June 30, 2015 and 2014, the effect of the various discrete period tax items was a net tax expense of less than $1 million and net tax benefit of $27 million, respectively. For the six months ended June 30, 2015 and 2014, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in effective tax rates of 4,100.0 percent and 12.4 percent, respectively, based on income from continuing operations before income taxes.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. With respect to the annual effective tax rate calculation for the six months ended June 30, 2015, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, India, Nigeria, Indonesia and the Republic of Congo. Conversely, the countries in which we incurred the most significant income taxes during this period that were based on income before income tax include Norway, the U.K., Switzerland, Brazil and the U.S.

Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the particular taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract. For example, two rigs operating in the same country could generate significantly different provisions for income taxes if they are owned by two different subsidiaries that are subject to differing tax laws and regulations in the respective country of incorporation.

Liquidity and Capital Resources

Sources and uses of cash

At June 30, 2015, we had $3.8 billion in cash and cash equivalents. At any given time, we may require a significant portion of our cash and cash equivalents for working capital and other needs related to the operation of our business. At June 30, 2015, we estimate the amount of cash required for these purposes, which is not generally available to us for other uses, was approximately $1.3 billion.

For the six months ended June 30, 2015, our primary sources of cash were our cash flows from operating activities, proceeds from insurance, proceeds from asset disposals, and net proceeds from restricted cash investments. Our primary uses of cash were capital expenditures, primarily associated with our newbuild construction projects, repayments of debt, payments to our shareholders installments of distributions of qualifying paid-in capital and payment of our Macondo well incident settlement obligations.

	Six months ended June 30,		
	2015	2014	Change
	(In millions)		
Cash flows from operating activities			
Net income (loss)	$ (121)	$ 1,063	$ (1,184)
Depreciation	540	561	(21)
Loss on impairment	1,826	65	1,761
(Gain) loss on disposal of assets, net	5	12	(7)
Other non-cash items, net	(27)	110	(137)
Changes in Macondo well incident assets and liabilities, net	(603)	(492)	(111)
Changes in other operating assets and liabilities, net	217	(547)	764
	$ 1,837	$ 772	$ 1,065

Net cash provided by operating activities increased primarily due to changes in working capital, including an increase of $445 million associated with cash proceeds from insurance recoveries and a decrease of $208 million associated with cash payments of scheduled installments for our Macondo well incident settlement obligations.

	Six months ended June 30,		
	2015	2014	Change
	(In millions)		
Cash flows from investing activities			
Capital expenditures	$ (396)	$ (1,482)	$ 1,086
Proceeds from disposal of assets, net	33	137	(104)
Proceeds from repayments of loans and notes receivable	15	101	(86)
Other, net	—	(15)	15
	$ (348)	$ (1,259)	$ 911

Net cash used in investing activities decreased primarily due to the decrease in capital expenditures associated with the timing of milestone payments for our major construction projects and other shipyard projects. Partially offsetting the decreased use of cash was reduced proceeds from disposal of assets and from repayments of loans and notes receivable.

	Six months ended June 30,		
	2015	2014	Change
	(In millions)		
Cash flows from financing activities			
Repayments of debt	$ (69)	$ (243)	$ 174
Proceeds from restricted cash investments, net	57	87	(30)
Distribution of qualifying additional paid-in capital	(327)	(474)	147
Other, net	(16)	(9)	(7)
	$ (355)	$ (639)	$ 284

Net cash used in financing activities decreased primarily due to a reduction in cash used to repay debt and a reduction in cash used to pay to our shareholders installments of distributions of qualifying additional paid-in capital.

Drilling fleet

Expansion—From time to time, we review possible acquisitions of businesses and drilling rigs and may make significant future capital commitments for such purposes. We may also consider investments related to major rig upgrades or new rig construction, including new rigs the construction of which we may begin without first obtaining customer contracts. Any such acquisition, upgrade or new rig construction could involve the payment by us of a substantial amount of cash or the issuance of a substantial number of additional shares or other securities. Our failure to secure drilling contracts for rigs under construction could have an adverse effect on our results of operations or cash flows.

In the six months ended June 30, 2015, we made capital expenditures of $396 million, including capitalized interest of $55 million. The following table presents the historical and projected capital expenditures and capitalized interest, for our ongoing major construction projects:

	Total costs through December 31, 2014	Total costs for the six months ended June 30, 2015	Expected costs for the remainder of 2015	Estimated costs thereafter	Total estimated costs at completion
			(In millions)		
Deepwater Thalassa (a)	$ 375	$ 53	$ 447	$ 45	$ 920
Deepwater Proteus (a)	338	21	418	73	850
Deepwater Conqueror (b)	226	42	53	529	850
Deepwater Pontus (a)	310	28	31	481	850
Deepwater Poseidon (a)	282	22	41	505	850
Transocean Cassiopeia (c)	49	2	3	216	270
Transocean Centaurus (c)	48	2	2	218	270
Transocean Cepheus (c)	48	2	2	228	280
Ultra-Deepwater drillship TBN1 (d)	32	6	170	602	810
Transocean Cetus (c)	48	2	2	228	280
Transocean Circinus (c)	48	2	2	238	290
Ultra-Deepwater drillship TBN2 (d)	27	1	129	638	795
Total	$ 1,831	$ 183	$ 1,300	$ 4,001	$ 7,315

(a) *Deepwater Thalassa*, *Deepwater Proteus*, *Deepwater Pontus* and *Deepwater Poseidon*, four newbuild Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to commence operations in the first quarter of 2016, the third quarter of 2016, the first quarter of 2017 and the second quarter of 2017, respectively.

(b) *Deepwater Conqueror*, a newbuild Ultra-Deepwater drillship under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, is expected to commence operations in the fourth quarter of 2016.

(c) *Transocean Cassiopeia*, *Transocean Centaurus*, *Transocean Cepheus*, *Transocean Cetus* and *Transocean Circinus*, five Keppel FELS Super B 400 Bigfoot class design newbuild High-Specification Jackups under construction at Keppel FELS' shipyard in Singapore do not yet have drilling contracts and are expected to be delivered in the first quarter of 2018, the third quarter of 2018, the first quarter of 2019, the third quarter of 2019 and the first quarter of 2020, respectively. These delivery expectations and the estimated costs presented above reflect the terms of our construction agreements, as amended to delay delivery in consideration of existing market conditions.

(d) Our two unnamed dynamically positioned Ultra-Deepwater drillships under construction at the Jurong Shipyard Pte Ltd. in Singapore do not yet have drilling contracts and are expected to be delivered in the second quarter of 2019 and the first quarter of 2020, respectively. These delivery expectations and the estimated costs presented above reflect the terms of our construction agreements, as amended to delay delivery in consideration of existing market conditions.

For the year ending December 31, 2015, we expect total capital expenditures to be approximately $1.7 billion, approximately $1.5 billion of which is associated with our major construction projects. The ultimate amount of our capital expenditures is partly dependent upon financial market conditions, the actual level of operational and contracting activity, the costs associated with the new regulatory environment and customer requested capital improvements and equipment for which the customer agrees to reimburse us.

At July 28, 2015, we held options with Jurong Shipyard Pte Ltd. in Singapore to order up to two newbuild Ultra-Deepwater drillships, which must be exercised by August 2015 and February 2016. We previously allowed one of the original three drillship options to expire unexercised. We previously held options with Keppel FELS shipyard in Singapore to order up to five Super B 400 Bigfoot class design High-Specification Jackups, all of which we have either let expire unexercised or cancelled, in connection with our further delay of the delivery of the five High-Specification Jackups under construction.

As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange rates, shipyard labor conditions, availability of suppliers to recertify equipment and the market demand for components and resources required for drilling unit construction.

We intend to fund the cash requirements relating to our capital expenditures through available cash balances, cash generated from operations and asset sales. We also have available credit under the Five-Year Revolving Credit Facility, as described below, and may utilize other commercial bank or capital market financings. Economic conditions could impact the availability of these sources of funding.

Dispositions—From time to time, we may also review the possible disposition of non-strategic drilling units. Considering recent market conditions, we have committed to plans to sell certain lower-specification drilling units for scrap value. During the six months ended June 30, 2015, we identified nine such drilling units that we intend to sell or have sold for scrap value, including the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer,* the Deepwater Floaters *GSF Celtic Sea, Sedco 707* and *Transocean Rather* and the Midwater Floaters *GSF Aleutian Key, GSF Arctic III, Transocean Amirante* and *Transocean Legend*.

During the six months ended June 30, 2015, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the Ultra-Deepwater Floaters *Deepwater Expedition* and *GSF Explorer*, the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 707*, *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *C. Kirk Rhein, Jr.*, *GSF Arctic I*, *GSF Arctic III*, *Sedco 601*, *Sedco 700* and *Transocean Legend* along with related equipment, and in the six months ended June 30, 2015, we received aggregate net cash proceeds of $24 million. During the six months ended June 30, 2014, we completed the sale of the High-Specification Jackup *GSF Monitor* along with related equipment and we received net cash proceeds of $83 million.

Sources and uses of liquidity

Overview—We expect to use existing cash balances, internally generated cash flows, borrowings under our bank credit agreement, proceeds from the disposal of assets, proceeds from the issuance of debt or proceeds from the sale of additional noncontrolling interests in or issuance of debt of Transocean Partners to fulfill anticipated obligations, such as scheduled debt maturities or other payments, repayment of debt due within one year, capital expenditures, shareholder-approved distributions, payments of our Macondo well incident settlement obligations, working capital and other needs in our operations. Subject in each case to then existing market conditions and to our then expected liquidity needs, among other factors, we may continue to use a portion of our internally generated cash flows and proceeds from asset sales or proceeds from the sale of additional noncontrolling interests in or issuance of debt of Transocean Partners to reduce debt prior to scheduled maturities through debt repurchases, either in the open market or in privately negotiated transactions, through debt redemptions or tender offers, or through repayments of bank borrowings.

At any given time, we may require a significant portion of our cash on hand for working capital and other needs related to the operation of our business. We currently estimate this amount to be approximately $1.3 billion. As a result, this portion of cash is not generally available to us for other uses. From time to time, we may also use borrowings under our bank credit agreement to maintain liquidity for short-term cash needs.

On January 3, 2013, we reached an agreement with the DOJ to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident (see "—Plea Agreement obligations" and "—Consent Decree obligations"), and on May 20, 2015 we reached settlement agreements with BP and the PSC that resolve substantial portions of our potential civil liability arising from the Macondo well incident (see "Note 13—Commitment and Contingencies—Macondo well incident contingencies—BP Settlement Agreement" and "—PSC Settlement Agreement"). However, we are unable to predict the ultimate outcome of the remaining litigation arising from the Macondo well incident that was not addressed in our resolutions with the DOJ, BP, and the PSC. We can give no assurance that the matters arising out of the Macondo well incident will not adversely affect our liquidity in the future.

Our access to debt and equity markets may be limited due to a variety of events, including, among others, credit rating agency downgrades of our debt ratings, and remaining potential liability related to the Macondo well incident, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry. During the six months ended June 30, 2015, two credit rating agencies downgraded their credit ratings of our non-credit enhanced senior unsecured long-term debt ("Debt Rating") to Debt Ratings that are considered below investment grade. Such downgrades have caused, and any further downgrades may cause, us to experience increased fees under our credit facility and interest rates under agreements governing our senior notes and may limit our ability to access debt markets. Uncertainty related to our potential liabilities from the Macondo well incident has had, and could continue to have, an adverse effect on our business and our financial condition. Our ability to access such markets may be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. An economic downturn could have an impact on the lenders participating in our credit facilities or on our customers, causing them to fail to meet their obligations to us. Uncertainty related to our potential liabilities from the Macondo well incident has had an adverse effect on our share price, could impact our ability to access capital markets in the future and has had, and could continue to have, an adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Our internally generated cash flow is directly related to our business and the market sectors in which we operate. Should the drilling market deteriorate, or should we experience poor results in our operations, cash flow from operations may be reduced. We have, however, continued to generate positive cash flow from operating activities over recent years and expect that such cash flow will continue to be positive over the next year.

Distributions of qualifying additional paid-in capital—In May 2015, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $0.60 per outstanding share, payable in four quarterly installments of $0.15 per outstanding share, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2015, we recognized a liability of $218 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 17, 2015, we paid the first installment in the aggregate amount of $55 million to shareholders of record as of May 29, 2015. At July 28, 2015, the aggregate carrying amount of the distribution payable was $163 million.

In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $3.00 per outstanding share, payable in four quarterly installments, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. On June 18, September 17 and December 17, 2014, we paid the first three installments in the aggregate amount of $816 million to shareholders of record as of May 30, August 22 and November 14, 2014, respectively. On March 18, 2015, we paid the final installment in the aggregate amount of $272 million to shareholders of record as of February 20, 2015.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of $2.24 per outstanding share, payable in four quarterly installments, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. On March 19, 2014, we paid the final installment in the aggregate amount of $202 million to shareholders of record as of February 21, 2014.

Litigation settlements and insurance recoveries—On May 20, 2015, we entered into a confidential settlement agreement with BP to settle various disputes remaining between the parties with respect to the Macondo well incident. Pursuant to the terms of the agreement, among other things, BP agreed to make a cash payment of $125 million to partially reimburse us for legal fees incurred by us. On July 3, 2015, we received the cash payment from BP.

Additionally, BP agreed to discontinue its attempts to recover as an additional insured under our liability insurance program. As a result, we submitted claims to our insurers and recognized income of $538 million, recorded as a reduction of operating and maintenance costs and expenses, associated with insurance proceeds for recovery of previously incurred losses. In the three and six months ended June 30, 2015, we received cash proceeds of $445 million, and in July 2015, we received the remaining cash proceeds of $93 million, associated with such insurance recoveries.

On May 29, 2015, together with the PSC, we filed a settlement agreement in which we agreed to pay a total of $212 million, plus up to $25 million for partial reimbursement of attorneys' fees, to resolve (1) punitive damages claims of private plaintiffs, businesses, and local governments and (2) certain claims that BP had made against us and had assigned to private plaintiffs who previously settled economic damages claims against BP. This PSC settlement is subject to approval by the MDL Court.

Noncontrolling interest in Transocean Partners—On July 31, 2014, we announced the pricing of an initial public offering of common units representing limited liability company interests in Transocean Partners, which began trading on the New York Stock Exchange under the ticker symbol "RIGP," for $22.00 per unit. On August 5, 2014, we completed the initial public offering of 20.1 million common units, which represents a 29.2 percent limited liability company interest in Transocean Partners. Through Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, we hold the remaining 21.3 million common units and 27.6 million subordinated units, which collectively represent a 70.8 percent limited liability company interest. As a result of the offering, we received net cash proceeds of approximately $417 million, after deducting approximately $26 million for underwriting discounts and commissions and other estimated offering expenses. We may consider selling additional noncontrolling interests in or debt securities of Transocean Partners to provide additional sources of liquidity.

On November 24, 2014, Transocean Partners paid an aggregate distribution of $15 million, $0.2246 per outstanding unit, including $4 million paid to the holders of noncontrolling interest and $11 million paid to us, which was eliminated in consolidation. On February 26, 2015, Transocean Partners paid an aggregate distribution of $25 million, $0.3625 per outstanding unit, including $7 million paid to holders of noncontrolling interest and $18 million paid to us, which was eliminated in consolidation. On May 27, 2015, Transocean Partners paid an aggregate distribution of $25 million, $0.3625 per outstanding unit, including $7 million paid to holders of noncontrolling interest and $18 million paid to us and eliminated in consolidation.

Debt redemption—In September 2010, we issued $1.1 billion aggregate principal amount of 4.95% Senior Notes due November 2015 (the "4.95% Senior Notes"). We may redeem some or all of the 2010 Senior Notes at any time at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. On November 17, 2014, we made an aggregate cash payment of $216 million to redeem an aggregate principal amount of $207 million of the outstanding senior notes. On July 30, 2015, we made an aggregate cash payment of $904 million to redeem the remaining aggregate principal amount of $893 million of the senior notes.

Revolving credit facility—In June 2014, we entered into an amended and restated bank credit agreement, which established a $3.0 billion unsecured five-year revolving credit facility, that is scheduled to expire on June 28, 2019 (the "Five-Year Revolving Credit Facility"). Among other things, the Five-Year Revolving Credit Facility includes limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The Five-Year Revolving Credit Facility also includes a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. As of June 30, 2015, our debt to tangible capitalization ratio, as defined, was 0.4 to 1.0. In order to borrow or have letters of credit issued under the Five-Year Revolving Credit Facility, we must, at the time of the borrowing request, not be in default under the bank credit agreements and make certain representations and warranties, including with respect to compliance with laws and solvency, to the lenders, but we are not required to make any representation to the lenders as to the absence of a material adverse effect. Repayment of borrowings under the Five-Year Revolving Credit Facility is subject to acceleration upon the occurrence of an event of default. We are also subject to various covenants under the indentures pursuant to which our public debt was issued, including restrictions on creating liens, engaging in sale/leaseback transactions and engaging in certain merger, consolidation or reorganization transactions. A default under our public debt indentures, our capital lease contract or any other debt owed to unaffiliated entities that exceeds $125 million could trigger a default under the Five-Year Revolving Credit Facility and, if not waived by the lenders, could cause us to lose access to the Five-Year Revolving Credit Facility.

We may borrow under the Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate ("LIBOR") plus a margin (the "Five-Year Revolving Credit Facility Margin"), which ranges from 1.125 percent to 2.0 percent based on the credit rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating"), or (2) the base rate specified in the credit agreement plus the Five-Year Revolving Credit Facility Margin, less one percent per annum. Throughout the term of the Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.15 percent to 0.35 percent depending on our Debt Rating. At July 28, 2015, based on our Debt Rating on that date, the Five-Year Revolving Credit Facility Margin was 1.75 percent and the facility fee was 0.275 percent. At July 28, 2015, we had no borrowings outstanding, no letters of credit issued, and $3.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility.

Eksportfinans Loans—We have outstanding borrowings under the Loan Agreement dated September 12, 2008 ("Eksportfinans Loan A") and outstanding borrowings under the Loan Agreement dated November 18, 2008 ("Eksportfinans Loan B," and together with Eksportfinans Loan A, the "Eksportfinans Loans"), between one of our subsidiaries and Eksportfinans ASA, which were established to finance the construction and delivery of the Harsh Environment Ultra-Deepwater semisubmersibles *Transocean Spitsbergen* and *Transocean Barents*. Eksportfinans Loan A and Eksportfinans Loan B bear interest at a fixed rate of 4.15 percent and require semi-annual installments of principal and interest through September 2017 and January 2018, respectively. At July 28, 2015, borrowings of approximately $135 million were outstanding under each of Eksportfinans Loan A and Eksportfinans Loan B.

The Eksportfinans Loans require restricted cash investments to be held at a certain financial institution through expiration (the "Eksportfinans Restricted Cash Investments"). The Eksportfinans Restricted Cash Investments bear interest at a fixed rate of 4.15 percent with semi-annual installments that correspond with those of the Eksportfinans Loans. At July 28, 2015, the aggregate principal amount of the Eksportfinans Restricted Cash Investments was $270 million.

Capital lease contract—*Petrobras 10000* is held by one of our subsidiaries under a capital lease contract that requires scheduled monthly payments of $6 million through its stated maturity on August 4, 2029, at which time our subsidiary will have the right and obligation to acquire *Petrobras 10000* from the lessor for one dollar. Upon the occurrence of certain termination events, our subsidiary is also required to purchase *Petrobras 10000* and pay a termination amount determined by a formula based upon the total cost of the drillship. The capital lease contract includes limitations on creating liens on *Petrobras 10000* and requires our subsidiary to make certain representations in connection with each monthly payment, including with respect to the absence of pending or threatened litigation or other proceedings against our subsidiary or any of its affiliates, which, if determined adversely, could have a material adverse effect on our subsidiary's ability to perform its obligations under the capital lease contract. Additionally, Transocean Inc. has guaranteed the obligations under the capital lease contract, and Transocean Inc. is required to maintain an adjusted net worth, as defined, of at least $5.0 billion as of the end of each fiscal quarter. In the event Transocean Inc. does not satisfy this covenant at the end of any fiscal quarter, it is required to deposit the deficit amount, determined as the difference between $5.0 billion and the adjusted net worth for such fiscal quarter, into an escrow account for the benefit of the lessor. At July 28, 2015, $603 million was outstanding under the capital lease contract.

Plea Agreement obligations—Pursuant to a cooperation guilty plea agreement by and among the DOJ and certain of our affiliates (the "Plea Agreement"), which was accepted by the court on February 14, 2013, we agreed to pay a criminal fine of $100 million and to consent to the entry of an order requiring us to pay $150 million to the National Fish & Wildlife Foundation and $150 million to the National Academy of Sciences. In the six months ended June 30, 2015 and 2014, we paid scheduled installments of $60 million in each year. At July 28, 2015, the remaining balance of our Plea Agreement obligations was $120 million, payable to the National Academy of Sciences in two scheduled installments of $60 million, which are due on or before February 12, 2016 and February 14, 2017.

Consent Decree obligations—Pursuant to a civil consent decree by and among the DOJ and certain of our affiliates (the "Consent Decree"), which was approved by the court on February 19, 2013, we agreed to pay a civil penalty totaling $1.0 billion, plus interest at a fixed rate of 2.15 percent. In the six months ended June 30, 2015, we paid the final installment of $204 million, including interest, in satisfaction of our settlement obligations due under the Consent Decree.

Share repurchase program—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, which is equivalent to approximately $3.6 billion at an exchange rate as of the close of trading on July 28, 2015 of $1.00 to CHF 0.96. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. We intend to fund any repurchases using available cash balances and cash from operating activities. On May 24, 2013, we received approval from the Swiss authorities for the continuation of the share repurchase program for an additional three-year repurchase period through May 23, 2016. In the six months ended June 30, 2015, we did not purchase shares under our share repurchase program.

We may decide, based upon our ongoing capital requirements, our program of distributions to our shareholders, the price of our shares, matters relating to the Macondo well incident, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt ratings considerations and other factors, that we should retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes, and consequently, repurchase fewer or no additional shares under this program. Decisions regarding the amount, if any, and timing of any share repurchases will be made from time to time based upon these factors.

Any shares repurchased under this program are expected to be purchased from time to time either, with respect to the U.S. market, from market participants that have acquired those shares on the open market and that can fully recover Swiss withholding tax resulting from the share repurchase or, with respect to the Swiss market, on the second trading line for our shares on the SIX. Repurchases could also be made by tender offer, in privately negotiated transactions or by any other share repurchase method. Any repurchased shares would be held by us for cancellation by the shareholders at a future annual general meeting. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time.

Under Swiss corporate law, the right of a company and its subsidiaries to repurchase and hold its own shares is limited. A company may repurchase its shares to the extent it has freely distributable reserves as shown on its Swiss statutory balance sheet in the amount of the purchase price and the aggregate par value of all shares held by the company as treasury shares does not exceed 10 percent of the company's share capital recorded in the Swiss Commercial Register, whereby for purposes of determining whether the 10 percent threshold has been reached, shares repurchased under a share repurchase program for cancellation purposes authorized by the company's shareholders are disregarded. As of July 28, 2015, Transocean Inc., our wholly owned subsidiary, held as treasury shares approximately three percent of our issued shares. At the annual general meeting in May 2009, the shareholders approved the release of CHF 3.5 billion of additional paid-in capital to other reserves, or freely available reserves as presented on our Swiss statutory balance sheet, to create the freely available reserve necessary for the CHF 3.5 billion share repurchase program for the purpose of the cancellation of shares (the "Currently Approved Program"). At the May 2011 annual general meeting, our shareholders approved the reallocation of CHF 3.2 billion, which is the remaining amount authorized under the share repurchase program, from free reserve to legal reserve, reserve from capital contributions. This amount will continue to be available for Swiss federal withholding tax-free share repurchases. We may only repurchase shares to the extent freely distributable reserves are available. Our board of directors could, to the extent freely distributable reserves are available, authorize the repurchase of additional shares for purposes other than cancellation, such as to retain treasury shares for use in satisfying our obligations in connection with incentive plans or other rights to acquire our shares. Based on the current amount of shares held as treasury shares, approximately seven percent of our issued shares could be repurchased for purposes of retention as additional treasury shares. Although our board of directors has not approved such a share repurchase program for the purpose of retaining repurchased shares as treasury shares, if it did so, any such shares repurchased would be in addition to any shares repurchased under the Currently Approved Program.

Contractual obligations—As of June 30, 2015, there have been no material changes to the contractual obligations as previously disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2014.

Other commercial commitments—As of June 30, 2015, there have been no material changes to the commercial commitments as previously disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2014.

Derivative instruments

Our board of directors has approved policies and procedures for derivative instruments that require the approval of our Chief Financial Officer prior to entering into any derivative instruments. From time to time, we may enter into a variety of derivative instruments in connection with the management of our exposure to fluctuations in interest rates or currency exchange rates. We do not enter into derivative transactions for speculative purposes; however, we may enter into certain transactions that do not meet the criteria for hedge accounting. See Notes to Condensed Consolidated Financial Statements—Note 11—Derivatives and Hedging.

Contingencies

Except as noted in this report, including in our Notes to Condensed Consolidated Financial Statements—Note 6—Income Taxes, Note 13—Commitments and Contingencies and Note 18—Subsequent Events, there have been no material changes to those actions, claims and other matters pending as discussed in Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies, Note 27—Subsequent Events and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Macondo well incident" in our annual report on Form 10-K for the year ended December 31, 2014. As of June 30, 2015, we were also involved in a number of lawsuits which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, resulting from these lawsuits to have a material adverse effect on our current consolidated financial position, results of operations or cash flows. We can provide no assurance that our expectations as to the outcome or effect of any lawsuit or other matters will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

Macondo well incident

Overview—On April 22, 2010, the Ultra-Deepwater Floater *Deepwater Horizon* sank after a blowout of the Macondo well caused a fire and explosion on the rig. Eleven persons died in, and others were injured as a result of, the incident. At the time of the explosion, *Deepwater Horizon* was located approximately 41 miles off the coast of Louisiana in Mississippi Canyon Block 252 and was contracted to an affiliate of BP plc (together with its affiliates, "BP"). Litigation commenced shortly after the incident, and most claims against us were consolidated by the U.S. Judicial Panel on Multidistrict Litigation and transferred to the MDL Court. A significant portion of the contingencies arising from the Macondo well incident has now been resolved as a result of settlements with the U.S. Department of Justice (the "DOJ"), BP, and the PSC. We believe the remaining most notable claims against us arising from the Macondo well incident are the potential settlement class opt-outs from the PSC Settlement Agreement and the claims individual states may have against us. Although we are unable to estimate the full direct and indirect effect that the Macondo well incident will have on our business, the incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows.

We can provide no assurance as to the outcome of the remaining claims arising from the Macondo well incident the timing of any upcoming appeal or further rulings, or that we will not enter into additional settlements as to some or all of the remaining matters related to the Macondo well incident.

Multidistrict litigation proceeding—Subject to MDL Court approval, we believe most Macondo well related claims against us have been resolved by our settlements with the DOJ, BP, and the PSC. There are, however, still pending claims by state governments, potential opt-outs from the settlement with the PSC, and a number of other parties. As of June 30, 2015, the MDL Court has completed two trials involving us, and additional litigation and appeals continue.

The Phase One trial in 2013 addressed fault for the Macondo well blowout and resulting oil spill. The MDL Court's September 2014 Phase One ruling concluded (a) that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; (b) that we were negligent and 30 percent at fault and (c) that Halliburton Company ("Halliburton") was negligent and three percent at fault. The finding that we were negligent, but not grossly negligent, meant that, subject to a successful appeal, we would not be held liable for punitive damages and that BP was required to honor its contractual agreements to indemnify us for compensatory damages and release its claims against us. Our settlements with BP and the PSC finally resolve the indemnity and release issues and largely eliminate our risk should these determinations be reversed through the appeal process.

The Phase One ruling is subject to appeal, and we, along with BP, the PSC, Halliburton and the State of Alabama have each appealed or cross-appealed aspects of the ruling. These appeals have been stayed pending the finalization of BP's settlement with the U.S. and the States. When the appeals resume, we expect the State of Alabama to challenge the finding that we were not grossly negligent in connection with the blowout. However, we believe that pursuant to the terms of the BP Settlement Agreement BP will indemnify us for the compensatory portion of Alabama's claims.

We can provide no assurances as to the outcome of these appeals, as to the timing of any further rulings, or that we will not enter into additional settlements as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlements.

See Notes to Condensed Consolidated Financial Statements—Note 13—Commitments and Contingencies.

Insurance matters

Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies that we renew annually on May 1. We periodically evaluate our insurance limits and self-insured retentions. At July 28, 2015, the insured value of our drilling rig fleet was approximately $25.0 billion, excluding our rigs under construction. We generally do not carry commercial market insurance coverage for loss of revenues or for losses resulting from physical damage to our fleet caused by named windstorms in the U.S. Gulf of Mexico, including liability for wreck removal costs. See Notes to Condensed Consolidated Financial Statements—Note 13—Commitments and Contingencies.

Tax matters

We are a Swiss corporation, and we operate through our various subsidiaries in a number of countries throughout the world. Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. The relationship between our provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate.

We conduct operations through our various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

We file federal and local tax returns in several jurisdictions throughout the world. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. We are also defending against tax-related claims in courts, including our ongoing criminal trial in Norway. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated cash flows.

See Notes to Condensed Consolidated Financial Statements—Note 6—Income Taxes.

Regulatory matters

For a description of regulatory and environmental matters relating to the Macondo well incident, please see "—Macondo well incident."

Other matters

In addition, from time to time, we receive inquiries from governmental regulatory agencies regarding our operations around the world, including inquiries with respect to various tax, environmental, regulatory and compliance matters. To the extent appropriate under the circumstances, we investigate such matters, respond to such inquiries and cooperate with the regulatory agencies.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements. This discussion should be read in conjunction with disclosures included in the notes to our condensed consolidated financial statements related to estimates, contingencies and other accounting policies. Significant accounting policies are discussed in Note 2 to our condensed consolidated financial statements in this quarterly report on Form 10-Q and in Note 2 to our consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2014.

To prepare financial statements, we are required to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to our allowance for doubtful accounts, materials and supplies obsolescence, investments, property and equipment, income taxes, defined benefit pension plans and other postretirement employee benefits, contingent liabilities and share-based compensation. These estimates require significant judgments, assumptions and estimates. We base our estimates on historical experience and on various other assumptions that 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 may differ from these estimates.

For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our annual report on Form 10-K for the year ended December 31, 2014. We have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our board of directors. During the six months ended June 30, 2015, there have been no material changes to the types of judgments, assumptions and estimates upon which our critical accounting estimates are based.

New Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our condensed consolidated financial statements, see Notes to Condensed Consolidated Financial Statements—Note 3—New Accounting Pronouncements in this quarterly report on Form 10-Q and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2014.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Overview—We are exposed to interest rate risk, primarily associated with our restricted cash investments, our long-term and short-term debt and our derivative instruments. For our restricted cash investments and debt instruments, the following table presents the principal cash flows and related weighted-average interest rates by contractual maturity date. For our derivative instruments, the following table presents the notional amounts and weighted-average interest rates by contractual maturity dates. The information is stated in U.S. dollar equivalents. The instruments are denominated in either U.S. dollars or Norwegian kroner, as indicated. The following table presents information for the 12-month periods ending June 30 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)							
	2016	2017	2018	2019	2020	Thereafter	Total	Fair Value
Restricted cash investments								
Fixed rate (NOK)	$ 108	$ 108	$ 81	$ —	$ —	$ —	$ 297	$ 307
Average interest rate	4.15%	4.15%	4.15%	—%	—%	—%		
Debt								
Fixed rate (USD)	$ 918	$ 1,026	$ 2,025	$ 31	$ 34	$ 5,666	$ 9,700	$ 8,882
Average interest rate	5.03%	5.12%	4.90%	7.76%	7.76%	6.48%		
Fixed rate (NOK)	$ 108	$ 108	$ 81	$ —	$ —	$ —	$ 297	$ 307
Average interest rate	4.15%	4.15%	4.15%	—%	—%	—%		
Interest rate swaps								
Fixed to variable (USD)	$ —	$ —	$ 750	$ —	$ —	$ —	$ 750	$ 4
Average receive rate	—%	—%	6.00%	—%	—%	—%		
Average pay rate	—%	—%	4.86%	—%	—%	—%		

(a) Expected maturity amounts are based on the face value of debt.

We have engaged in certain hedging activities designed to reduce our exposure to interest rate risk and currency exchange rate risk. See Notes to Consolidated Financial Statements—Note 11—Derivatives and Hedging.

Interest rate risk—At June 30, 2015 and December 31, 2014, the face value of our variable-rate debt was approximately $750 million and $1.5 billion, which represented eight percent and 15 percent of the aggregate principal amount of our total debt, respectively, after the effect of our hedging activities. At June 30, 2015, we were exposed to the variable interest rates associated with our interest rate swaps. Based upon variable-rate debt amounts outstanding as of June 30, 2015 and December 31, 2014, a hypothetical one percentage point change in annual interest rates would result in a corresponding change in annual interest expense of approximately $8 million and $15 million, respectively.

Currency exchange rate risk—We are exposed to currency exchange rate risk associated with our international operations. For a discussion of our currency exchange rate risk, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our annual report on Form 10-K for the year ended December 31, 2014. There have been no material changes to these previously reported matters during the six months ended June 30, 2015.

Item 4. Controls and Procedures

Disclosure controls and procedures—We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined in the Exchange Act, Rules 13a-15 and 15d-15, were effective as of June 30, 2015 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms.

Internal control over financial reporting—There were no changes to our internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We have certain actions, claims and other matters pending as discussed and reported in "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies" and "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Macondo well incident" in our annual report on Form 10-K for the year ended December 31, 2014. We are also involved in various tax matters as described in "Part II. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 6—Income Taxes" and in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Tax matters" in our annual report on Form 10-K for the year ended December 31, 2014. All such actions, claims, tax and other matters are incorporated herein by reference.

As of June 30, 2015, we were also involved in a number of other lawsuits and other matters which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, resulting from these lawsuits to have a material adverse effect on our current consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the matters referred to above or of any such other pending or threatened litigation or legal proceedings. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or other matters will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

Item 1A. Risk Factors

With the exception of the following, there have been no material changes to the risk factors as previously disclosed in "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2014 and "Item 1A. Risk Factors" in our quarterly report on Form 10-Q for the quarterly period ended March 31, 2015.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we have operations, are incorporated or are resident could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We operate worldwide through our various subsidiaries. Consequently, we are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate, which could include laws or policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws or policies, or their interpretation or application of the same, of any country in which we have significant operations, or in which we are incorporated or resident, could result in a higher effective tax rate on our worldwide earnings and such change could be significant to our financial results.

In the United States ("U.S."), tax legislative proposals intending to eliminate some perceived tax advantages of companies that have legal domiciles outside the U.S., but have certain U.S. connections, have repeatedly been introduced in the U.S. Congress. Recent examples include, but are not limited to, legislative proposals that would broaden the circumstances in which a non-U.S. company would be considered a U.S. resident, including the use of "management and control" provisions to determine corporate residency, and proposals that could override certain tax treaties and limit treaty benefits on certain payments by U.S. subsidiaries to non-U.S. affiliates. Additionally, members of the U.S. Congress have repeatedly introduced proposals which would disallow any deduction for otherwise tax deductible payments relating to any incident resulting in the discharge of oil into navigable waters, such as the Macondo well incident. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In Switzerland, tax legislative proposals intending to abolish certain cantonal tax privileges to the extent such provisions treat Swiss and non-Swiss income differently as well as implement other significant changes to existing tax laws and practices have been raised. These proposals are in response to certain guidance and demands from both the European Union and the Organisation for Economic Co-operation and Development. These issues, plus other tax legislative matters, are expected to be considered by Switzerland during the next 12 months. Switzerland's implementation of any material change in tax laws or policies or its adoption of new interpretations of existing tax laws and rulings could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In December 2013, the U.K. Treasury released draft proposals that would cap the amount a U.K.-based contractor would be able to claim as a deductible expense for charter payments made to related companies. A ring fence was also proposed to ensure that the profits from activities in relation to the chartering of rigs from affiliates are not reduced by tax relief from any unconnected activities. On July 17, 2014, the U.K. legislation received Royal Assent with retroactive application effective as of April 2014. In December 2014, the U.K. Treasury released additional draft proposals that would impose tax on aggressive tax planning techniques used by multinational entities to divert profits from the U.K. The draft legislation would tax companies that had structured its operations to avoid a permanent establishment in the U.K. and as a result of the structure the U.K. tax liability was reduced by 20 percent. The draft legislation would also apply to transactions lacking economic substance that occur between common controlled entities and the resulting transaction reduces the U.K. tax liability by 20 percent. The draft legislation would apply a 25 percent tax on companies that utilized theses aggressive techniques. The Diverted Profit Tax rule was included in the 2015 Finance Bill and on March 26, 2015, the legislation received Royal Assent with an effective date of April 1, 2015. In a July 2015 decision, the Supreme Court of England and Wales held that members of a Delaware limited liability company were entitled to the profits as they arose. The members would, therefore, be taxable in the U.K. on their allocable share of the profits with double tax relief being given for the U.S. tax paid. Although the implications of this decision are unclear, and may be dependent on the specific facts and circumstances, including the terms of the specific limited liability agreement in the litigation, the decision could mean that Delaware limited liability companies may be treated, in some, or possibly all cases, as flow-through entities rather than as corporations for certain U.K. tax purposes. We own a controlling interest in Transocean Partners LLC ("Transocean Partners"), a Marshall Islands limited liability company, and Marshall Islands corporate law is very similar to Delaware corporate law. This decision, in turn, could potentially impact one of the ways in which Transocean Partners may qualify for benefits under certain tax treaties in future years. If the case is ultimately applied in a manner adverse to Transocean Partners and they are unable to qualify for treaty benefits based on other means this could result in a higher effective tax rate. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In December 2014, a special commission issued recommendations for significant tax reform in Norway. These recommendations included consideration of a decrease in the corporate income tax rate, as well as a cap on the tax deduction for charter payments made to related companies and a withholding tax on certain charter payments to related companies. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Similarly, the Organisation for Economic Co-Operation and Development issued an action plan in July 2013 that called for member states to take action to prevent "base erosion and profit shifting" in situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. A number of specific tax reform changes have been recently proposed and are currently being publicly debated. Some of these proposals would impact transfer pricing, requirements to qualify for tax treaty benefits, and the definition of permanent establishments. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Other tax jurisdictions in which we operate may consider implementing similar legislation, the implementation of such legislation, any other material changes in tax laws or policies or its adoption of new interpretations of existing tax laws and rulings could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) (in millions)
April 2015	2,936	$ 18.82	—	$ 3,483
May 2015	2,111	19.68	—	3,483
June 2015	1,616	17.13	—	3,483
Total	6,663	$ 18.68	—	$ 3,483

(1) Total number of shares purchased in the second quarter of 2015 consists of 6,663 shares withheld by us through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due upon the vesting of restricted shares granted to our employees under our Long-Term Incentive Plan.

(2) In May 2009, at the annual general meeting of Transocean Ltd., our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, which is equivalent to approximately $3.7 billion at an exchange rate as of June 30, 2015 of USD 1.00 to CHF 0.94. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. On May 24, 2013, we received approval from the Swiss authorities for the continuation of the share repurchase program for a further three-year repurchase period through May 23, 2016. We may decide, based upon our ongoing capital requirements, our program of distributions to our shareholders, the price of our shares, matters relating to the Macondo well incident, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt rating considerations and other factors, that we should retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes, and consequently, repurchase fewer or no additional shares under this program. Decisions regarding the amount, if any, and timing of any share repurchases would be made from time to time based upon these factors. Through June 30, 2015, we have repurchased a total of 2,863,267 of our shares under this share repurchase program at a total cost of $240 million, equivalent to an average cost of $83.74 per share. See "—Sources and uses of liquidity."

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

(a) Exhibits

The following exhibits are filed in connection with this Report:

	Number	Description
	3.1	Articles of Association of Transocean Ltd (incorporated by reference to Exhibit 3.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2014)
	3.2	Organizational Regulations of Transocean Ltd. (incorporated by reference to Exhibit 3.2 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2014)
*	4.1	Transocean Ltd. 2015 Long-Term Incentive Plan (incorporated by reference to Annex B to the Transocean Ltd.'s definitive proxy statement for its 2015 Annual Meeting of Shareholders, filed on March 23, 2015)
*	10.1	Employment Agreement between Transocean Ltd. and Ian C. Strachan, dated April 15, 2015 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on April 16, 2015)
*	10.2	Employment Agreement among Transocean Offshore Deepwater Drilling Inc., Transocean Ltd. and Jeremy D. Thigpen, dated April 21, 2015 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on April 22, 2015)
†	10.3	Term Sheet Agreement for a Transocean and PSC/DHEPDS Settlement, dated May 20, 2015, among Triton Asset Leasing GmbH, Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, the Plaintiffs Steering Committee in MDL 2179, and the *Deepwater Horizon* Economic and Property Damages Settlement Class
*	10.4	Employment Agreement among Transocean Offshore Deepwater Drilling Inc., Transocean Ltd. and Mark Mey, dated May 27, 2015 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on May 27, 2015)
*	10.5	Letter Agreement by and between Transocean Management Ltd. and Esa Ikäheimonen dated July 21, 2015 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 23, 2015)
†	10.6	Confidential Settlement Agreement, Mutual Releases and Agreement to Indemnify, dated May 20, 2015, among Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, Triton Asset Leasing GmbH, BP Exploration and Production Inc. and BP America Production Co.
†	10.7	Transocean Punitive Damages and Assigned Claims Settlement Agreement, dated May 29, 2015, among Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, Triton Asset Leasing GmbH, the Plantiffs Steering Committee in MDL 2179, and the *Deepwater Horizon* Economic and Property Damages Settlement Class
†	31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
†	31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
†	32.1	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
†	32.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
†	101.INS	XBRL Instance Document
†	101.SCH	XBRL Taxonomy Extension Schema
†	101.CAL	XBRL Taxonomy Extension Calculation Linkbase
†	101.DEF	XBRL Taxonomy Extension Definition Linkbase
†	101.LAB	XBRL Taxonomy Extension Label Linkbase
†	101.PRE	XBRL Taxonomy Extension Presentation Linkbase

† Filed herewith.
* Compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on August 5, 2015.

TRANSOCEAN LTD.

By: /s/ Mark L. Mey
Mark L. Mey
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

By: /s/ David Tonnel
David Tonnel
Senior Vice President, Finance and Controller
(Principal Accounting Officer)

Exhibit 31.1

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeremy D. Thigpen, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 5, 2015

/s/ Jeremy D. Thigpen
Jeremy D. Thigpen
President and Chief Executive Officer

Exhibit 31.2

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark L. Mey, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 5, 2015

/s/ Mark L. Mey
Mark L. Mey
Executive Vice President, Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Jeremy D. Thigpen, President and Chief Executive Officer of Transocean Ltd., a Swiss corporation (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 5, 2015

/s/ Jeremy D. Thigpen
Jeremy D. Thigpen
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Mark L. Mey, Executive Vice President, Chief Financial Officer of Transocean Ltd., a Swiss corporation (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 5, 2015

/s/ Mark L. Mey
Mark L. Mey
Executive Vice President, Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Transocean and PSC/DHEPDS
Term Sheet; May 20, 2015

In Re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, on April 20, 2010, MDL No. 2179

Term Sheet Agreement for a Transocean and PSC/DHEPDS Settlement

WHEREAS, on April 20, 2010, a blowout, explosion, and fire occurred aboard the *Deepwater Horizon* ("DWH"), as it was engaged in drilling activities on the MC252 well off the coast of Louisiana (also known as the Macondo well). These events led to a large discharge of oil into the Gulf of Mexico. On August 10, 2010, the Judicial Panel on Multidistrict Litigation ("MDL") centralized all federal actions (excluding securities suits) in the United States District Court for the Eastern District of Louisiana before the Honorable Carl J. Barbier (the "Court"). Eventually, hundreds of cases with thousands of individual claimants were consolidated with this MDL No. 2179.

WHEREAS, Triton Asset Leasing GmbH, Transocean Holdings LLC, Transocean Offshore Deepwater Drilling Inc., and Transocean Deepwater Inc. ("Transocean") filed a limitation of liability action concerning the loss of the DWH that was transferred to the Court.

WHEREAS, certain private plaintiffs and BP reached an amended class action settlement agreement on May 2, 2012 known as the *Deepwater Horizon* Economic and Property Damages Settlement ("DHEPDS") (MDL 2179, Rec. Doc. 6430). On December 21, 2012, the Court certified the "DHEPDS Class" pursuant to that settlement agreement. All appeals were exhausted, and the Court's approval of the DHEPDS and certification of the DHEPD Class is now a final judgment. The DHEPDS resolves certain claims against BP by private individuals and businesses for economic loss and property damage resulting from the DWH Incident. Under the settlement (as set forth in Exhibit 21 of the DHEPDS settlement agreement), BP assigned certain of its claims against Transocean to the DHEPDS Class, including claims relating to the repair, replacement, and/or redrilling of the Macondo well and the costs BP incurred to control the well and/or respond to and clean up the spill (the "Assigned Claims").

WHEREAS, from February to April 2013, the Court held the Phase One trial in connection with these actions, and on September 4, 2014 issued Findings of Fact and Conclusions of Law regarding Transocean's petition to limit liability and other claims tried in the Phase One trial.

WHEREAS, On September 2, 2014, Halliburton Energy Services Inc. reached a settlement with certain private plaintiffs (the "HESI Settlement") (MDL 2179, Rec. Doc. 13346).

WHEREAS, the Parties to this Term Sheet have reached a binding agreement ("TO Settlement"), subject to agreeing upon a Final Settlement Agreement and approval by the Court, to settle various claims arising from and relating to (i) the blowout of the MC252 Well; (ii) the explosions and fire on board the DWH on or about April 20, 2010; (iii) the sinking of the DWH on or about April 22, 2010; (iv) efforts to control the MC252 well; (v) the release of oil, other hydrocarbons and other substances from the MC252 Well and/or the DWH and its appurtenances; (vi) the efforts to contain the MC252 Well; (vii) Response Activities, including the VoO program; (viii) any damages to the MC252 Well, any reservoir, aquifer, geological formation, or underground strata related to the foregoing (collectively the "DWH Incident").

WHEREAS, the Parties have agreed that the TO Settlement will follow the same general structure as the HESI Settlement.

WHEREAS, the Parties agree to work in good faith to present to the Court all documents needed to implement this Term Sheet and to seek approval of the TO Settlement.

THEREFORE, for good and valuable consideration, the Parties agree as follows:

1. The Parties to the TO Settlement are:

A. Triton Asset Leasing GmbH, Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., and Transocean Holdings LLC ("Transocean");

B. The Plaintiffs Steering Committee in MDL 2179 ("PSC"), on behalf of members of a putative New Class; and

C. DHEPDS Class Counsel, on behalf of the DEHPDS Class as a juridical entity.

2. The Parties intend to settle the following claims:

A. All general maritime law claims for punitive damages, excluding claims for personal or bodily injury or death, resulting from or relating in any way to the DWH Incident; and

B. All Assigned Claims against Transocean as assigned to the DHEPDS class, as a juridical entity, pursuant to Exhibit 21 of the DHEPDS settlement.

3. Description of Settlement Classes:

A. The New Class will be defined to include individuals, business, and local government entities who have standing to sue for punitive damages under general maritime law (*Robins Dry Dock* and the commercial fishing exception), as set forth in section 3 of the HESI Settlement, and generally as set forth in section 4 of the HESI Settlement, subject to any amendments agreed upon by the Parties.

B. The DHEPDS Class, as approved.

4. Final Settlement Agreement:

A. The Parties agree to work in good faith to execute and file with the Court a Final Settlement Agreement within 30 days of the signing of this Term Sheet. The Parties agree that the Final Settlement Agreement shall follow the same general structure as the HESI Settlement.

5. Settlement Amount and Common Benefit Fees:

A. The Parties have agreed to an aggregate settlement in the amount of $211,750,000 ("Aggregate Payment") to be allocated between the New Class and DHEPDS Class as set forth below. The settlement is capped, and the Aggregate Payment includes (i) all payments to class members and (ii) all administrative costs of the settlement, including the cost of providing notice of the settlement, the cost of all settlement administration, and the cost incurred by the PSC and Class Counsel in connection with the TO Settlement.

B. The Parties agree that within 60 days of the filing of the Final Settlement Agreement, they will take appropriate steps to set up a qualified settlement fund, and that the Aggregate Payment will be paid into a qualified settlement fund within 60 days of the filing of the Final Settlement Agreement. If the qualified settlement fund is not set up within 60 days, the Aggregate Payment will be paid into the qualified settlement fund within 7 days of the date the qualified settlement fund is set up.

C. After reaching agreement as to the Aggregate Payment, the Parties agreed that Transocean will not object to a petition for common benefit attorneys' fees as long as the fee petition seeks common benefit attorneys' fees not in excess of $25,000,000, which is in addition to the Aggregate Payment. The Parties acknowledge that Common Benefit fees will require approval by the court. Common Benefit fees, and common benefit costs, as approved by the court will be paid into a common benefit attorneys' fee and common benefit costs qualified settlement fund to be set up for such purpose on June 30, 2016, unless the Parties agree to a different payment date.

D. The TO Settlement does not include a reversionary interest to Transocean.

E. Nothing in this Term Sheet will prevent Transocean from seeking to recover the Aggregate Payment and common benefit attorney fees from its insurers.

6. Allocation, Notice, and Administration:

A. The Aggregate Payment will be allocated between the New Class and DHEPDS Class by a special master or U.S. magistrate judge appointed by the Court along the same terms as set forth in section 7 of the HESI Settlement.

B. The TO Settlement benefits shall be distributed to members of the New Class and DHEPDS Class through a Court-supervised claims program along the same terms as set forth in sections 8 and 9 of the HESI Settlement.

C. To conserve settlement and administration costs, the parties will attempt to execute the class action notice program and administer the settlement agreement jointly with the notice program and claims administration process established as part of the HESI Settlement.

7. Release of Transocean:

A. The Parties agree that the New Class and the DHEPDS Class will release and discharge claims as follows:

i. The New Class will release and forever discharge all claims for punitive damages against Transocean (including all parents and affiliates) consistent with the New Class Release set forth in Attachment A to the HESI Settlement.

ii. The DHEPDS Class will release and forever discharge all Assigned Claims against Transocean (including all parents and affiliates) consistent with the Assigned Claims Release set forth in Attachment B to the HESI Settlement.

8. Termination Rights and Conditions of Settlement:

A. Transocean shall have the right to terminate the Final Settlement Agreement if opt-outs exceed agreed-upon opt-out thresholds. The opt-out thresholds will be memorialized in a letter between the Parties and filed with the Court *in camera*.

B. The TO Settlement shall be conditioned upon Court orders approving the Final Settlement Agreement and certifying the New Class becoming final.

C. The Final Settlement Agreement will include conditions precedent along similar terms as set forth in sections 19 and 20 of the HESI Settlement, including that the court order approving the settlement (i) adopt that portion of the B-1 Order (Rec. Doc. 3830) dismissing state-law claims, but without adopting the portion of the B-1 Order finding that OPA does not displace maritime law and with the Parties reserving all their arguments with respect to OPA displacement of maritime law, and (ii) confirm BP's indemnity obligations to Transocean.

9. Other Conditions:

A. The PSC will not challenge the Court's findings in the Phase One Findings of Fact and Conclusions of Law that Transocean was not grossly negligent and that the indemnity and release clauses in Transocean's drilling contract with BP are valid and enforceable, contingent on the Parties executing the Final Settlement Agreement in advance of the due date of the PSC's Phase One appeal opening brief.

10. Authority to Enter This Term Sheet:

A. Pursuant to PTO 8 (Rec. Doc. No. 506), the PSC has explored settlement opportunities with Transocean and pursuant to such authority, with approval of the PSC, Co-Liaison Counsel have been given the authority by the PSC to execute this Term Sheet on behalf of the putative New Class.

B. DHEPDS Class Counsel on behalf of the DHEPDS Class represents and warrants that they have authority to enter into this Term Sheet on behalf of the DHEPDS Class. This Term Sheet has been duly and validly executed and delivered by DHEPDS Class Counsel, and constitutes a legal, valid and binding obligation of the DHEPDS Class, subject to Court approval.

C. Transocean represents and warrants that it has all requisite corporate power and authority to enter into this Term Sheet. This Term Sheet has been duly and validly executed and delivered by Transocean, and constitutes its legal, valid and binding obligation, subject to Court approval.

11. Execution of Agreement; Counterparts; Electronic Signatures:

A. This Term Sheet may be executed in multiple counterparts, including via individually signed and scanned portable document format ("PDF") copies, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same instrument, and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Parties; it being understood that all Parties need not sign the same counterparts.

B. The exchange of copies of this Term Sheet and of signature pages by electronic mail in PDF form shall constitute effective execution and delivery of this Agreement as to the Parties and may be used in lieu of the original Agreement for all purposes. Signatures of the Parties transmitted electronically via PDF shall be deemed to be their original signatures for all purposes.

Plaintiffs' Co-Liaison Counsel (for the PSC)

By: /s/ James Parkerson Roy

Name: James Parkerson Roy

By: /s/ Stephen J. Herman

Name: Stephen J. Herman

DHEPDS Co-Lead Class Counsel

By: /s/ James Parkerson Roy

Name: James Parkerson Roy

By: /s/ Stephen J. Herman

Name: Stephen J. Herman

Triton Asset Leasing GmbH, Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., and Transocean Holdings LLC

By: /s/ Lars Sjobring

Name: Lars Sjobring

Title: Senior Vice President and General Counsel

CONFIDENTIAL SETTLEMENT AGREEMENT, MUTUAL RELEASES AND AGREEMENT TO INDEMNIFY

This Confidential Settlement Agreement, Mutual Releases and Agreement to Indemnify ("Agreement") is entered into this 20th day of May 2015 (the "Effective Date"), by BP Exploration & Production Inc. and BP America Production Co. (collectively "BP") and Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH (collectively "Transocean"). Where applicable, BP and Transocean will be referred to collectively as the "Parties" and individually as a "Party."

For and in consideration of the mutual promises and releases set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties stipulate and agree as set forth herein below.

I. RECITALS AND ACKNOWLEDGEMENTS

1.1. BP and Transocean are parties in lawsuits in state and federal courts arising out of or related to the *Deepwater Horizon* Incident, including lawsuits that have been consolidated in the multidistrict litigation pending before Judge Carl J. Barbier in the United States District Court for the Eastern District of Louisiana ("MDL 2179"). BP and Transocean may also be sued, have Claims made against them, or be subject to investigation in future lawsuits, administrative or regulatory proceedings, or government investigations or prosecutions related to and arising out of the *Deepwater Horizon* Incident. The present and future Claims, administrative or regulatory proceedings, or investigations related to or arising out of the *Deepwater Horizon* Incident in which BP and Transocean are or become parties or are otherwise involved shall be referred to collectively and individually as "the Litigation."

1.2. Transocean acknowledges that the *Deepwater Horizon* Incident was the product of a complex series of events involving multiple parties and causes from which the entire industry can and should learn in order to improve safety in the drilling industry. Transocean further acknowledges that it made mistakes which were contributing causes of the *Deepwater Horizon* Incident.

1.3. BP and Transocean desire to resolve the disputes between them related to or arising out of the *Deepwater Horizon* Incident. BP and Transocean desire to resolve any and all disputes between them as to any alleged liability to the other related to or arising out of the *Deepwater Horizon* Incident, whether such disputes sound in contract, tort, statutory law, or any other law, to the extent provided herein.

1.4. BP and Transocean each have determined independently that it is in their best interests to reach a global settlement regarding the Litigation. This Agreement is not an admission of any liability by any Party regarding the *Deepwater Horizon* Incident. The Parties agree and acknowledge that this Agreement has been reached after arm's length negotiations, with each Party compromising its Claims and defenses for value that it considers to be fair and reasonable in view of the risks and costs associated with litigation.

II. DEFINITIONS

In addition to the terms defined elsewhere in the Agreement, the following terms shall be defined as follows for the purposes of this Agreement, including all of its exhibits:

2.1. The "BP Released Parties" shall mean BP and each of its past and present Affiliates (including BP plc and its subsidiaries and subsidiary undertakings (as those terms are defined in the U.K. Companies Act 2006)), and each of their respective business units, predecessors, and successors, and each of their respective agents, servants, representatives, officers, directors (or Persons performing similar functions), employees, attorneys and administrators, all and only in their capacities as such.

2.2. The "BP Releasing Parties" shall mean BP and each of its past and present Affiliates (including BP plc and its subsidiaries and subsidiary undertakings (as those terms are defined in the U.K. Companies Act 2006)), and each of their respective business units, predecessors, and successors.

2.3. The "Transocean Released Parties" shall mean Transocean Ltd. and each of its past and present Affiliates, and each of their respective business units, predecessors, and successors, and each of their respective agents, servants, representatives, officers, directors (or Persons performing similar functions), employees, attorneys and administrators, all and only in their capacities as such.

2.4. The "Transocean Releasing Parties" shall mean Transocean Ltd. and each of its past and present Affiliates, and each of their respective business units, predecessors, and successors.

2.5. "Claim" or "Claims" shall mean all past, present, and future claims, rights, causes of action, demands, lawsuits, damages, obligations, expenses, promises, liabilities, losses or costs of any kind, including tort claims, contract claims, warranty claims, indemnity claims, contribution claims, statutory claims, declaratory judgment actions, counterclaims, cross-claims, demands, and claims for all forms of damages or any other relief under any current or future local, state, federal, foreign, tribal, supranational or international law, whether known or unknown and whether brought directly, by subrogation, assignment or otherwise.

2.6. The "MC252 Well" shall refer to the exploratory well that was being drilled on and before April 20, 2010 in Block 252 of the Mississippi Canyon protraction area of the Gulf of Mexico, commonly called the Macondo Prospect.

2.7. The "*Deepwater Horizon* Incident" shall, for purposes of this Agreement, refer to the design, planning, preparation or drilling of the MC252 Well; the services contracted for or provided by Transocean, its Affiliates or by any other Person with respect to the MC252 Well, the *Deepwater Horizon* rig, and any appurtenances or drilling equipment on or attached to the rig, including the BOP and its associated controls equipment, whether deployed subsea or on the rig; the blowout and explosion on the *Deepwater Horizon* mobile offshore drilling unit or rig that occurred on April 20, 2010; the ensuing fire and loss of life, personal injury, and bodily injury; the sinking of the rig and the release of hydrocarbons and other pollutants from the MC252 Well site or the *Deepwater Horizon* rig; any damages to any reservoir, aquifer, geological formation or underground strata; the relief well efforts; the subsequent clean up and remediation efforts; and all other responsive actions taken in connection with the blowout of the MC252 Well.

2.8. The "Drilling Contract" shall refer to the Drilling Contract between BP America Production Co. and Transocean Holdings LLC, Contract No. 980249, dated December 9, 1998, as amended from time to time, identified as Trial Exhibit 4271 in MDL 2179.

2.9. "NRD Trustees" shall refer to any and all governmental entities, including tribal and foreign government entities, that possess or allege they possess claims for natural resource damages related to the *Deepwater Horizon* Incident under applicable law, including the Oil Pollution Act, 33 U.S.C. §§ 2701, *et seq*.

2.10. "Person" shall mean any individual, estate, bank, corporation, company, general or limited partnership, association, limited liability company, body corporate, business trust, unincorporated organization or similar organization or other entity, whether domestic or foreign, or any governmental entity.

2.11. "Affiliate" of a Person shall mean a Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the first Person. "Control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

2.12. "Transocean Insurers" shall mean any and all primary, umbrella, and excess insurers, subscribing insurers, and reinsurers that issued or subscribed to any insurance policy issued to a Transocean Releasing Party as the principal named insured that was in effect on April 20, 2010, that is potentially applicable to Claims involving the Transocean Released Parties relating to or arising out of the *Deepwater Horizon* Incident, as listed in Exhibit A to this Agreement (collectively, "Transocean Policies"), but only in such insurers', subscribing insurers', and reinsurers' respective capacities as insurers, subscribing insurers, or reinsurers of Transocean Released Parties under such Transocean Policies. Transocean represents and warrants that the Transocean Policies are all the insurance policies that provide insurance to the Transocean Released Parties that are potentially applicable to Claims relating to or arising out of the *Deepwater Horizon* Incident.

2.13. "Consenting Transocean Insurers" shall mean all of, and only, the specific Transocean Insurers identified as Consenting Transocean Insurers on Exhibit A to this Agreement, all of which insurers either (a) have expressly consented to this Agreement and waived any Claims, including any subrogation, contribution, and indemnification rights, relating to this Agreement or (b) are providing coverage under Transocean Policies where the Transocean Insurers have agreed in those policies to waive any right of subrogation, contribution, or indemnification against the BP Released Parties or Third Parties.

2.14. "Non-Consenting Transocean Insurers" shall mean all Transocean Insurers that are not Consenting Transocean Insurers.

2.15. "Transocean Contractors" shall mean ART Catering, Inc. and any other Person acting in relation to the MC252 Well as a contractor or subcontractor of Transocean or its Affiliates, and each of the past and present Affiliates of such contractors and subcontractors, and each of their respective business units, predecessors, and successors, and each of their respective agents, servants, representatives, officers, directors (or Persons performing similar functions), employees, attorneys and administrators, all and only in their capacities as such.

2.16. "Assigned Claims" shall have the meaning of the same term as defined in Exhibit 21 to the *Deepwater Horizon* Economic and Property Damages Settlement Agreement (MDL 2179, Rec. Doc. 6430).

2.17. "Third Party" shall mean any Person other than Transocean Released Parties or BP Released Parties.

2.18. The term "including" means "including without limitation" and the term "includes" means "includes without limitation."

2.19. The term "approval" means a written approval.

2.20. All figures denominated with "$" or "dollars" shall mean United States dollars.

III. CONTRIBUTION TO TRANSOCEAN LEGAL FEES

3.1. Within 45 days of the Effective Date, BP and/or its Affiliates shall pay in cash to Transocean, or one of Transocean's Affiliates nominated by Transocean, as a contribution toward the legal fees incurred to date by Transocean, the total sum of $125,000,000.00 (one hundred twenty five million dollars) in cash (the "Contribution to Transocean Legal Fees") by wire transfer of same day funds to one or more accounts designated by Transocean.

3.2. If the Contribution to Transocean Legal Fees is not timely made in full, then at Transocean's election this Agreement, including Articles IV and V, shall be null and void, and all or any part of the Contribution to Transocean Legal Fees in the possession, custody, or control of Transocean or any of its Affiliates shall be returned to BP. This Paragraph does not limit Transocean's remedies, and Transocean also may alternatively sue to enforce this Agreement and its promise of payment and other terms.

IV. RELEASES

4.1. In consideration of and for the promises identified herein, and subject to the agreements to provide indemnity set forth in Article V, the Parties make the following releases with respect to the *Deepwater Horizon* Incident:

(a) The BP Releasing Parties hereby release and forever discharge the Transocean Released Parties from, and covenant not to sue the Transocean Released Parties regarding, any and all past, present, or future Claims that the BP Releasing Parties have, ever had, or may have against the Transocean Released Parties, whether known or unknown, suspected or claimed, whether or not yet asserted or accrued, arising out of or related to the *Deepwater Horizon* Incident, including any and all Claims in the Litigation; provided that this release and discharge shall not apply to the Assigned Claims (the "BP Released Claims"). Without limitation, and for the avoidance of doubt, the BP Released Claims include all Claims predicated on negligence, gross negligence, recklessness, willful misconduct, breach of contract or breach of warranty, Claims for punitive or exemplary damages, Claims for attorneys' fees, costs, or expenses, Claims to recover payments made to the NRD Trustees or any other Person for natural resource damages resulting from the *Deepwater Horizon* Incident, cleanup, containment, or removal costs, economic losses or property damages; provided that the BP Released Claims shall not include the Assigned Claims. The BP Releasing Parties covenant not to assert or continue to assert any BP Released Claim.

(b) The Transocean Releasing Parties hereby release and forever discharge the BP Released Parties from, and covenant not to sue the BP Released Parties regarding, any and all past, present, or future Claims that the Transocean Releasing Parties have, ever had, or may have against the BP Released Parties, whether known or unknown, suspected or claimed, whether or not yet asserted or accrued, arising out of or related to the *Deepwater Horizon* Incident, including any and all Claims in the Litigation (the "Transocean Released Claims"). Without limitation, and for the avoidance of doubt, the Transocean Released Claims include all Claims predicated on negligence, gross negligence, recklessness, willful misconduct, breach of contract or breach of warranty, Claims for attorneys' fees, costs, or expenses, Claims for punitive or exemplary damages, Claims for the loss of the *Deepwater Horizon*, Claims for unpaid invoices related to the *Deepwater Horizon*, and Claims for or relating to compensation provided pursuant to a settlement with classes represented by one or more attorneys on the Plaintiffs' Steering Committee ("PSC"). The Transocean Releasing Parties covenant not to assert or continue to assert any Transocean Released Claim.

(c) The BP Releasing Parties covenant not to make any statement, including through expert testimony, in the Litigation or in public statements concerning the *Deepwater Horizon* Incident that the Transocean Released Parties were grossly negligent or reckless, or engaged in willful misconduct. For the avoidance of doubt, this covenant shall not prevent the BP Releasing Parties (i) from describing BP's conduct, (ii) from responding to any questions from a court, (iii) from responding to any party's description of BP's conduct, or (iv) from defending themselves against any claim or argument by any party that the BP Releasing Parties were grossly negligent, reckless, or engaged in willful misconduct. In doing so, BP may (i) challenge or defend the trial court's findings; and (ii) compare and contrast BP's conduct with respect to the *Deepwater Horizon* Incident with Transocean's conduct; but BP may not make any statement that the Transocean Released Parties were grossly negligent or reckless, or engaged in willful misconduct. It is expressly contemplated by the Parties to this Agreement that, by comparing and contrasting BP's conduct with Transocean's conduct, BP may describe factual allegations, evidence, or trial court fact findings from which Third Parties might argue that Transocean was grossly negligent, reckless or willful.

(d) The Transocean Releasing Parties covenant not to make any statement, including through expert testimony, in the Litigation or in public statements concerning the *Deepwater Horizon* Incident that the BP Released Parties were grossly negligent or reckless, or engaged in willful misconduct. For the avoidance of doubt, this covenant shall not prevent the Transocean Releasing Parties (i) from describing Transocean's conduct, (ii) from responding to any questions from a court, (iii) from responding to any party's description of Transocean's conduct, or (iv) from defending themselves against any claim or argument by any party that the Transocean Releasing Parties were grossly negligent, reckless, or engaged in willful misconduct. In doing so, Transocean may (i) defend the trial court's findings that Transocean's conduct and the conduct of its employees did not rise to the level of gross negligence, recklessness, or willful misconduct; and (ii) compare and contrast Transocean's conduct with respect to the *Deepwater Horizon* Incident with BP's conduct; but Transocean may not make any statement that the BP Released Parties were grossly negligent or reckless, or engaged in willful misconduct. It is expressly contemplated by the Parties to this Agreement that, by comparing and contrasting Transocean's conduct with BP's conduct, Transocean may describe factual allegations, evidence, or trial court fact findings from which Third Parties might argue that BP was grossly negligent, reckless or willful.

(e) The Parties agree that within 21 days of the Effective Date, BP and Transocean will take all reasonable steps to withdraw all complaints, Claims, or notices in the Litigation issued or filed by them against the Transocean Released Parties and BP Released Parties, respectively.

4.2. BP, on behalf of the BP Releasing Parties and their insurers, reinsurers, indemnitors, subrogees, and assignees, waives, releases, forever discharges, and covenants not to sue regarding any and all Claims, including any subrogation, contribution and indemnification rights, against the Transocean Released Parties for the BP Released Claims.

4.3. Transocean, on behalf of (i) itself, (ii) the Transocean Releasing Parties, (iii) indemnitors, subrogees, and assignees of the Transocean Releasing Parties, (iv) the Consenting Transocean Insurers, and (v) any and all insurers, reinsurers, indemnitors, subrogees, or assignees of the Consenting Transocean Insurers, waives, releases, forever discharges, and covenants not to sue regarding any and all Claims, including any subrogation, contribution, and indemnification rights against the BP Released Parties for the Transocean Released Claims. Transocean represents and warrants that it is authorized by the Consenting Transocean Insurers to enter into the release and waiver in this paragraph on their behalf or that it has previously obtained a waiver of any right of subrogation, contribution, or indemnification in the Transocean Policies issued by the Consenting Insurers. For the Consenting Transocean Insurers described in 2.13(b), this Agreement recognizes that such insurers are defined as Consenting Transocean Insurers because they have previously waived, in their Transocean Policies, any right of subrogation, contribution, or indemnification against the BP Released Parties for the Transocean Released Claims.

4.4. Transocean, on behalf of (i) itself, (ii) the Transocean Releasing Parties, (iii) indemnitors, subrogees, and assignees of the Transocean Releasing Parties, (iv) the Consenting Transocean Insurers, and (v) any and all insurers, reinsurers, indemnitors, subrogees, or assignees of the Consenting Transocean Insurers, agrees not to pursue, demand, litigate, or otherwise seek to recover on any and all Claims, including any subrogation, contribution, and indemnification rights, against any Third Party, arising out of or related to the *Deepwater Horizon* Incident; provided that the scope of this paragraph does not include any rights to insurance coverage that the Transocean Releasing Parties may have under the Transocean Policies. To the extent any (i) Transocean Releasing Parties, (ii) indemnitors, subrogees, and assignees of the Transocean Releasing Parties, (iii) the Consenting Transocean Insurers, or (iv) any and all insurers, reinsurers, indemnitors, subrogees, or assignees of the Consenting Transocean Insurers, currently are pursuing, demanding, litigating, or otherwise seeking Claims arising out of or related to the *Deepwater Horizon* Incident against any Third Party, Transocean agrees and covenants to cause such Claims against Third Parties to be dismissed with prejudice within 21 days after the Effective Date. Transocean represents and warrants that it is authorized by the Consenting Transocean Insurers to enter into this paragraph on their behalf or that it has previously obtained a waiver of any right of subrogation, contribution, or indemnification in the Transocean Policies issued by the Consenting Insurers. For the Consenting Transocean Insurers described in 2.13(b), this Agreement recognizes that such insurers are defined as Consenting Transocean Insurers because they have previously waived, in their Transocean Policies, any right of subrogation, contribution, or indemnification against any Third Party arising out of or related to the *Deepwater Horizon* Incident. Without limiting the remedies for any portion of this Agreement, the Parties agree that the BP Released Parties may enforce specific performance of this Paragraph.

4.5. Transocean, on behalf of itself and the Transocean Releasing Parties, represents and warrants that in the event that any of them pursue any Claim against any Non-Consenting Transocean Insurer, or any and all insurers, reinsurers, indemnitors, subrogees, or assignees of any Non-Consenting Transocean Insurers ("Non-Consenting Transocean Insurer Group"), the Transocean Releasing Parties (a) shall only settle such Claim against any member of a Non-Consenting Transocean Insurer Group if the settlement includes an express waiver of any such Non-Consenting Transocean Insurer Group's rights of contribution, subrogation, indemnity, and rights to bring Claims arising under any other theory of recovery against the BP Released Parties or Third Parties; or (b) if such Claim against any member of a Non-Consenting Transocean Insurer Group does not settle, shall use their reasonable best efforts to litigate or arbitrate any such Claim so that any judgment, decision, or award expressly provides that any such Non-Consenting Transocean Insurer Group's right of contribution, subrogation, indemnity, and rights to bring Claims arising under any other theory of recovery against the BP Released Parties or Third Parties is extinguished; and (c) shall not seek enforcement of any favorable judgment, decision, or award without the consent of BP, which shall not be unreasonably withheld, with the understanding that the absence of the express waiver described in 4.5(b) shall be reasonable grounds for BP to withhold consent.

4.6. Notwithstanding paragraphs 4.1 through 4.5, the BP Released Parties and Transocean Released Parties may enforce their rights under this Agreement, including the rights set forth in Articles III and V.

V. INDEMNITIES

5.1. **BP's Indemnities To The Transocean Released Parties**. Subject to paragraphs 5.2 and 5.3, BP agrees to indemnify, but not to defend, the Transocean Released Parties for and against the following claims relating to or arising from the *Deepwater Horizon* Incident:

(a) Claims for compensatory damages, including (i) all damages to property of parties other than the Transocean Released Parties or Transocean Contractors; (ii) all economic losses of parties other than the Transocean Released Parties; (iii) all spill response, cleanup, and containment costs, including any and all spill response, cleanup, removal, and containment costs incurred before the Effective Date and spill response, cleanup, removal, and containment costs incurred after the Effective Date for oil or other contaminants originating in the MC252 Well, but not Assigned Claims or Claims asserted after the Effective Date for cleanup, removal, and containment costs of diesel, drilling fluids, or other contaminants originating on the *Deepwater Horizon*; (iv) all lost revenues or taxes of parties other than the Transocean Released Parties; and (v) all Claims by the NRD Trustees for any and all natural resource damages.

(b) Claims for personal injury (including bodily injury), illness, or death, except for such Claims brought by or on behalf of individuals within the definition of Transocean Released Parties or Transocean Contractors who were on board the *Deepwater Horizon* on April 20, 2010 or who incurred injuries, illness, or death during the course of performing their responsibilities for the Transocean Released Parties or Transocean Contractors in connection with work performed under the Drilling Contract.

5.2. **Transocean's Indemnities to the BP Released Parties**. Subject to paragraph 5.3, Transocean agrees to indemnify, but not to defend, the BP Released Parties for and against the following Claims relating to or arising from the *Deepwater Horizon* Incident:

(a) Claims for personal injury (including bodily injury), illness, or death, brought by or on behalf of individuals within the definition of Transocean Released Parties or Transocean Contractors who were on board the *Deepwater Horizon* on April 20, 2010 or who incurred injuries, illness, or death during the course of performing their responsibilities for the Transocean Released Parties or Transocean Contractors in connection with work performed under the Drilling Contract.

(b) Claims for damages to or losses of equipment and property belonging to the Transocean Released Parties or Transocean Contractors, including to the loss of the *Deepwater Horizon* and salvage or removal costs relating to the *Deepwater Horizon*.

(c) Claims asserted after the Effective Date for cleanup, removal, and containment costs of diesel, drilling fluids, or other contaminants originating on the *Deepwater Horizon*; provided this does not include cleanup, removal, and containment costs incurred after the Effective Date for oil or other contaminants originating in the MC252 Well.

5.3. **Limitation on Indemnities**.

(a) The indemnities set forth in paragraph 5.1 and 5.2 shall not apply to the following types of Claims:

(i) Claims relating to a plaintiff's purchase, sale, or ownership of shares or securities of any Transocean Released Party or BP Released Party, including derivative Claims brought by shareholders or members of a corporation or an unincorporated association, securities Claims, and shareholders' Claims.

(ii) Claims by pension plans, employee benefit plans, participants in pension plans or employee benefit plans, current, former, or potential employees acting in their capacity as such, and any other employee benefit or labor-related Claims, including Claims based on the Employee Retirement Income Security Act, 29 U.S.C. § 1001 *et seq.* ("ERISA") or the Fair Labor Standards Act, 29 U.S.C.A. § 201 *et seq*.

(iii) Claims by creditors seeking creditor remedies, including any claims that the consideration under this Agreement constitutes a preference or a fraudulent conveyance.

(iv) Claims under the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1961 *et seq.* ("RICO") or False Claims Act, 31 U.S.C. §§ 3729 *et seq.*, or comparable statutes under State law.

(v) Any civil, criminal or administrative fines, penalties, or sanctions, including any monies related to a plea agreement, a deferred or non-prosecution agreement, or a civil judgment or settlement that adjudicates or resolves a Claim for fines, penalties, or sanctions; provided that, for the avoidance of doubt, this limitation on indemnities shall not apply to injunctive relief for restoration of, or compensatory payments for restoration of or damages to, natural resources.

(vi) Any punitive, exemplary, multiple or other non-compensatory damages.

(vii) Any Claims by the Transocean Released Parties for lost profits, lost revenues, lost business opportunities, or business interruption, provided that for the avoidance of doubt this subparagraph is not intended to apply to Claims by individuals within the definition of Transocean Released Parties for Claims for lost profits, lost revenues, lost business opportunities, or business interruption that arise outside of the course of performing their responsibilities for Transocean.

(viii) Any Claims by the Transocean Releasing Parties for agreeing not to pursue, demand, litigate, or otherwise seek any and all Claims, including any subrogation, contribution, and indemnification rights, against any Third Party under paragraph 4.4.

(ix) Assigned Claims, including any monies or other consideration related to a settlement or other compromise of the Assigned Claims and Claims for or relating to compensation provided pursuant to a settlement with classes represented by one or more attorneys on the PSC.

(x) Claims by any Transocean Insurer relating to Claims under a Transocean Policy, and Claims by any and all insurers, reinsurers, indemnitors, subrogees, or assignees of any Transocean Released Party or Transocean Insurer. Transocean shall indemnify the BP Released Parties for such claims pursuant to paragraphs 5.6(c)-(e).

(xi) Claims by any Third Party seeking to recover all or any amount of costs incurred or payments made by the Third Party as a result of Covered Claims Against Third Parties (as defined in paragraph 5.6(d)). Transocean shall indemnify the BP Released Parties for such claims pursuant to paragraph 5.6(d)-(e).

(b) The indemnities set forth in paragraphs 5.1 and 5.2 of this Agreement shall not include the payment of any of the BP Released Parties' or Transocean Released Parties' attorneys' fees, costs, or expenses in the Litigation.

5.4. **BP's Rights And Responsibilities As Indemnitor**.

(a) In addition to any rights afforded by applicable law, BP as indemnitor shall have the following rights:

(i) The right, at its election, to conduct or control any settlement negotiations involving, or that are reasonably expected to involve, Claims under or pursuant to the indemnities in paragraph 5.1 of this Agreement. In the event BP exercises this right, BP shall be responsible for paying its own attorneys' fees and expenses and shall keep Transocean reasonably informed of the progress of any settlement negotiations.

(ii) The authority to approve any settlement involving Claims under or pursuant to the indemnities contained in paragraph 5.1 of this Agreement. BP's approval of any such settlement shall not be unreasonably withheld.

(b) For any payments for which the Transocean Released Parties seek indemnification, Transocean shall submit a written demand therefor accompanied by reasonable proof of a judgment, settlement, or other indemnifiable costs incurred or owed (for purposes of this paragraph, the "Indemnification Demand"). Unless otherwise agreed by the Parties, BP shall make any indemnification payments due to the Transocean Released Parties within thirty (30) business days of receiving a proper Indemnification Demand. In the event of an appeal of such a judgment, payment of the Indemnification Demand shall not be due until 30 days after the entry of, and shall be limited to the amount required to be paid in, a final, non-appealable judgment.

5.5. **Transocean's Responsibilities As Indemnitee**.

(a) In addition to any rights afforded by applicable law, Transocean, as the indemnitee, shall have the following responsibilities:

(i) Unless the Parties agree otherwise, the Transocean Released Parties, or Transocean on their behalf, shall use their reasonable best efforts to assume the defense in and defend any lawsuit or other proceeding involving, or that is reasonably expected to involve, Claims under or pursuant to the indemnities in paragraph 5.1 of this Agreement. As part of its obligation to use reasonable best efforts to assume the defense in and defend such lawsuit or other proceeding, Transocean shall appeal such judgments where there is a reasonable good faith basis to appeal. BP and/or its Affiliates shall be solely responsible for the securing, posting or payment of any bond or any obligation required in lieu of payment pending the resolution of such appeal or for other costs of perfecting the appeal. The Parties may in the future agree, however, that BP will assume the defense of some or all of the Claims in any such lawsuit or other proceeding. If the Parties agree that BP will assume some or all of the defense of any such lawsuit or other proceeding, then BP shall be responsible for paying its own attorneys' fees and litigation costs for the Claims for which it has assumed the defense. For any lawsuit or other proceeding for which BP has assumed the defense of Transocean under this paragraph, BP shall keep Transocean reasonably informed of the progress of the litigation, and Transocean shall have the right to reasonably monitor the litigation, in which case Transocean shall be responsible for paying its own attorneys' fees and litigation costs.

(ii) To promptly notify BP in writing and in reasonable detail of any Claim that arises after the execution of this Agreement that may be covered by the indemnities contained in paragraph 5.1 of this Agreement.

(iii) To keep BP reasonably informed and to reasonably consult BP with respect to the progress of any Claim, or any settlement negotiations that any Transocean Released Party is responsible for relating to a Claim, covered by any of the indemnities contained in paragraph 5.1 of this Agreement.

5.6. **Transocean's Rights And Responsibilities As Indemnitor**.

(a) In addition to any rights afforded by applicable law, Transocean as indemnitor shall have the following rights:

(i) The right, at its election, to conduct or control any settlement negotiations involving, or that are reasonably expected to involve, Claims under or pursuant to the indemnities in paragraph 5.2 of this Agreement. In the event Transocean exercises this right, Transocean shall be responsible for paying its own attorneys' fees and expenses and shall keep BP reasonably informed of the progress of any settlement negotiations.

(ii) The authority to approve any settlement involving Claims under or pursuant to the indemnities contained in paragraph 5.2 of this Agreement. Transocean's approval of any such settlement shall not be unreasonably withheld.

(b) For any payments for which the BP Released Parties seek indemnification, BP shall submit a written demand therefor accompanied by reasonable proof of a judgment, settlement, or other indemnifiable costs incurred or owed (for purposes of this paragraph, the "Indemnification Demand"). Unless otherwise agreed by the Parties, Transocean shall make any indemnification payments due to the BP Released Parties within thirty (30) business days of receiving a proper Indemnification Demand. In the event of an appeal of such a judgment, payment of the Indemnification Demand shall not be due until 30 days after the entry of, and shall be limited to the amount required to be paid in, a final, non-appealable judgment.

(c) Transocean agrees to indemnify the BP Released Parties for and against any Claims of any kind or nature whatsoever arising out of or relating to the *Deepwater Horizon* Incident asserted against any of the BP Released Parties by or on behalf of (i) any Transocean Released Party, other than, for the avoidance of doubt, Claims for indemnification under paragraph 5.1 (as subject to paragraphs 5.2 and 5.3) against BP or Claims by individuals within the definition of Transocean Released Parties that arise outside of the course of performing their responsibilities for Transocean; (ii) any Transocean Insurer relating to Claims under a Transocean Policy; or (iii) any and all insurers, reinsurers, indemnitors, subrogees, or assignees of any Transocean Released Party or Transocean Insurer relating to Claims under a Transocean Policy. Without limitation, the indemnity in this paragraph includes any Claim made in breach of paragraph 4.3.

(d) In the event (i) any Transocean Releasing Party recovers or seeks to recover on any Claims arising out of or related to the *Deepwater Horizon* Incident against any Third Party (including any Transocean Contractor) or (ii) any Transocean Insurer, or any insurer, reinsurer, indemnitor, subrogee, or assignee of any Transocean Releasing Party or Transocean Insurer, recovers or seeks to recover against any Third Party (including any Transocean Contractor) on any Claims arising out of or related to the *Deepwater Horizon* Incident relating to any amounts paid or sought to be paid, directly or indirectly, to a Transocean Released Party (the claims described in (i) and (ii) are collectively defined as "Covered Claims Against Third Parties"), Transocean agrees to indemnify the BP Released Parties for and against any Claims asserted against any BP Released Party by or on behalf of any Third Party, seeking to recover from the BP Released Parties all or any amount of any costs (including attorney's fees and litigation expenses) incurred or payments made by a Third Party as a result of Covered Claims Against Third Parties. Without limitation, this indemnity includes any Claim made in breach of paragraphs 4.4 and 4.5.

(e) The indemnities described in paragraphs 5.6(c) and (d) shall include the payment of the BP Released Parties' costs, attorneys' fees, and expenses in any lawsuit or other proceeding on a current basis and throughout the pendency of any such Claim, subject in all respects to the BP Released Parties' rights to control the defense and settlement of any such Claim. This indemnity shall also include all costs that the BP Released Parties incur related to litigation between or among any Transocean Releasing Party, any Transocean Insurer, and any insurer, reinsurer, indemnitor, subrogee, or assignee of any Transocean Releasing Party or Transocean Insurer, including costs, attorneys' fees, and expenses incurred in responding to third party discovery. Unless otherwise agreed to by the Parties, the BP Released Parties shall retain and be represented by their own counsel in any matter to which the indemnities in paragraphs 5.6(c) and (d) may apply.

5.7. **BP's Responsibilities As Indemnitee**.

(a) In addition to any rights afforded by applicable law, BP, as the indemnitee, shall have the following responsibilities:

(i) Unless the Parties agree otherwise, the BP Released Parties, or BP on their behalf, shall use their reasonable best efforts to assume the defense in and defend any lawsuit or other proceeding involving, or that is reasonably expected to involve, Claims under or pursuant to the indemnities in paragraph 5.2 of this Agreement. As part of its obligation to use reasonable best efforts to assume the defense in and defend such lawsuit or other proceeding, BP shall appeal such judgments where there is a reasonable good faith basis to appeal. Transocean and/or its Affiliates shall be solely responsible for the securing, posting or payment of any bond or any obligation required in lieu of payment pending the resolution of such appeal or for other costs of perfecting the appeal. The Parties may in the future agree, however, that Transocean will assume the defense of some or all of the Claims in any such lawsuit or other proceeding. If the Parties agree that Transocean will assume some or all of the defense of any such lawsuit or other proceeding, then Transocean shall be responsible for paying its own attorneys' fees and litigation costs for the Claims for which it has assumed the defense. For any lawsuit or other proceeding for which Transocean has assumed the defense of BP under this paragraph, Transocean shall keep BP reasonably informed of the progress of the litigation, and BP shall have the right to reasonably monitor the litigation, in which case BP shall be responsible for paying its own attorneys' fees and litigation costs.

(ii) To promptly notify Transocean in writing and in reasonable detail of any Claim that arises after the execution of this Agreement that may be covered by the indemnities contained in paragraph 5.2 of this Agreement.

(iii) To keep Transocean reasonably informed and to reasonably consult Transocean with respect to the progress of any Claim, or any settlement negotiations that any BP Released Party is responsible for relating to a Claim covered by any of the indemnities contained in paragraph 5.2 of this Agreement.

5.8. **SUBJECT TO THE LIMITATIONS ON INDEMNITIES IN ARTICLE V, THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE INDEMNITIES AND RELEASES OF LIABILITY CONTAINED IN THIS AGREEMENT SHALL APPLY REGARDLESS OF WHETHER THE CLAIM OR LIABILITY IS PREDICATED ON THE SOLE, JOINT OR CONCURRENT FAULT, NEGLIGENCE, GROSS NEGLIGENCE, OR STRICT LIABILITY OF THE BP RELEASED PARTIES OR THE TRANSOCEAN RELEASED PARTIES, AND ACKNOWLEDGE THAT ARTICLE V (INDEMNITIES) COMPLIES WITH ANY REQUIREMENT THAT SUCH INDEMNITIES BE EXPRESS, CONSPICUOUS, AND AFFORD FAIR AND ADEQUATE NOTICE.**

VI. COOPERATION

6.1. BP and Transocean agree to cooperate, and shall each cause their respective Affiliates, personnel, employees, attorneys, agents and representatives to cooperate, in the Litigation, to the extent consistent with all applicable laws, including the following:

(a) Subject to and pursuant to whatever court or body of law has jurisdiction over this Agreement, the Parties agree to cooperate fully and truthfully in the defense of any and all Claims relating to the *Deepwater Horizon* Incident, including in the Litigation, where BP and/or Transocean or their respective Affiliates are parties. The Parties further agree that they will continue to present truthfully the evidence and facts in any litigation, arbitration, governmental or regulatory proceeding or other Claim arising out of or related to the *Deepwater Horizon* Incident. Nothing in this Agreement prevents or restricts in any way any Person from fully and truthfully cooperating with, or from truthfully and completely testifying before, any federal, state, local or foreign government entity, including any federal, state or local governmental, regulatory or self-regulatory agency, body, committee (Congressional or otherwise), commission, or authority (including any governmental department, division, agency, bureau, office, branch, court, arbitrator, commission, tribunal, or other governmental instrumentality) ("Governmental Entity"), with respect to any investigation or inquiry concerning the *Deepwater Horizon* Incident. Further, subject to paragraphs 4.1(c)-(d), nothing in this Agreement limits any Party's ability to assert any and all matters of law or fact as a defense (and solely as a defense) to any Claim brought against it.

(b) The Parties agree, to the extent practicable, consistent with applicable laws, and subject to any confidentiality limitations or restrictions, and also subject to attorney-client or other legal privilege, and further recognizing that some individuals are represented by independent counsel, to provide each other, upon request from their respective counsel, with reasonable and direct access to their respective documents, business records and all physical evidence, samples, and additives in their possession, custody or control.

VII. CONFIDENTIALITY

7.1. Subject to paragraphs 7.2 and 7.3, the Parties and their respective attorneys agree to keep the terms and conditions of this Agreement confidential and shall not disclose this Agreement to any other Person. Nothing in this paragraph shall preclude disclosure of this Agreement before or after the date of this Agreement: (i) to the Parties' employees, parents, or Affiliates who agree to keep the information confidential; (ii) to the Parties' attorneys who agree to keep the information confidential; (iii) to the Parties' accountants, tax preparers, advisors, insurers, debt rating agencies or auditors for limited and legitimate purposes or to conduct financial affairs and who agree to keep the information confidential; (iv) as necessary to preserve or assert the Parties' rights under this Agreement; or (v) as required by law, regulation, stock exchange rule, subpoena and/or a court order or arbitral award, including disclosures to the extent necessary to obtain a required court approval of a settlement with another party in the Litigation. Each Party reserves the right to file or have its Affiliates file this Agreement as an exhibit to filings with the Securities and Exchange Commission or as an exhibit to filings required by foreign law or regulation if that Party or its Affiliates determine, in their sole discretion, that such filing is required by the regulations of the Securities and Exchange Commission or by foreign law or regulation, or is necessary to make any registration statement filed with the Securities and Exchange Commission or filed under foreign law or regulation effective or otherwise continue its effectiveness.

7.2. If any Party is served with a subpoena or other form of discovery request that would call for disclosure of this Agreement, it shall, to the extent permissible, give a copy of that notice to the other Party and cooperate with the other Party to permit the other Party a reasonable period to evaluate and object to such process or to seek confidential treatment of any information required to be disclosed.

7.3. Notwithstanding paragraph 7.1, the fact that BP and Transocean have reached a settlement on issues related to the *Deepwater Horizon* Incident shall not be confidential and may be publicly disclosed. The form, content, and timing of any press release relating to this settlement shall be subject to mutual agreement of the Parties, which shall not be unreasonably withheld.

VIII. MISCELLANEOUS PROVISION

8.1. **Notice**. Notice to BP pursuant to this Agreement shall be sent by electronic mail, certified mail or overnight delivery to:

John E. (Jack) Lynch Jr.
Deputy Group General Counsel Chief Counsel Gulf Coast Restoration U.S. General Counsel
BP America Inc.
501 WestLake Park Boulevard
Houston, TX 77079
Tel: (281) 366-1500
Fax: (713) 375-2808
E-mail: john.lynch@uk.bp.com

and

James J. Neath
Associate General Counsel
BP America Inc.
501 Westlake Park Boulevard
Houston, TX 77079
Tel: (281) 366-5815
Fax: (281) 366-5901
E-mail: James.Neath@bp.com

Notice to Transocean pursuant to this Agreement shall be sent by electronic mail, certified mail or overnight delivery to:

Lars Sjöbring
Senior Vice President and General Counsel
Transocean Ltd.
Chemin de Blandonnet 10
1214 Vernier
Switzerland
Tel: 41 22 930 90 37
E-mail: Lars.Sjöbring@deepwater.com

and

David Schwab
Senior Associate General Counsel
Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, TX 77046
Tel: (713) 232-8128
E-mail: David.Schwab@deepwater.com

8.2. **Insurance Dispute**.

(a) BP, on behalf of the BP Releasing Parties, for purposes of this Litigation only and without prejudicing BP's or the BP Releasing Parties' arguments in any unrelated disputes, agrees to abide by and not further challenge the Order and Reasons and Rule 54(b) Partial Final Judgment of the District Court in Civil Actions Nos. 11-274 and 11-275 (E.D. La.), centralized in MDL 2179, dated November 15, 2011 (Rec. Doc. 4588) and March 1, 2012 (Rec Doc. 5938), respectively, and the decision of the Texas Supreme Court in *In re Deepwater Horizon*, No. 13-0670, delivered February 13, 2015, regarding the status, scope and extent of coverage of BP and its Affiliates as insureds or additional insureds under the Transocean Policies that are the subject of those orders and opinions. BP, on behalf of the BP Releasing Parties and their insurers, reinsurers, indemnitors, subrogees, and assignees, waives, releases, forever discharges, and covenants not to sue regarding the status, scope and extent of coverage of BP and its Affiliates as insureds or additional insureds under the Transocean Policies, as set forth in Exhibit A. Within 21 days of the Effective Date, BP will withdraw its motion for rehearing in the Texas Supreme Court in *In re Deepwater Horizon*, No. 13-0670, and the Parties will jointly move the United States Court of Appeals for the Fifth Circuit to dismiss with prejudice the appeal *In re Deepwater Horizon*, No. 12-30230, with each Party to bear its own costs on appeal.

(b) BP further agrees (i) to accept as final and binding the present and future rulings of the magistrate judge in Civil Action Nos. 11-01439, 11-01440, and No. 12-1978 (E.D. La.) with respect to personal injury settlements and insurance reimbursement thereof arising from the *Deepwater Horizon* Incident, and (ii) to forever waive and release any claim against the Transocean Released Parties, Transocean Contractors, and Transocean Insurers for any settlement amounts requested by BP but not awarded by the magistrate judge in the above-identified actions.

(c) The United States District Court for the Eastern District of Louisiana has already entered a final judgment dismissing Civil Action Nos. 11-01439 and 11-01440 with prejudice (Rec. Doc. 14426). BP and Transocean, on behalf of themselves and the Consenting Transocean Insurers, further agree to jointly move the United States District Court for the Eastern District of Louisiana to dismiss Civil Action Nos. 12-1978, 13-00282, and 13-00283, without prejudice to Transocean's rights to claim further under the insurance policies that are the subject of these civil actions and with each party to bear its own costs.

(d) Nothing in this Section 8.2 shall affect Transocean's obligations under Articles IV and V with respect to personal injury settlements or the insurance reimbursement thereof.

(e) The Parties agree that the resolution of the insurance dispute is in their mutual best interests in connection with the overall purposes of this Agreement and that BP has not received any specific value, in the form of non-cash consideration or otherwise, for agreeing to Sections 8.2(a)-(c).

(f) Except for the Transocean Policies, this Agreement is not intended to, and shall not, prejudice any rights to insurance coverage that the BP Releasing Parties may have had as of the Effective Date or may have in the future under any insurance or reinsurance policy that may apply to the *Deepwater Horizon* Incident or any other Claim or loss; provided that such other insurance policies do not give rise to any subrogation, indemnification, or contribution claims against the Transocean Released Parties or the Transocean Insurers relating to the *Deepwater Horizon* Incident.

8.3. **Unknown Facts**. The Parties acknowledge that they may hereafter discover facts different from or in addition to those that they now know to be or believe to be true with respect to the Claims being made in the Litigation and agree that this Agreement and the releases and indemnities contained herein shall be and remain effective in all respects, notwithstanding such different or additional facts and subsequent discovery thereof.

8.4. **Representations And Warranties**.

(a) Each Party represents and warrants that: (i) it is a corporation or limited liability company, as the case may be, duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation or formation; (ii) it has all requisite corporate or limited liability company, as the case may be, power and authority to enter into this Agreement; (iii) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate or limited liability company action, does not violate any applicable law or regulation to which either Party is subject, and does not conflict with, or result in a breach of, any provision of the organizational documents of such Party; (iv) this Agreement has been duly executed and delivered by such Party and constitutes a valid and binding agreement of such Party, enforceable in accordance with its terms; and (v) it has not assigned, transferred, or conveyed, or purported to have assigned, transferred or conveyed, to any Person or entity any property, interest, claim, demand, debt, liability, account, obligation, or cause of action herein transferred, released or assigned.

(b) BP represents and warrants that it is authorized to act on behalf of the BP Releasing Parties in all respects pertinent to this Agreement.

(c) Transocean represents and warrants that it is authorized to act on behalf of the Transocean Releasing Parties in all respects pertinent to this Agreement.

(d) EXCEPT FOR THE EXPRESS WARRANTIES IN THIS AGREEMENT, EACH PARTY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED.

8.5. **Assignment; Binding On Successors And Assigns**. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by Transocean or BP without the prior written consent of the other Party. Any attempt to make an assignment hereunder without the approval of the other Party shall be null and void with no force or effect. No assignment by any Party without prior written consent of the other Party shall relieve such Party of any of its obligations hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the Parties, their respective successors, permitted assigns, predecessors, parents and Affiliates, and legal representatives.

8.6. **Taxes**. Each Party to this Agreement shall separately and independently bear responsibility to report any payment specified in this Agreement to the proper Governmental Entities, as necessary. The Parties acknowledge and agree that the amount of any payment specified in this Agreement shall not be reduced on account of any withholding tax. The Parties further acknowledge and agree that they each are relying upon their own counsel and/or tax advisors for any tax matters or advice.

8.7. **Construction**. This Agreement shall be interpreted as if jointly written by both Parties, and the rule of construction providing that any ambiguities are to be resolved against the drafting party shall not be used in interpreting this Agreement. Prior drafts of this Agreement may not be used to construe this Agreement. No term of this Agreement may be released, discharged, abandoned, changed, or modified except by a written instrument duly signed by an officer of each Party.

8.8. **Independent Investigation.** The Parties acknowledge, represent and warrant that, in entering this Agreement, each Party has made an independent investigation of the facts and is not relying upon any statements or representations, other than those contained herein, made by the other Party, its agents, employees, attorneys or representatives, and that no one, including any of the Parties' agents, employees, attorneys or representatives, has made any promise, representation or warranty relating to this Agreement, or offered any further consideration to enter into this Agreement, except as recited herein.

8.9. **Entire Agreement**. This Agreement contains the entire agreement between the Parties concerning the subject matter hereof and supersedes and cancels all previous agreements, negotiations, communications, and commitments, whether oral or in writing, with respect to the subject matter of this Agreement.

8.10. **Enforceability**. The illegality, invalidity or unenforceability of any other provision of this Agreement shall not operate to invalidate the whole Agreement and shall not affect the validity or enforceability of any other provisions of this Agreement.

8.11. **No Waiver of Privileges**. Nothing in this Agreement shall be deemed a waiver by BP or Transocean or any of their respective Affiliates of any privilege (including attorney-client-privilege) or protection (including the work product doctrine). Similarly, nothing in this Agreement shall require BP or Transocean or any of their respective Affiliates to violate the terms of any applicable joint defense agreement, confidentiality agreement or protective order.

8.12. **No Agency Or Joint Venture.** Nothing in this Agreement shall make BP or Transocean (or any of their respective past or present predecessors, successors, agents, servants, representatives, officers, directors, employees, stockholders, attorneys, administrators, or Affiliates) the fiduciary or agent of the other, nor will anything in this Agreement constitute a joint venture, agency, partnership or similar relationship.

8.13. **Dispute Resolution**. It is the intent of the Parties to use their respective commercially reasonable efforts to resolve expeditiously any dispute between them with respect to the matters covered by this Agreement that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, if there is a dispute about the Agreement either Party may deliver a notice (an "Escalation Notice") demanding an in-person meeting involving representatives of the Parties at a senior level of management (or if the Parties agree, of the appropriate business function or division within such entity). Any agenda, location or procedure for such discussions or negotiations between the Parties may be established by agreement of the Parties from time to time; provided, however, that the Parties shall use their commercially reasonable efforts to meet within twenty (20) days of the Escalation Notice. Following delivery of an Escalation Notice, the Parties shall undertake good faith, diligent efforts to negotiate a commercially reasonable resolution of the dispute. The Parties may, by mutual consent, retain a mediator to aid the Parties in their discussions and negotiations. Any opinion expressed by the mediator shall be strictly advisory and shall not be binding on the Parties, nor shall any opinion expressed by the mediator be admissible in any forum. The mediator may be chosen from a list of mediators selected by the Parties or by other agreement of the Parties. All third-party costs of the mediation shall be borne equally by the Parties involved in the matter, and each Party shall be responsible for its own expenses. Any dispute arising from or related to this agreement, if not otherwise resolved under this paragraph, shall be fully and finally resolved by binding arbitration in Houston, Texas, before a panel of three arbitrators, pursuant to the commercial arbitration rules of the American Arbitration Association in effect at the time a written demand for arbitration is first made. The award rendered by the arbitrators shall be final and binding, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction.

8.14. **Choice of Law**. The Parties agree that general maritime law shall control the construction, interpretation, enforcement or validity of this Agreement, without regard to any conflicts-of-law rules.

8.15. **No Third Party Beneficiaries**. This Agreement shall not confer any rights or remedies upon any entity other than BP and Transocean, except as expressly provided herein. Without limitation and for the avoidance of doubt, the Transocean Released Parties and BP Released Parties shall be entitled to the benefit of releases and indemnities as set forth herein, even if they are not signatories to this Agreement.

8.16. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall have the same force and effect as an original. The Parties hereto also agree that facsimile or email signatures are effective as original signatures.

8.17. **Headings.** The section captions contained in this Agreement are provided only as matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision, and shall not affect the construction, interpretation, performance or validity of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed in their representative corporate capacity by their duly authorized officers, as of the day and year first written above.

BP EXPLORATION & PRODUCTION INC.

By: /s/ Richard L. Morrison
Name: Richard L. Morrison
Title: President

BP AMERICA PRODUCTION CO.

By: /s/ Richard L. Morrison
Name: Richard L. Morrison
Title: Authorized Representative

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC., TRANSOCEAN DEEPWATER INC., TRANSOCEAN HOLDINGS LLC, AND TRITON ASSET LEASING GmbH

By: /s/ Lars Sjobring
Name: Lars Sjobring
Title: Senior Vice President and General Counsel

EXHIBIT A TO THE SETTLEMENT AGREEMENT BETWEEN TRANSOCEAN AND BP

CONSENTING TRANSOCEAN INSURERS (as defined in Settlement Agreement paragraph 2.13)			
Policy Type	**Policy Number**	**Limits**	**Underwriter Syndicate or Company Name**
Liability	RANGER340USPL.09-10	$50 M	Ranger Insurance Limited
	01481 09L 1563-01 14211	16.6650% of $150 M xs $50 M	National Union Fire Insurance Company of Pittsburgh, Pa. Navigators Insurance Company Infrassure Ltd.
	PE0902536	53.4190% of $150 M xs $50 M	Axis Specialty Europe Limited Berkley Insurance Company Houston Casualty Company Lloyd's Syndicate 2003 Lloyd's Syndicate 1084 Lloyd's Syndicate 4444 Lloyd's Syndicate 4020 Lloyd's Syndicate 1414 Lloyd's Syndicate 958 Lloyd's Syndicate 2007 Lloyd's Syndicate 2121 Lloyd's Syndicate 623 Lloyd's Syndicate 1183 Lloyd's Syndicate 2987 Lloyd's Syndicate 1919 Lloyd's Syndicate 2623
	PE0902632	29.9160% of $150 M xs $50 M	Lloyd's Syndicate 1036 Lloyd's Syndicate 2001 Lloyd's Syndicate 1225 Lloyd's Syndicate 510
	OMH 2628810-01 3H446313004 01482 09L 1563-02 ML100613/09 MLB-VIC-0008800-0 UM00018490EL09A MAR 5842496-04	100% of $150 M xs $200 M	Great American Insurance Co. of New York Liberty Mutual Insurance Company National Union Fire Insurance Company of Pittsburgh, Pa. Navigators Insurance Company New York Marine and General Insurance Company Valiant Insurance Company XL Specialty Insurance Company Zurich American Insurance Company

CONSENTING TRANSOCEAN INSURERS (as defined in Settlement Agreement paragraph 2.13)			
	OMH 2628836-00 MAXA60M0005073 01483 09L 1563-03 UM00013044EL09A MAR 5843392-01	38.7500% of $200 M xs $350M	Great American Insurance Co. of New York Max America Insurance Company National Union Fire Insurance Company of Pittsburgh, Pa. Navigators Insurance Company XL Specialty Insurance Company Zurich American Insurance Company
	PE0902635	61.2500% of $200 M xs $350 M	Lloyd's Syndicate 1036 Lloyd's Syndicate 3000 Lloyd's Syndicate 1183 Lloyd's Syndicate 1084 Lloyd's Syndicate 2001 Lloyd's Syndicate 2003 Lloyd's Syndicate 4472 Lloyd's Syndicate 4444 Lloyd's Syndicate 1225
	PE0902652	90.0000% of $200 M xs $550 M	Lloyd's Syndicate 1036 Lloyd's Syndicate 1209 Arch Insurance Company (Europe) Ltd. Lloyd's Syndicate 1919 Lloyd's Syndicate 4020 Lloyd's Syndicate 2468 Lloyd's Syndicate 4472 Lloyd's Syndicate 5000 Lloyd's Syndicate 2007 Lloyd's Syndicate 2987 Lloyd's Syndicate 1225
	PE0902744	10.0000% of $200 M xs $550 M	Lloyd's Syndicate 1221
Marine Package	PE0902090	5% Sections I-VI	Ace European Group Limited Lloyd's Syndicate 1036
Marine Package	PE0902536	83.675% Sections I-IV	Ace European Group Limited AXIS Specialty Europe Limited Lancashire Insurance Company (UK) Ltd. Torus Insurance (UK) Limited Berkley Insurance Company

CONSENTING TRANSOCEAN INSURERS (as defined in Settlement Agreement paragraph 2.13)			
			Lloyd's Syndicate 1036 Lloyd's Syndicate 2003 Lloyd's Syndicate 1209 Lloyd's Syndicate 1084 Lloyd's Syndicate 780 Lloyd's Syndicate 4444 Lloyd's Syndicate 4020 Lloyd's Syndicate 1414 Lloyd's Syndicate 958 Lloyd's Syndicate 2007 Lloyd's Syndicate 2121 Lloyd's Syndicate 2623/623 Lloyd's Syndicate 1183 Lloyd's Syndicate 457 Lloyd's Syndicate 1225 Lloyd's Syndicate 2987 Lloyd's Syndicate 1919 AIG UK Limited Houston Casualty Company
Marine Package	DR100048/09 HICPS2009AA03 OEP0021512-02 UM00019106EN09A 15861	11.325% Section I-IV	New York Marine and General Insurance Company Hudson Insurance Company (Odyssey Re) Arch Insurance Company XL Specialty Insurance Company Infrassure Ltd.
Oil Spill Financial Responsibility	PE0903289000	$104,281,600 Deepwater Horizon	Lloyd's Syndicate 1036 Lloyd's Syndicate 1183 Lloyd's Syndicate 2007 Lloyd's Syndicate 3000 Lloyd's Syndicate 2468 Lloyd's Syndicate 1414

NON-CONSENTING TRANSOCEAN INSURERS			
Liability	XLUMB-710368	$100 M p/o $250 M xs $750 M	XL Insurance (Bermuda) Ltd.
	RIG-1239/XS004	$100 M p/o $250 M xs $750 M	ACE Bermuda Insurance Ltd.
	BDA02-2009-0010	$25 M p/o $250 M xs	Torus Insurance (Bermuda) Limited

NON-CONSENTING TRANSOCEAN INSURERS			
		$750 M	
	RIG-060/CUBL004-09	$25 M p/o $250 M xs $750 M	Canopius Underwriting Bermuda Limited

Exhibit 10.7

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF LOUISIANA

IN RE: OIL SPILL by the OIL RIG "DEEPWATER HORIZON" in the GULF OF MEXICO, on APRIL 20, 2010	**§**	**MDL No. 2179**
	§	**SECTION: J**
	§	**HONORABLE JUDGE BARBIER**
	§	**MAGISTRATE JUDGE SHUSHAN**
Applies to: All Cases	**§**	
	§	
	§	
	§	
	§	

TRANSOCEAN PUNITIVE DAMAGES AND ASSIGNED CLAIMS
SETTLEMENT AGREEMENT

This Agreement, dated May 29, 2015, sets forth the terms and conditions agreed upon by the Parties for the settlement of this matter. The Parties intend for this Settlement Agreement to be deemed complete and fully enforceable as the final Settlement Agreement ("SA"). This SA is intended by the Parties to fully, finally, and forever settle and release the Released Claims against Transocean, released subject to the terms and conditions herein. The Parties recognize additional documents will be required in order to implement the SA. The Parties agree to work in good faith to present to the Court all documents needed to implement the SA and agree that, in the absence of agreement by the Parties with respect to such documents, the Court shall resolve disputes between the Parties consistent with the terms of this SA.

RECITALS

A. Triton Asset Leasing GmbH, Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., and Transocean Holdings LLC (further defined as "Transocean" in Section 1) are corporations organized under the laws of Delaware and Switzerland; Transocean is a provider of offshore drilling services to the energy industry.

B. Plaintiffs who are within the definition of the New Class in Section 4, and the "DHEPDS Class," defined in Section 5, (collectively "Plaintiffs") have alleged and/or been assigned certain claims alleged against Transocean relating to the *Deepwater Horizon* Incident defined in Section 5, including negligence, gross negligence, willful misconduct, strict liability, negligence per se, nuisance, trespass, economic loss, removal costs, and other claims.

C. Plaintiffs contend that they would prevail in litigation. Transocean disputes and denies the Plaintiffs' claims, has raised various affirmative, legal and other defenses, and contends that it would prevail in litigation.

D. After careful consideration, the DHEPDS Class, as a juridical entity, DHEPDS Class Counsel, and the PSC on behalf of members of the putative New Class have concluded that it is in the best interests of the DHEPDS Class and the members of the putative New Class to compromise and settle certain claims asserted against Transocean and other Transocean Released Parties, as defined in Section 5, in consideration of the terms and benefits of the SA. After arm's length negotiations with Transocean and Transocean's counsel, the DHEPDS Class, DHEPDS Class Counsel, and the PSC on behalf of the putative New Class, have considered, among other things: (1) the complexity, expense, and likely duration of the litigation; (2) the stage of the litigation and amount of discovery and testimony completed; (3) the potential for Plaintiffs or Transocean prevailing on the merits; (4) the range of possible recovery and certainty of damages; and (5) the existing rulings of the Court and have determined the SA is fair, reasonable, adequate and in the best interests of the DHEPDS Class and the members of the putative New Class.

E. After careful consideration, Transocean has concluded that it is in the best interests of Transocean and all Transocean Released Parties to compromise and settle certain claims asserted against them, in consideration of the terms and benefits of the SA. After arm's length negotiations with the DHEPDS Class, DHEPDS Class Counsel, and the PSC on behalf of the putative New Class, Transocean and Transocean's counsel have considered, among other things: (1) the complexity, expense, and likely duration of the litigation, including delays in litigation and the risk of reversal of trial court rulings on appeal; (2) the stage of the litigation and amount of discovery and testimony completed; (3) the burdens of litigation; (4) the potential for Transocean or Plaintiffs prevailing on the merits; and (5) the range of possible recovery and certainty of damages; and have determined the SA is fair, reasonable, adequate and in the best interests of Transocean and the Transocean Released Parties.

F. The Parties agree that this SA is subject to the terms and conditions herein.

NOW THEREFORE, it is agreed that the foregoing recitals are hereby expressly incorporated into this SA and made a part hereof and, further, that in consideration of the agreements, promises, representations and warranties set forth in this SA; the benefits, payments, and releases described in this SA; the entry by the Court of Final orders as described in Section 19; and such other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Released Claims shall be settled, compromised and resolved as between Transocean, the Transocean Released Parties, the DHEPDS Class, and the New Class under and subject to the following terms and conditions:

TERMS AND CONDITIONS

1. Parties.

The Parties to this SA are:

(a) Triton Asset Leasing GmbH, Transocean Holdings LLC, Transocean Deepwater Inc., and Transocean Offshore Deepwater Drilling Inc. ("Transocean");

(b) The Plaintiffs Steering Committee in MDL 2179 ("PSC"), on behalf of the members of a putative New Class, as defined in Section 4; and

(c) DHEPDS Class Counsel, on behalf of the DHEPDS Class, as defined in Section 5.

2. Actions and Claims.

This SA sets forth the terms and conditions agreed upon to settle and resolve:

(a) Punitive Damages Claims, as defined in Section 5, arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident that the New Class Members assert against Transocean. As referenced and subject to the conditions herein, the intent and purpose of this SA is that a putative class action (to be filed subsequent to execution of this SA), for settlement purposes only, asserting Punitive Damages Claims against Transocean on behalf of the New Class as defined in Section 4 (the "New Class Action") will be resolved by this SA, and certain Punitive Damages Claims made by and on behalf of the New Class Members against Transocean will be resolved and dismissed with prejudice in accordance with the terms of this SA.

(b) Assigned Claims, as defined in Section 5, that the DHEPDS Class asserts against Transocean. As referenced and subject to the conditions herein, the intent and purpose of this SA is that all Assigned Claims against Transocean will be resolved and dismissed with prejudice by and on behalf of the DHEPDS Class in accordance with the terms of this SA.

3. New *Deepwater Horizon* Punitive Damages Settlement Class ("New Class") Description.

It is the intent of the Parties to capture within the New Class definition all potential claimants who are not excluded from the New Class in accordance with Section 4(b) and who may have valid maritime law standing to make a Punitive Damages Claims under general maritime law against Transocean arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident. The Parties contemplate that the New Class definition may be adjusted upon agreement of and consistent with the intent of the Parties, with approval of the Court, based upon information made available to the Parties after execution of this SA.

4. New *Deepwater Horizon* Punitive Damages Settlement Class ("New Class") Definition.

(a) New Class Definition

(1) All Natural Persons, businesses, trusts, non-profits, or any other Entity who, anytime between April 20, 2010 through April 18, 2012, owned, leased, rented, or held any proprietary interest in Real Property (a) alleged to have been touched or physically damaged by oil, other hydrocarbons, or other substances from the MC252 Well or the Deepwater Horizon MODU and its appurtenances (including the riser and blowout preventer), (b) alleged to have been touched or physically damaged by substances used in connection with the *Deepwater Horizon* Incident, or (c) classified as having or having had the presence of oil thereupon in the database of the *Deepwater Horizon* Unified Command Shoreline Cleanup Assessment Team ("SCAT" database).

(2) All Natural Persons, businesses, trusts, non-profits, or any other Entity who, anytime between April 20, 2010 through April 18, 2012, owned, chartered, leased, rented, or held any proprietary interest in Personal Property located in Gulf Coast Areas or Identified Gulf Waters, alleged to have been touched or physically damaged by (a) oil, other hydrocarbons, or other substances from the MC252 Well or the Deepwater Horizon MODU and its appurtenances (including the riser and blowout preventer), or (b) substances used in connection with the *Deepwater Horizon* Incident.

(3) All Commercial Fishermen or Charterboat Operators who, anytime from April 20, 2009 through April 18, 2012, (a) owned, chartered, leased, rented, managed, operated, utilized or held any proprietary interest in commercial fishing or charter fishing Vessels that were Home Ported in or that landed Seafood in the Gulf Coast Areas, or (b) worked on or shared an interest in catch from Vessels that fished in Specified Gulf Waters and landed Seafood in the Gulf Coast Area.

(4) All Natural Persons who, anytime between April 20, 2009 through April 18, 2012, fished or hunted in the Identified Gulf Waters or Gulf Coast Areas to harvest, catch, barter, consume or trade natural resources including Seafood and game, in a traditional or customary manner, to sustain basic family dietary, economic security, shelter, tool, or clothing needs.

(b) New Class Exclusions. Excluded from the New Class are the following:

(1) Any New Class Member who timely and properly elects to opt out of the New Class under the procedures established by the Court;

(2) Defendants in MDL 2179;

(3) The Court, including any sitting judges on the United States District Court for the Eastern District of Louisiana, their law clerks serving during the pendency of MDL 2179, and any immediate family members of any such judge or law clerk;

(4) Governmental Organizations as defined in Section 5;

(5) Any Natural Person or Entity who or that made a claim to the GCCF, was paid, and executed a valid GCCF Release and Covenant Not to Sue, provided, however, that a GCCF Release and Covenant Not to Sue covering only Bodily Injury Claims shall not be the basis for exclusion of a Natural Person;

(6) BP Released Parties and individuals who were employees of BP Released Parties during the Class Period; and

(7) HESI and individuals who were employees of HESI during the Class Period.

(8) Transocean and individuals who are current employees of Transocean, or who were employees of Transocean during the Class Period;

This SA does not recognize or release any Bodily Injury Claims of any New Class Members.

5. Definitions.

For purposes of this SA, terms with initial capital letters have the meanings set forth below:

(a) Administrative Costs means all costs associated with the implementation and administration of the notice, allocation and claims processes contemplated by this SA, including without limitation, court approved compensation and costs of special masters, and/or Claims Administrator, including but not limited to its vendors, experts and legal counsel, if any, costs of the Notice Program(s), costs of implementing and administering the New Class claims process, costs of establishing the Settlement Fund, costs of distributing Settlement Benefits, costs associated with the establishment and operation of the Settlement Fund, including but not limited to the trustee, any directed trustee, and any paying agent, and including all Taxes on monies held in the Settlement Fund, and all other costs and compensation associated with the implementation and administration of this SA. Administrative Costs do not include costs Transocean incurs to analyze New Class Opt Out forms.

(b) Affiliate means, with respect to any Natural Person or Entity, any other Natural Person or Entity that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or has the power to control or be controlled by, or is under common control or common ownership with, such Natural Person or Entity.

(c) Allocation Neutral means the special master or U.S. Magistrate Judge appointed by the Court to allocate the Aggregate Payment described in Section 6 between the New Class and the DHEPDS Class subject to the terms and conditions set forth in this SA.

(d) Assigned Claims means all of the claims defined in Section 1.1.3 of Exhibit 21 to the DHEPDS, but does not include the "Retained Claims" defined in Section 1.1.4 of Exhibit 21 to the DHEPDS.

(e) Assignment means the assignment of claims made through Exhibit 21 to the DHEPDS.

(f) Bodily Injury Claims means claims for actual damages or Punitive Damages, including lost wages, for or resulting from personal injury, latent personal injury, future personal injury, progression of existing personal injury, disease, death, fear of disease or personal injury or death, mental or physical pain or suffering, or emotional or mental harm, anguish or loss of enjoyment of life, including any claim for mental health injury, arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident.

(g) BP means BP Exploration & Production Inc. and BP America Production Company.

(h) BP Released Parties means the Released Parties described in Section

10.3 of and Exhibit 20 to the DHEPDS.

(i) Charterboat Operators means owners, captains and deckhands of charter fishing vessels that carry passengers(s) for hire to engage in recreational fishing.

(j) Claims Administrator means the claims administrator appointed by the Court to oversee the Claims Program for the New Class.

(k) Claims Program means the Court-supervised claims program developed to distribute Settlement Benefits to the New Class as described in Section 8.

(l) Class Period means April 20, 2010 until April 18, 2012.

(m) Commercial Fisherman means a Natural Person or Entity that derives income from catching Seafood and selling Seafood, which shall include Vessel owners, boat captains, boat crew, boat hands, and others who are paid based on the quantity of Seafood lawfully caught while holding a commercial fishing license issued by the United States and/or the State(s) of Alabama, Florida, Louisiana, Mississippi and/or Texas, or otherwise engaged in lawful commercial fishing.

(n) Court means the United States District Court for the Eastern District of Louisiana, in In re: Oil Spill by the Oil Rig "*Deepwater Horizon*" in the Gulf of Mexico, on April 20, 2010, MDL No. 2179, Judge Carl Barbier, presiding.

(o) *Deepwater Horizon* Incident means the events, actions, inactions and omissions leading up to and including (i) the design, planning, preparation or drilling of the MC252 Well; the services contracted for or provided by Transocean, its Affiliates or by any other person with respect to the MC252 Well, the Deepwater Horizon Mobile Offshore Drilling Unit ("MODU") and its appurtenances (including the riser and blowout preventer); (ii) the blowout of the MC252 Well; (iii) the explosions and fire on board the *Deepwater Horizon* on or about April 20, 2010; (iv) the sinking of the *Deepwater Horizon* on or about April 22, 2010; (v) efforts to control the MC252 well; (vi) the release of oil, other hydrocarbons and other substances from the MC252 Well and/or the *Deepwater Horizon* rig and its appurtenances; (vii) the efforts to contain the MC252 Well; (viii) Response Activities, including the VoO program; (ix) any damages to the MC252 Well, any reservoir, aquifer, geological formation, or underground strata related to the foregoing; and (x) the subsequent clean up and remediation efforts and all other responsive actions taken in connection with the blowout of the MC252 Well.

(p) DHEPDS means the *Deepwater Horizon* Economic and Property Damages Settlement Agreement as Amended on May 2, 2012.

(q) DHEPDS Claims Administrator means the "Claims Administrator" defined in Section 38.21 of the DHEPDS.

(r) DHEPDS Class means the *Deepwater Horizon* Economic and Property Damages Settlement Class defined in the DHEPDS, preliminarily certified in May of 2012, and formally certified by the Court on December 21, 2012.

(s) DHEPDS Class Counsel means the DHEPDS Class Counsel appointed by the Court.

(t) DHEPDS Class Members means all such Natural Persons or Entities who are members of the DHEPDS Class and did not timely and properly opt out of the DHEPDS Class.

(u) DHEPDS Effective Date means the "Effective Date" of the DHEPDS as defined in Section 38.62 of the DHEPDS.

(v) DHEPDS Settlement Program means the *Deepwater Horizon* Court Supervised Settlement Program defined in Section 38.41 of the DHEPDS. Distribution Model means the distribution model developed by the Claims Administrator for the New Class and described in Section 8.

(w) Effective Date means the "Effective Date" of this SA, as described in Section 20.

(x) Entity means an organization, business, Local Government, or entity, other than a Governmental Organization, operating or having operated for profit or not-for-profit, including without limitation, a partnership, corporation, limited liability company, association, joint stock company, trust, joint venture or unincorporated association of any kind or description.

(y) Final, with respect to any order of the Court, means an order for which either of the following has occurred: (1) the day following the expiration of the deadline for appealing the entry of the order, if no appeal is filed, or (2) if an appeal of the order is filed, the date upon which all appellate courts with jurisdiction (including the United States Supreme Court by petition for writ of certiorari) affirm such order, or deny any such appeal or petition for writ of certiorari, such that no future appeal is possible.

(z) Finfish means fish other than shellfish and octopuses.

(aa) GCCF means the Gulf Coast Claims Facility.

(bb) GCCF Release and Covenant Not to Sue means the release executed in exchange for payment of a GCCF claim.

(cc) Governmental Organization means: (i) the government of the United States of America; (ii) the state governments of Texas, Louisiana, Mississippi, Alabama, and Florida (including any agency, branch, commission, department, unit, district or board of the state); and (iii) officers or agents of the U.S., states, and/or Indian tribes appointed as "Natural Resource Damages Trustees" pursuant to the Oil Pollution Act of 1990 as a result of the *Deepwater Horizon* Incident. Governmental Organization does not include any Local Government.

(dd) Gulf Coast Areas means the States of Louisiana, Mississippi, and Alabama; the counties of Chambers, Galveston, Jefferson and Orange in the State of Texas; and the counties of Bay, Calhoun, Charlotte, Citrus, Collier, Dixie, Escambia, Franklin, Gadsden, Gulf, Hernando, Hillsborough, Holmes, Jackson, Jefferson, Lee, Leon, Levy, Liberty, Manatee, Monroe, Okaloosa, Pasco, Pinellas, Santa Rosa, Sarasota, Taylor, Wakulla, Walton and Washington in the State of Florida, including all adjacent Gulf waters, bays, estuaries, straits, and other tidal or brackish waters within the States of Louisiana, Mississippi, Alabama or those described counties of Texas or Florida.

(ee) HESI means Halliburton Energy Services, Inc., and Halliburton Company, and all and any of their Affiliates.

(ff) HESI Settlement means the HESI Punitive Damages and Assigned Claims Settlement Agreement (Amended as of November 13, 2014) (Rec. Doc. No. 13646-1) as may be further amended from time to time.

(gg) Home Ported means the home port of a vessel as documented by a 2009 or 2010 government-issued vessel registration.

(hh) Identified Gulf Waters means the United States and state territorial waters of the Gulf of Mexico and all adjacent bays, estuaries, straits, and other tidal or brackish waters within the territory of the States of Louisiana, Mississippi, and Alabama and the Texas and Florida counties listed in the definition of Gulf Coast Areas, and which are shown on the map attached as Attachment D.

(ii) Local Government means a county, parish, municipality, city, town, or village (including any agency, branch, commission, department, unit, district or board of such Local Government).

(jj) MC252 Well means the exploratory well named "Macondo" that was drilled by the Transocean *Marianas* and *Deepwater Horizon* rigs in Mississippi Canyon, Block 252 on the outer continental shelf in the Gulf of Mexico.

(kk) Natural Person means a human being, and shall include the estate of a human being who died on or after April 20, 2010.

(ll) New Class means the New Class defined in Section 4.

New Class Counsel means the class counsel appointed by the Court to represent the New Class.

(mm)

(nn) New Class Members means all such Natural Persons or Entities who or that satisfy the requirements for membership in the New Class and do not timely and properly opt out of the New Class.

(oo) Notice Program means any and all notice to New Class Members or DHEPDS Class Members ordered by the Court in relation to this SA, including any reminder notices and termination notices.

(pp) Opt Outs means those Natural Persons and Entities included in the New Class Definition who timely and properly exercise their rights to opt out of the New Class and are therefore not members of the New Class.

(qq) Oyster Beds means oyster beds located in Identified Gulf Waters that were closed for fishing or harvesting by a federal, state, or local government authority due to or as a result of the *Deepwater Horizon* Incident, or oyster beds located in the Identified Gulf Waters that were touched by (i) oil, other hydrocarbons, or other substances from the MC252 Well or the Deepwater Horizon MODU and its appurtenances (including the riser and blowout preventer), or (ii) substances used in connection with the *Deepwater Horizon* Incident.

(rr) Personal Property means any form of tangible property that is not Real Property, including Vessels.

(ss) Property means Real Property and Personal Property.

(tt) Punitive Damages means any and all punitive, exemplary, or multiple damages and any and all costs or fees incurred or awarded in connection with asserting a claim for such damages. Punitive Damages do not include any claims for civil or criminal penalties or fines imposed by any governmental authority.

(uu) Punitive Damages Claims means any claim, counterclaim, cross-claim, demand, charge, dispute, controversy, action, cause of action, suit, proceeding, arbitration, alternative dispute resolution, inquiry, investigation or notice, whether of a civil, administrative, investigative, private or other nature, and whether pending, threatened, present or initiated in the future, and whether known or unknown, suspected or unsuspected, under any current or future local, state, federal, foreign, tribal, supranational or international law, regulation, equitable principle, contract or otherwise, for Punitive Damages whether brought directly, by subrogation, by assignment or otherwise.

(vv) Real Property means all real property adjacent to Identified Gulf Waters, including property below the surface of the water, Oyster Beds, and deeded docks.

(ww) Released Claims means the "New Class Released Claims" described in Section 10(a) and set forth in the New Class Release of Transocean attached as Attachment A, and the claims released by the DHEPDS Class, described in Section 10(b), and set forth in the Assigned Claims Release of Transocean attached as Attachment B. Released Claims do not include any "New Class Expressly Reserved Claims," in the New Class Release of Transocean attached as Attachment A, or any claims expressly reserved in the Assigned Claims Release of Transocean attached as Attachment B.

(xx) Response Activities means the clean-up, remediation efforts, and all other responsive actions (including the use and handling of dispersants) relating to the releases of oil, other hydrocarbons and other pollutants from the MC252 Well and/or the *Deepwater Horizon* and its appurtenances, and the *Deepwater Horizon* Incident.

(yy) Seafood means fish and shellfish, including shrimp, oysters, crab, menhaden, and Finfish, caught in the Specified Gulf Waters or Identified Gulf Waters.

(zz) Specified Gulf Waters means the United States and state territorial waters of the Gulf of Mexico where residents of Gulf Coast Areas are allowed to lawfully fish, under a United States or state-issued permit or otherwise, and all adjacent bays, estuaries, straits, and other tidal or brackish waters within the territory of the States of Louisiana, Mississippi, and Alabama and the Texas and Florida counties listed in the definition Gulf Coast Areas, and which are shown on the map attached as Attachment D.

(aaa) Taxes means all federal, state, local, and/or foreign taxes of any kind on any income earned by or with respect to the Settlement Fund, or any other funds associated with the settlement of this matter, including the expenses and costs of tax attorneys and accountants retained by New Class Counsel, DHEPDS Counsel or the escrow agent of the Settlement Fund.

(bbb) Transocean Affiliate means with respect to Transocean, any other Natural Person or Entity that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or has the power to control or be controlled by, or is under common control or common ownership with Transocean. Transocean Affiliate includes "Transocean Parties" as defined in Exhibit 21, Section 2.117, to the DHEPDS. Transocean Affiliate expressly does not include any Natural Person or Entity that is directly or indirectly controlled by or under common control or ownership by BP or HESI or any other party that is a defendant in MDL 2179 and was not a Transocean Affiliate prior to or as of the date of the SA.

(ccc) Transocean Released Parties means Transocean Ltd., Transocean Inc., Triton Asset Leasing GmbH, Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC and all of their parent and subsidiary companies, and any past, present and future Affiliates, and each of their respective business units, divisions, product service lines, predecessors, and successors, and each of their respective insurers, agents, servants, representatives, officers, directors (or Natural Persons performing similar functions), employees, attorneys and administrators, all and only in their capacities as such. Future Transocean Affiliates expressly does not include any Entity created by or resulting from a merger with a HESI Entity or a BP Entity, or acquisition of an ownership interest among any of the same.

(ddd) Vessel means every description of watercraft or other artificial contrivance used, or capable of being used, as a means of transportation on water

(eee) VoO means Vessels of Opportunity, the program through which BP, or its contractors, contracted with vessel owners to assist in *Deepwater Horizon* Incident Response Activities.

6. Settlement Benefits.

Subject to the terms and conditions set forth herein, Transocean shall provide the following "Settlement Benefits" in connection with the resolution of the New Class Action by the New Class and the resolution of the Assigned Claims against Transocean by the DHEPDS Class:

(a) Transocean shall make an Aggregate Payment of $211,750,000 (two hundred and eleven million, seven hundred and fifty thousand) U.S. dollars ("USD") (the "Aggregate Payment") to resolve both the alleged liability to the New Class for Punitive Damages Claims, if any, and the alleged liability to the DHEPDS Class for the Assigned Claims against Transocean under the DHEPDS. DHEPDS Class Counsel and the PSC have agreed to accept the Aggregate Payment from Transocean, subject to the terms and conditions set forth herein, including the allocation of the Aggregate Payment by the Allocation Neutral described below.

(b) All Administrative Costs shall be paid from the Aggregate Payment. Under no circumstances shall Transocean be liable for any Administrative Costs. At the request of the PSC or New Class Counsel, as applicable, and/or the DHEPDS Class Counsel, Transocean agrees to consult with them to explore methods to enhance the efficiency of the implementation and administration of the processes for the distribution of the Aggregate Payment amount pursuant to the provisions of the SA.

(c) Only as agreed to by the Parties in Section 23 of this SA, Transocean shall pay the reasonable common benefit costs and fees of the PSC, New Class Counsel, as applicable, and DHEPDS Class Counsel and/or other common benefit attorneys who have submitted time and/or costs in accordance with Pre-Trial Order No. 9, as may be approved by the Court. In no event shall Transocean be required to pay any common benefit costs or fees of the PSC, New Class Counsel, DHEPDS Class Counsel or any other common benefit attorneys, or any other person who claims a right to fees and costs, in excess of the amount agreed to by the Parties in Section 23 of this SA.

7. Allocation of Settlement Benefits by the Allocation Neutral.

(a) An Allocation Neutral shall be appointed by the Court, and such Allocation Neutral shall allocate the Aggregate Payment between the New Class and the DHEPDS Class with finality, subject to the terms of this SA and the Court's determination that the Allocation Neutral appropriately performed the assigned function. The Parties may not cancel or terminate the SA based on the Allocation Neutral's allocation. Transocean shall not have any responsibility or liability whatsoever for the allocation of the Aggregate Payment.

(b) The Allocation Neutral shall have the ability to communicate, *ex parte* or otherwise, with and obtain information from the Parties in furtherance of his/her assigned function. All communications between and among the Allocation Neutral and the Parties shall be treated and considered by the Parties as confidential, privileged and otherwise protected by Federal Rule of Evidence 408. The Parties shall request the Court to instruct the Allocation Neutral to treat and consider all such communications as confidential, privileged and otherwise protected by Federal Rule of Evidence 408.

(c) The Allocation Neutral may also communicate *ex parte* or otherwise, with nonparties to obtain information as he/she deems appropriate. The Parties shall treat and consider all communications between and among the Allocation Neutral and any nonparty as confidential, privileged and otherwise protected by Federal Rule of Evidence 408. The Parties shall request the Court to instruct the Allocation Neutral to treat and consider all such communications as confidential, privileged and otherwise protected by Federal Rule of Evidence 408.

(d) The Allocation Neutral's appointment shall terminate on the date that an order of the Court approving the allocation of the Aggregate Payment becomes Final.

(e) The Allocation Neutral shall file his/her final recommendation as soon as practicable or in a timeframe established by the Court.

(f) Use of Allocation Materials. The New Class, New Class Members, PSC, New Class Counsel, DHEPDS Class, DHEPDS Class Counsel, and Transocean, each agree, represent, and warrant that all documents and communications relating to the Allocation Neutral's development of the allocation shall (i) be kept confidential, subject to valid legal process; (ii) not be used by them for any purpose other than the allocation; and (iii) be inadmissible and not used in any litigation, arbitration, mediation, settlement

discussions, or other communications or procedures. Such confidential and protected documents and communications relating to the Allocation Neutral's development of the allocation shall include, but shall not be limited to, any and all material relating to the use of the DHEPDS Settlement Program to process claims of New Class Members or DHEPDS Class Members for purposes of allocating the Aggregate Payment or distributing Settlement Benefits. No calculation or conclusions generated during the allocation process shall be binding on any party, nor shall they be used in relation to the validity or amount of any claims for damages, loss, or injury arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident, whether asserted in litigation, arbitration, mediation, settlement discussions, or other communication or proceedings.

8. Distribution of Settlement Benefits.

(a) Establishment of a Court-Supervised Claims Program for the New Class. Subject to the terms and conditions herein, the PSC or New Class Counsel, as applicable, shall make arrangements to establish a Court-supervised claims program for the New Class. A Claims Administrator appointed by the Court shall develop a Distribution Model for the Court-supervised Claims Program. The Distribution Model may be included in the notice of this SA to the New Class under the Notice Program, or may be developed after Court approval of this SA and/or certification of the New Class, as the Court directs. The PSC or New Class Counsel, as applicable, will consult with Transocean on the Claims Program, including on issues such as periodic reporting to Transocean by the Claims Administrator of summary claims data and receipt of electronic copies of executed Individual Releases. Transocean shall be entitled to standard reports of claims data. If Transocean requests additional information, such as paper copies of Individual Releases, Transocean shall be responsible for the costs of generating such information. If any dispute with Transocean arises with respect to the Claims Program, the Court will resolve the matter consistently with the terms of this SA. The PSC or New Class

Counsel, as applicable, will recommend to the Court a person to serve as the Claims Administrator, subject to Court approval. In the absence of Transocean's agreement, the Court shall select the Claims Administrator. The Claims Program will treat all claims on a fair and transparent basis. The Claims Program for the New Class is intended to distribute funds remaining from the portion of the Aggregate Payment allocated to the New Class after relevant Administrative Costs have been paid. The plan for distribution of payments to the New Class recommended by the Claims Administrator may, at his/her discretion, include a standard to establish a claim for Real Property damage, a standard to establish a claim for Personal Property damage, including Vessel damage, a standard to establish a claim for commercial fishing loss, a standard to establish a claim for charter fishing loss, a standard to establish a claim for subsistence loss, and other standards as necessary to distribute the New Class Funds. Prior to distribution of any New Class Funds, the Effective Date must have occurred and the Distribution Model must be approved by a Final order of the Court. Transocean shall not have any responsibility or liability whatsoever for, the distribution or method of distribution of the Aggregate Payment.

(b) Distribution of Settlement Benefits for the DHEPDS Class. The occurrence of the Effective Date is a condition precedent to distribution of any funds to the DHEPDS Class. After the Effective Date, the portion of the Aggregate Payment allocated to the DHEPDS Class, minus any relevant previously-incurred Administrative Costs will be placed in a sub-fund of the Settlement Fund created for the DHEPDS Class subject to further order of the Court as described in Section 9.

(c) Administrative Costs. The Court will order disbursements of funds from the Aggregate Payment as needed to cover Administrative Costs. Funds may be disbursed to cover Administrative Costs beginning as soon as the payment described in Section 9(a)(ii) is made into the Settlement Fund described in Section 9.

(d) Timing of Distributions to New Class Members and DHEPDS Class. After the Effective Date, distributions of the New Class Funds shall occur as soon as practicable, or in a timeframe ordered by the Court, consistently with the terms and conditions of this SA. After the Effective Date, a Final order approving the Distribution Model for the New Class is a condition precedent to distribution of any funds to the New Class Members, but does not affect the timing of any distribution to the DHEPDS Class. After the Effective Date, any order with respect to distribution of funds allocated to the DHEPDS Class is not a condition precedent to and does not affect the timing of any distribution to the New Class.

(e) Appeal. In developing the Court Supervised Claims Program for the New Class, the Claims Administrator shall establish rules for appealing the determinations of the Claims Administrator to the Court. The Court's decision on any such appeal involving the amount of any payment to any individual claimant shall be final and binding, and there shall be no appeal to any other court including the U.S. Court of Appeals for the Fifth Circuit. The Parties expressly waive any right to further appeal of the Court's decision on any appeal referenced in this paragraph.

9. Administration and Funding of Settlement Benefits.

(a) Provision of Aggregate Payment. Transocean shall provide the Aggregate Payment as follows:

i. The Aggregate Payment shall be placed in an escrow account governed by a Court approved Escrow Agreement (the "Settlement Fund"). The Settlement Fund, including all accounts and subaccounts thereof, shall be treated as (i) a "qualified settlement fund" within the meaning of Treas. Reg. § 1.468B-1, et seq., and (ii) a qualified settlement fund or other analogous fund described in any other applicable local, state or foreign law (as described in (i) or (ii), a "QSF"). The escrow agent of the Settlement Fund shall be the administrator of the QSF pursuant to Treas. Reg. § 1.468B-2(k)(3) and any other applicable law. The Parties shall cooperate and take all steps necessary for establishing and treating the Settlement Fund as a QSF and, to the fullest extent permitted by applicable law, shall not take a position (nor permit an agent to take a position) in any filing or before any tax authority inconsistent with such treatment. The Parties agree to treat the Settlement Fund as a QSF from the earliest possible date, including through the making of a "relation back" election as described in Treas. Reg. § 1.468B-1(j)(2) with respect to the Settlement Fund and any analogous election under other applicable law.

ii. Transocean shall pay into the Settlement Fund the Aggregate Payment within 60 calendar days of the filing of this SA with the Court. If the Settlement Fund is not established within 60 days of the filing of this SA with the Court, Transocean shall pay the Aggregate Payment into the Settlement Fund within 7 days of the date on which the Settlement Fund is established.

iii. The PSC or New Class Counsel, as applicable, and DHEPDS Class Counsel, in consultation with Transocean, will recommend an escrow agent for appointment by the Court to maintain and oversee the Settlement Fund, and if any dispute with Transocean arises with respect to the appointment of the escrow agent, the Court will resolve the matter consistently with the terms of this SA. The PSC or New Class Counsel, as applicable, and DHEPDS Class Counsel, in consultation with Transocean, shall define the scope and responsibilities of the escrow agent of the Settlement Fund. If any dispute with Transocean arises with respect to the scope and responsibilities of the escrow agent, the Court will resolve the matter consistently with the terms of this SA.

iv. Except for approved Administrative Costs already disbursed from the Settlement Fund, the Aggregate Payment shall be held in the Settlement Fund (which includes sub-funds of the Settlement Fund established consistent with the terms and conditions of this SA and any applicable Court order). Upon the Effective Date, all income earned on money held in the Settlement Fund, net of Taxes, shall belong to the New Class and the DHEPDS Class, proportionally based on the allocation of the Aggregate Payment by the Allocation Neutral. The Aggregate Payment shall remain in the Settlement Fund until distribution, as provided in Section 9(b).

v. The Settlement Fund escrow agent shall invest any funds in the Settlement Fund in: (1) United States Treasuries: (2) United States government money market funds having a AAA/Aaa rating awarded by at least two of the three major rating agencies (Standard & Poor's, Moody's or Fitch); (3) Interest bearing deposits at federally insured depository institutions that are at all times rated A+/A1 or higher by Standard & Poor's and Moody's provided such depository institution rated A+/A1 or higher; or (4) as agreed by the Parties, and shall collect and reinvest all interest accrued thereon, except that any residual cash balances of less than $100,000.00 may be invested in money market mutual funds comprised exclusively of investments secured by the full faith and credit of the United States. In the event that the funds in the Settlement Fund are invested in United States Treasuries and the yield on the United States Treasuries is negative, in lieu of purchasing such Treasuries, all or any portion of the funds held by the Settlement Fund may be deposited in a non-interest bearing account in a federally insured depository institution, as described above. No risk related to the investment of the Aggregate Payment in the Settlement Fund shall be borne by Transocean. All Taxes arising with respect to income earned by the Settlement Fund shall be paid out of the Settlement Fund, and shall be timely paid by the Settlement Fund escrow agent. Any tax returns prepared for the Settlement Fund (as well as the election set forth therein) shall be consistent with its status as a QSF and in all events shall reflect that all Taxes (including any interest or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided herein.

vi. The Settlement Fund shall indemnify Transocean for all Taxes imposed on the income earned by or with respect to the Settlement Fund. Without limiting the foregoing, from the Settlement Fund, the Settlement Fund escrow agent shall reimburse Transocean for any such Taxes to the extent they are imposed on or paid by Transocean for a period during which the Settlement Fund does not qualify as a "qualified settlement fund."

vii. Transocean shall have no responsibility for or involvement in maintaining or investing the Aggregate Payment or the funds in the Settlement Fund or for the establishment or maintenance of the Settlement Fund, for the payment of Taxes, or for the distribution of the Settlement Fund or the administration of the SA.

(b) Consistent with Section 8 above, after the Effective Date and subject to further order of the Court, the escrow agent of the Settlement Fund will establish or cause to be established a sub-fund of the Settlement Fund to hold the funds allocated to the New Class and income earned on the funds, net of Taxes, allocated to the New Class (the "New Class Sub-Fund") and a sub-fund of the Settlement Fund to hold funds allocated to the DHEPDS Class and income earned on the funds, net of Taxes, allocated to the DHEPDS Class (the "DHEPDS Class Sub-Fund"), both of which shall form part of the Settlement Fund. All income earned on funds, net of Taxes, and held in the New Class Sub-Fund shall become part of the New Class Sub-Fund and belong to the New Class. All income earned on funds, net of Taxes, and held in the DHEPDS Class Sub-Fund shall become part of the DHEPDS Class Sub-Fund and belong to the DHEPDS Class. Subject to further order of the Court, after funds are placed in these sub-funds, any

remaining Administrative Costs related to the DHEPDS Class will be paid either from the DHEPDS Class Sub-Fund or as part of the claims administration of the DHEPDS as directed by the Court, and the remaining Administrative Costs related to implementation of this SA with respect to the New Class will be paid from the New Class Sub-Fund. After the Effective Date of this SA and the effective date of the HESI Settlement, the escrow agent of the Settlement Fund at the direction of the New Class Claims Administrator, may merge the New-Class Sub-Fund with the comparable new-class sub-fund created under the HESI Settlement and the escrow agent of the Settlement Fund at the direction of the DHEPDS Claims Administrator may merge the DHEPDS Sub-Fund with the comparable DHEPDS sub-fund created under the HESI Settlement. At the direction of the DHEPDS Claims Administrator, and by order of the Court, funds may be transferred from the DHEPDS Sub-Fund into the existing DHEPDS trust created through the DHEPDS Settlement Program for distribution to members of the DHEPDS Class.

10. Release of Claims.

(a) Release of Specified New Class Punitive Damages Claims. The New Class Members defined in Section 4 shall release and forever discharge, with prejudice, New Class Released Claims as defined in the New Class Release of Transocean (Attachment A to this SA) against the Transocean Released Parties upon the Effective Date of this SA.

(b) Release of Claims against Transocean by DHEPDS Class. The DHEPDS Class shall release and forever discharge, with prejudice, Assigned Claims against the Transocean Released Parties upon the Effective Date of this SA. These Assigned Claims are further defined as part of Exhibit 21 to the DHEPDS Agreement, and are intended to be all Assigned Claims against the Transocean Released Parties. The release of Assigned Claims against the Transocean Released Parties by the DHEPDS Class is not intended to be, and shall not operate as, a release of any individual claim of any DHEPDS Class Member except to the extent that any DHEPDS Class Member has asserted or attempts to assert an individual right to pursue any of the Assigned Claims, and does not in any way affect the "Expressly Reserved Claims" defined in Sections 3 and 38.67 of the DHPEDS, which continue to be expressly reserved to the DHEPDS Class Members. The DHEPDS Class, upon the Effective Date of this SA, shall release any claims against the Transocean Released Parties for acts or omissions of any Court-appointed neutral party in disbursement of Settlement Benefits under this SA, the Allocation Neutral, or the escrow agent of the Settlement Fund. The release of Assigned Claims against the Transocean Released Parties is not intended to and does not operate as a release of any Assigned Claims against HESI.

(c) Release. The "New Class Release of Transocean" and the "Assigned Claims Release of Transocean" set forth and describe in greater detail the Released Claims and are attached as Attachments A and B, respectively. In the event of a conflict between the New Class Release of Transocean or the Assigned Claims Release of Transocean and this Section 10, the New Class Release of Transocean or the Assigned Claims Release of Transocean, as the case may be, shall control.

(d) Individual Release. If a New Class Member submits one or more claims and qualifies for a payment under the terms of the SA then, prior to, and as a precondition to, receiving any payment on a claim, the New Class Member shall execute an "Individual Release" in the form attached as Attachment A-1. An Individual Release may not be signed by any form of electronic signature, but must be signed by a handwritten signature. An electronic signature is insufficient. If the HESI Settlement is amended such that the Individual Release described in section 10 and Exhibit A-1 of the HESI Settlement agreement is not required under the HESI Settlement or the requirements for the individual release in the HESI Settlement are altered, then the Parties agree to work to amend this SA such that the Individual Release described in this paragraph and attached as Exhibit A-1 to this SA shall not be required and the requirements for the individual release, if any, will be amended to reflect the requirements under the HESI Settlement.

11. Attachments.

Any attachments to this SA are incorporated by reference as if fully set forth herein.

12. Entire Agreement.

This SA, its attachments, and the confidential Opt Out thresholds filed with the Court *in camera*, contains the entire agreement between the Parties concerning the subject matter thereof and supersedes and cancels all previous agreements, negotiations, and commitments, whether oral or in writing, with respect to the subject matter of this SA. This SA may be amended from time to time only by written agreement of the Parties, subject to Court approval.

13. Additional Documentation.

The Parties recognize additional documents will be required in order to implement the SA, and agree to be bound by the terms set forth in the introductory paragraph of this SA with respect to such additional documentation. However, the Parties agree that this SA contains all of the essential terms necessary for a full, final, binding and enforceable Settlement Agreement between the Parties.

14. No Admission of Liability.

The PSC, New Class, New Class Members, DHEPDS Class, DHEPDS Class Members, DHEPDS Class Counsel, and Transocean agree that the negotiation and execution of this SA, or any payments made thereunder, are to compromise disputed claims and are not an admission of wrongdoing, non-compliance, or liability. Other than as expressly set forth in the Cooperation Guilty Plea Agreement of Transocean Deepwater Inc. in *United States v. Transocean Deepwater Inc.*, 13-CR-00001 (E.D. La.), Transocean denies all allegations of any wrongdoing, fault, non-compliance, liability; denies that it acted improperly in any way; and denies that it caused any damage or loss arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident. Regardless of whether the SA is approved in any form by the Court, not consummated for any reason, or otherwise terminated or canceled, this SA and all documents related to the SA (and all negotiations, discussions, statements, acts, or proceedings in connection therewith) shall not be:

(a) offered or received against any Party as evidence of, or construed as or deemed to be evidence of, any presumption, concession, or admission by any Party with respect to the truth of any fact alleged or the validity of any claim that was or could have been asserted against Transocean or any other Transocean Released Party arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident, or of any liability, negligence, recklessness, fault, or wrongdoing of Transocean or any other Transocean Released Party;

(b) offered or received against any Party as any evidence, presumption, concession, or admission with respect to any fault, misrepresentation, or omission with respect to any statement or written document approved or made by Transocean or any other Transocean Released Party;

(c) offered or received against any Party or as any evidence, presumption, concession, or admission with respect to any liability, negligence, recklessness, fault, or wrongdoing, or in any way referred to for any other reason as against Transocean or any other Transocean Released Party in any civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this SA; provided, however, that if this SA is approved by the Court, Transocean, the DHEPDS Class, the New Class, and any New Class Member may refer to it to effectuate the protections granted them hereunder or otherwise to enforce the terms of the SA; or

(d) construed against any Party as an admission, concession, or presumption that the consideration to be given hereunder represents the amount that could be or would have been recovered after trial.

15. Approval.

(a) The Parties agree to take all actions reasonably necessary for preliminary and final approval of the SA, and approval of the additional documents described in Section 13.

(b) The Parties agree to take all actions necessary to obtain final approval of this SA and entry of Final orders dismissing the New Class Action with prejudice and dismissing the Assigned Claims against Transocean with prejudice, and the Parties also agree to take all actions necessary and appropriate to obtain dismissal of all other lawsuits that are pending and/or may be filed against Transocean that assert Released Claims, but only to the extent of the Released Claims.

(c) Certification of the New Class is for settlement purposes only, and Transocean, the PSC, and New Class Counsel reserve all arguments for and against certification of a litigation class.

16. Cooperation.

(a) Transocean agrees to reasonably cooperate, and shall cause its respective Affiliates, personnel, employees, attorneys, agents and representatives to reasonably cooperate in seeking approval of this SA and satisfaction of all conditions precedent to the occurrence of the Effective Date of this SA, regardless of whether the Court enters an order that concludes that the facts and evidence under applicable law categorically do not give rise to any claims for Punitive Damages against Transocean. Nothing in this paragraph shall be construed to waive, restrict or limit Transocean's rights provided under this SA.

(b) Transocean agrees to a full and final release of and covenant not to sue the Halliburton Released Parties for any claims for contribution or indemnity for any amounts paid by Transocean as part of this Settlement.

(c) Nothing in this SA prevents or restricts in any way any person or party from fully and truthfully cooperating with any federal, state, local or foreign government entity, including any federal, state or local governmental, regulatory or self-regulatory agency, body, committee (Congressional or otherwise), commission, or authority (including any governmental department, division, agency, bureau, office, branch, court, arbitrator, commission, tribunal, *Deepwater Horizon* Task Force, or other governmental instrumentality) ("Governmental Entity"), with respect to any investigation or inquiry concerning or arising from the *Deepwater Horizon* Incident.

17. Communications with the Public.

Upon filing of this SA, the PSC or New Class Counsel, as applicable, DHEPDS Class Counsel, or Transocean may jointly or separately issue press releases announcing and describing this SA. The form, content, and timing of the press releases shall be subject to mutual agreement of DHEPDS Class Counsel, the PSC or New Class Counsel, as applicable, and Transocean, which shall not be unreasonably withheld by any Party; provided that Transocean shall, in its sole discretion, be entitled to include such information as required by law or regulation. Communications by or on behalf of the Parties and their respective counsel regarding this SA with the public and the media shall be made in good faith, shall be consistent with the Parties' agreement to take all actions reasonably necessary for preliminary and Final approval of this SA, and the information contained in such communications shall be consistent with the content of any notice under the Notice Program that may be approved by the Court in connection with the New Class, if the Notice Program has been established. Nothing herein is intended or shall be interpreted to inhibit or interfere with DHEPDS Class Counsel's ability to communicate with the Court, DHEPDS Class Members, or their respective counsel. Likewise, nothing herein is intended or shall be interpreted to inhibit or interfere with the PSC's or New Class Counsel's ability to communicate with the Court, Clients, New Class Members, potential New Class Members, or their respective counsel.

18. Notice of Proposed Class Action and SA.

(a) The Notice Program shall be as approved by the Court to meet all applicable Fed. R. Civ. P. 23 notice requirements; will include individual mailed notice where practicable; and will include a website and toll-free number.

(b) The PSC or New Class Counsel, as applicable, will consult with Transocean regarding the design and execution of the Notice Program with respect to the New Class (including, without limitation, issues such as claim deadlines, manner of notice to the New Class, and creation of Opt Out forms sufficient for Transocean to determine its rights under Section 22(a)). If any dispute arises between Transocean and the PSC or New Class Counsel with respect to the New Class Notice Program, the Court will resolve the matter consistently with the terms of this SA.

(c) To conserve settlement and Administrative Costs, the Parties agree, to the extent permissible by law, to execute the Notice Program and claims administration process under this SA in conjunction with the notice program and claims administration process established as part of the HESI Settlement. The Parties agree that this coordination may include a single class notice, a single Allocation Neutral, a single Claims Administrator, and a single Settlement Fund (or eventual consolidation of the Settlement Fund established under this agreement and the Settlement Fund established under the HESI Settlement) for this SA and the HESI Settlement. Nothing in this paragraph shall expand the defined roles of HESI and/or Transocean under the HESI Settlement or this SA with respect to notice and administration.

19. Final Orders Approving this SA and Dismissing the New Class Action and Assigned Claims with Prejudice.

Transocean, DHEPDS Class Counsel on behalf of the DHEPDS Class, and the PSC, or New Class Counsel, as applicable, on behalf of the members of the proposed New Class, will seek the following Final orders of the Court:

(a) With respect to the New Class, a Final order or Final orders that:

i. Confirm the class representatives of the New Class and appointment of New Class Counsel;

ii. Certify the New Class for settlement purposes only;

iii. Approve the SA, including approval of the allocation of the Aggregate Payment between the DHEPDS Class for the Assigned Claims and the New Class for the Punitive Damage Claims by the Allocation Neutral, as being fair, reasonable, and adequate;

iv. Incorporate the terms of this SA and provide that the Court retains continuing and exclusive jurisdiction over Transocean, the New Class Members, PSC, New Class Counsel, and this SA to interpret, implement, administer and enforce the SA in accordance with its terms;

v. Find that the New Class Notice Program satisfies the requirements set forth in Fed. R. Civ. P. 23(c)(2)(B);

vi. Permanently bar and enjoin the New Class and each New Class Member from commencing, asserting, and/or prosecuting any and all New Class Released Claims against any Transocean Released Party;

vii. Dismiss the New Class Action with prejudice;

viii. Dismiss with prejudice all of the New Class Released Claims asserted by the New Class against the Transocean Released Parties;

ix. Dismiss the lawsuits asserting New Class Released Claims, but only to the extent of the New Class Released Claims; and include a prohibition against commencement or prosecution of any actions alleging New Class Released Claims;

x. Adopt the interpretation as to the scope of *Robins Dry Dock* in the Court's Order and Reasons [As to Motions to Dismiss the B1 Master Complaint] (Rec. Doc. #3830, 2:10-md-2179) (the "B1 Order") by finding that the New Class as defined and described in sections 3 and 4 includes all potential claimants who have standing to bring claims under general maritime law as interpreted by *Robins Dry Dock v. Flint*, 275 U.S. 203 (1927), *State of Louisiana ex. rel. Guste v. M/V Testbank*, 752 F.2d 1019 (5th Cir. 1985), and their progeny, and adopt the portion B1 Order dismissing claims under state law, but not adopt the portion of the B1 Order addressing potential displacement of maritime law by the Oil Pollution Act, with the Parties reserving all of their arguments with respect to displacement of maritime law;

xi. Reaffirm that the terms of Exhibit 21 to the DHEPDS regarding protections against claims for compensatory damages against Transocean remain in effect with respect to the DHEPDS Class and DHEPDS Class Members;

xii. Find that the Transocean Release of BP that is Attachment C to this SA meets any obligations the DHEPDS Class may owe to BP under paragraph 1.1.2.5 of Exhibit 21 to the DHEPDS or any other obligation that the DHEPDS Class or DHPEDS Class Counsel owes BP under the DHEPDS with respect to this SA;

xiii. Acknowledge BP's consent to the language of the HESI Release of BP that is Attachment C to this SA or find that BP's withholding of consent under Exhibit 21 paragraph 1.1.2.5 of the DHEPDS is unreasonable and therefore BP is deemed to have consented to the language of the release that is Attachment C to this SA.

(b) With respect to the DHEPDS Class, a Final order or Final orders that:

i. Approve the SA, including approval of the allocation of the Aggregate Payment between the DHEPDS Class for the Assigned Claims and the New Class for the Punitive Damage Claims by the Allocation Neutral, as being fair, reasonable, and adequate;

ii. Dismiss with prejudice all of the Assigned Claims against the Transocean Released Parties;

iii. Adopt the interpretation as to the scope of *Robins Dry Dock* in the Court's Order and Reasons [As to Motions to Dismiss the B1 Master Complaint] (Rec. Doc. #3830, 2:10-md-2179) (the "B1 Order"), by finding that the New Class as defined and described in sections 3 and 4 includes all potential claimants who have standing to bring claims under general maritime law as interpreted by *Robins Dry Dock v. Flint*, 275 U.S. 203 (1927), *State of Louisiana ex. rel. Guste v. M/V Testbank*, 752 F.2d 1019 (5th Cir. 1985), and their progeny, and adopt the portion B1 Order dismissing claims under state law, but not adopt the portion of the B1 Order addressing potential displacement of maritime law by the Oil Pollution Act, with the Parties reserving all of their arguments with respect to displacement of maritime law;

iv. Incorporate the terms of this SA and provide that the Court retains continuing and exclusive jurisdiction over the Parties, their respective counsel, and this SA to interpret, implement, administer and enforce the SA in accordance with its terms;

v. Reaffirm that the terms of Exhibit 21 to the DHEPDS regarding protections against claims for compensatory damages against Transocean remain in effect with respect to the DHEPDS Class and DHEPDS Class Members;

vi. Reaffirm that the Assigned Claims against Transocean assigned to the DHEPDS Class were assigned to the DHEPDS Class only as a juridical entity and not to the DHEPDS Class Members individually and that no individual DHEPDS Class Member has any individual right to pursue the Assigned Claims.

vii. Permanently bar and enjoin the DHEPDS Class and DHEPDS Class Members from commencing, asserting, and/or prosecuting any and all Assigned Claims against any Transocean Released Party;

viii. Find that the Transocean Release of BP that is Attachment C to this SA meets any obligations the DHEPDS Class may owe to BP under paragraph 1.1.2.5 of Exhibit 21 of the DHEPDS, or any other obligation, if any, that the DHEPDS Class or DHEPDS Class Counsel owes BP under the DHEPDS with respect to this SA;

ix. Acknowledge BP's consent to the language of the Transocean release of BP that is Attachment C to this SA or find that BP's withholding of consent under Exhibit 21 paragraph 1.1.2.5 of the DHEPDS is unreasonable and therefore BP is deemed to have consented to the language of the release that is Attachment C to this SA.

(c) Upon the Effective Date of this SA, DHEPDS Class Counsel and Transocean will cooperate to take any remaining actions needed to confirm that dismissal with prejudice of any and all Assigned Claims against Transocean Released Parties in any action(s) filed by BP or the DHEPDS is reflected in the appropriate docket in which such action was filed.

20. Conditions Precedent to Finality of this SA.

Transocean, DHEPDS Class Counsel on behalf of the DHEPDS Class, and the PSC, or New Class Counsel, as applicable, on behalf of the members of the proposed New Class, agree that the following are conditions precedent to the finality of this SA, and the "Effective Date" of this SA shall be the first day on which all of the following have occurred:

(a) The "DHEPDS Effective Date," as defined in Section 5;

(b) Unless Transocean executes a waiver of the condition precedent in this paragraph, HESI agrees to a full and final release of and covenant not to sue the Transocean Released Parties for any claims for contribution or indemnity for any amounts paid by HESI as part of the HESI Settlement. The Transocean Released Parties shall have the right to approve language memorializing the release contemplated in this paragraph, which approval shall not be unreasonably withheld.

(c) The order described in Section 19(b) with respect to resolution of the Assigned Claims against the Transocean Released Parties under the terms and conditions of this SA has become Final or a waiver of this condition precedent, as described in Section 22(b) has been executed by DHEPDS Class Counsel and Transocean; and

(d) Either of the following orders has become Final:

i. The order described in Section 19(a) with respect to resolution of the New Class Action, or

ii. An order concluding that the facts and evidence under applicable law categorically do not give rise to any claims for Punitive Damages against Transocean.

21. Opt Outs.

(a) To validly exclude themselves from the New Class, New Class Members must submit a written request to opt out, which must be received by the Entity identified in the Notice Program for that purpose, properly addressed, and postmarked no later than a date to be determined by the Court. A written request to opt out may not be signed by any form of electronic signature, but must be signed by a handwritten signature. The PSC or New Class Counsel, as applicable, New Class Counsel and Transocean will be provided with identifying information on Opt Outs on a weekly basis, under a confidentiality order of the Court, to enable them to determine the validity of Opt Outs or the applicability of Opt Out held Property to the Opt Out thresholds referred to in Section 22(a), or in the case of the PSC or New Class Counsel, as applicable, to assist those who wish to revoke an Opt Out. All requests to opt out must be signed by the Natural Person or Entity seeking to exclude himself, herself or itself from the New Class. Attorneys for such Natural Persons or Entities may submit a written request to opt out, but they must still be signed by the Natural Person or Entity.

(b) All New Class Members who do not timely and properly opt out shall in all respects be bound by all terms of this SA and the Final order(s) with respect to the New Class contemplated herein, and shall be permanently and forever barred from commencing, instituting, maintaining or prosecuting any action based on any Released Claim against any of the Transocean Released Parties in any court of law or equity, arbitration tribunal or administrative or other forum.

22. Termination of SA.

(a) At the written election of Transocean, within fourteen calendar days after all Opt Out data has been made available to Transocean and the PSC or New Class Counsel, as applicable, following the expiration of the Opt Out deadline to be established by the Court, Transocean shall have the right to terminate this SA in the event that any of the Opt Out thresholds agreed to by the Parties has been exceeded. The agreed thresholds shall be submitted *in camera* to the Court and otherwise be kept confidential.

(b) At the written election of Transocean, DHEPDS Class Counsel, or the PSC or New Class Counsel, as applicable, this SA shall become null and void and shall have no further effect between and among Transocean, the New Class members, the DHEPDS Class, and their respective counsel in the event that:

i. The Effective Date of this SA cannot occur; or

ii. The Court declines to enter the order(s) described in Sections 19(a) and 19(b) or any such order(s) described in Section 19(b) fails to become Final. However, the DHEPDS Class Counsel and Transocean upon mutual written agreement may waive this provision and accept the order(s) of the Court as entered and thus waive one or more of the provisions of Sections 19(a) or 19(b).

(c) Effect of Termination. In the event the SA is terminated in whole or in part, neither this SA nor any of the additional documentation described in Section 13 shall be offered into evidence or used in this or any other action for any purpose other than effectuating and enforcing this SA with respect to any Parties between and among whom this SA remains in effect, including, but not limited to, in support of or opposition to the existence, certification or maintenance of any purported class. If this SA terminates, all funds including income of any kind, less Administrative Costs then incurred, and then remaining in the Settlement Fund, or in any other account holding funds from the Aggregate Payment, will be returned to Transocean as soon as practicable; provided, however, that the Claims Administrator and escrow agent of the Settlement Fund shall have authority to pay any Administrative Costs reasonably incurred in connection with winding down the implementation of the SA. Any such costs and costs of any termination notice approved by the Court shall be deducted from the funds in the Settlement Fund prior to any funds being returned to Transocean. If this SA terminates, the DHEPDS Class, the PSC or the New Class Counsel, as applicable, and Transocean shall jointly move the Court to vacate any preliminary approval order entered with respect to this SA and any of the orders described in Section 19 if any such orders have been entered.

23. Attorneys' Fees and Costs.

(a) The PSC, DHEPDS Class Counsel, and Transocean did not have any fee discussion prior to May 13, 2015, after the Parties reached closure on the economic terms of this SA and received permission from the Court to discuss fees. The Parties' agreement set forth herein regarding fees and costs and the fee vesting schedule is subject to approval by the Court. In no event will Transocean be obligated to pay more in attorneys' fees and costs than the amount agreed to, and pursuant to the fee vesting schedule agreed to, by Transocean, the PSC and DHEPDS Class Counsel.

(b) Transocean agrees not to contest any request by the DHEPDS Class Counsel and the PSC, or New Class Counsel, as appropriate (collectively, the "Class Counsel") for, nor oppose an award by the Court for, a maximum award of twenty five million U.S. dollars (U.S. $25,000,000), as a payment of all common benefit and/or Fed R. Civ. P. 23(h) attorneys' fees and costs incurred at any time, whether before or after the date hereof, for the common benefit of members of the DHEPDS Class and the New Class, with respect to the Released Claims. Class Counsel agrees not to request an award of common benefit and/or Fed. R. Civ. P. 23(h) attorneys' fees and costs greater than twenty five million U.S. dollars (U.S. $25,000,000). If the Court awards less than the amount set out in this Section 23(b), Transocean shall be liable only for the lesser amount awarded by the Court. The common benefit and/or Rule 23(h) attorneys' fees, costs and expenses awarded by the Court, subject to the limitations in the preceding sentence, shall be collectively referred to as the "Common Benefit Fee and Costs Award."

(c) The Parties shall establish with Court approval a sub-fund with the Settlement Fund to receive all payments of attorneys' fees and costs ("Attorneys' Fee Account").

(d) Transocean shall make a payment of twenty five million U.S. dollars (U.S. $25,000,000) into the Settlement Fund Attorneys' Fee Account on or before June 30, 2016 (the "Fee Payment").

(e) If the Common Benefit Fee and Costs Award is less than the Fee Payment, the difference between the Fee Payment and the Common Benefit Fee and Costs Award shall revert to Transocean.

(f) At any time after the deposit of the Fee Payment, Class Counsel may petition the Court for reimbursement of common-benefit litigation costs and/or expenses, and payment of reasonable costs and expenses incurred in the approval process and implementation of the SA. Such payments are to be funded from the Initial Payment and Transocean shall have no right of reversion, recapture, or return of such Court-approved payments.

(g) If the SA is terminated under Section 22, any funds remaining in the Attorneys' Fee Account held by the Settlement Fund or otherwise in the Settlement Fund shall revert to Transocean, minus any Court-approved payment of costs and/or expenses under 23(d).

(h) Upon the deposit of the Fee Payment, Transocean shall be immediately and fully discharged from any and all further liability or obligation whatsoever with respect to any and all common benefit and/or Rule 23(h) attorneys' fees, costs and expenses incurred by or on behalf of the DHEPDS Class or the New Class, or any member thereof, in respect of, or relating in any way to, directly or indirectly, any and all Released Claims.

(i) Transocean and Class Counsel agree to request, and will not contest or oppose, that the order approving the Common Benefit Fee and Costs Award will include the language set forth in this Section 23.

(j) Neither Transocean nor any of the Transocean Released Parties shall have any responsibility, obligation or liability of any kind whatsoever with respect to how the Common Benefit Fee and Costs Award is allocated and distributed, which allocation and distribution is the sole province of the Court.

24. Notice.

Written Notice to the PSC, for itself and on behalf of the New Class, and to the DHEPDS Class must be given to Stephen J. Herman, Herman, Herman & Katz, 820 O'Keefe Avenue, New Orleans, LA 70113, Sherman@hhklawfirm.com, and James P. Roy, Domengeaux Wright Roy & Edwards, 556 Jefferson Street, Lafayette, LA 70502, jimr@wrightroy.com. Written notice to Transocean must be given to:

Lars Sjöbring
Senior Vice President and General Counsel
Transocean Ltd.
Chemin de Blandonnet 10
1214 Vernier
Switzerland
Tel: 41 22 930 90 37
E-mail: Lars.Sjobring@deepwater.com

and

David Schwab
Senior Associate General Counsel
Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, TX 77046
Tel: (713) 232-8128
E-mail: David.Schwab@deepwater.com

All notices required by the SA shall be sent by overnight delivery and electronic mail.

25. Other Provisions.

(a) The Court shall have continuing and exclusive jurisdiction to interpret, administer, implement, and enforce this SA, including through injunctive or declaratory relief.

(b) Transocean and the PSC have not waived and expressly retain their rights to appeal any prior or subsequent order of the Court regarding Transocean's potential exposure for claims that are not resolved by this SA. Notwithstanding this reservation of rights to appeal orders regarding claims that are not resolved by this SA, The PSC agrees not to challenge on appeal or otherwise the district court's findings in the Phase One Findings of Fact and Conclusions of Law (Rec. Doc. 13355, as amended Rec. Doc. 13381-1) that Transocean was not grossly negligent and that the indemnity and release clauses in Transocean's drilling contract with BP are valid and enforceable. Such appeals or arguments shall not alter any rights held by the DHEPDS Class (as the owner of the Assigned Claims), the New Class or any New Class Member, but may impact any claims falling outside this SA, and only claims falling outside this SA.

(c) This SA is intended to be fully binding and enforceable between and among the Parties. It is contemplated that some provisions may be amended to more closely parallel the HESI Settlement and/or the HESI Settlement may be amended to more closely parallel this SA. The Parties agree to work in good faith to make any such amendments to this SA that may be necessary. This SA, however, will remain binding and enforceable regardless whether such amendments are made.

(d) Notwithstanding the law applicable to the underlying claims, which the Parties dispute, this SA shall be interpreted in accord with general maritime law as well as in a manner intended to be consistent with the Oil Pollution Act of 1990.

(e) The use of environmental data (including SCAT data) as part of this SA shall not constitute an admission or judicial determination related to the admissibility or interpretation of such data for any other purpose.

(f) In the event any confidential documentation is provided by or on behalf of the Parties in the course of the settlement process, the Parties and their counsel agree that all such documentation shall be preserved until after performance of all terms of the SA is completed, and the use of such documentation shall be governed by the following pretrial orders entered in the MDL: Pretrial Order No. 13, Order Protecting Confidentiality; Pretrial Order No. 38, Order Relating to Confidentiality of Settlement Communications; and Pretrial Order No. 47, Order Regarding Designation of Documents as "Confidential" or "Highly Confidential." The Parties shall continue to treat documents in conformity with the requirements of the confidentiality requirements of the foregoing pretrial orders.

(g) The waiver by any Party of any breach of this SA by another Party shall not be deemed or construed as a waiver of any other breach of this SA, whether prior, subsequent, or contemporaneous.

(h) This SA shall be deemed to have been mutually prepared by the Parties and shall not be construed against any of them by reason of authorship.

(i) This SA may be executed in counterparts, and a facsimile signature shall be deemed an original signature for purposes of this SA.

(j) No representations, warranties or inducements have been made to any Party concerning the SA or its attachments other than the representations and warranties contained and memorialized in such documents and the SA.

(k) The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

(l) This SA shall be binding upon and inure to the benefit of the successors and assigns of the Parties.

(m) DHEPDS Class Counsel on behalf of the DHEPDS Class represents and warrants that the DHEPDS Class has not assigned or otherwise conveyed all or any part of the Assigned Claims against Transocean.

26. Tolling of Statute of Limitations

Upon filing of this SA with the Court, the statutes of limitation applicable to the Assigned Claims against the Transocean Released Parties and to any and all claims or causes of action that have been or could be asserted by or on behalf of any New Class Member are hereby tolled and stayed. The limitations period shall not begin to run again for any New Class Member unless and until (a) he, she, or it opts out of the New Class, or (b) this SA is terminated pursuant to Court order or otherwise. The limitations period shall not begin to run again for the DHEPDS Class for the Assigned Claims against the Transocean Released Parties unless and until this SA is terminated pursuant to Court order or otherwise. In the event this SA is terminated pursuant to Court order or otherwise, the limitations period for each New Class Member as to whom the limitations period had not expired as of the date of the filing of this SA with the Court shall extend for the longer of 90 days from the last required issuance of notice of termination or the period otherwise remaining

before expiration, and the limitations period for the DHEPDS Class with respect to the Assigned Claims shall extend for the longer of 90 days from the date of notice to DHEPDS Class Counsel of termination of this SA or the period otherwise remaining before expiration. Notwithstanding the temporary tolling agreement herein, the Parties recognize that any time already elapsed for any New Class Members or for the DHEPDS Class on any applicable statutes of limitations shall not be reset, and no expired claims shall be revived, by virtue of this temporary tolling agreement. New Class Members and the DHEPDS Class do not admit, by entering into this SA, that they have waived any applicable tolling protections available as a matter of law or equity. Nothing in this SA shall constitute an admission in any manner that the statute of limitations has been tolled for anyone other than the DHEPDS Class, New Class, and New Class Members, nor does anything in this SA constitute a waiver of legal positions regarding tolling.

27. Representations and Warranties Regarding Authority.

(a) Pursuant to PTO 8, the PSC has explored settlement opportunities with Transocean and pursuant to such authority, with approval of the PSC, Co-Liaison Counsel have been given the authority to execute this SA on behalf of the putative New Class. This SA has been duly and validly executed and delivered by the PSC, and constitutes a legal, valid and binding obligation of the New Class.

(b) DHEPDS Class Counsel on behalf of the DHEPDS Class represents and warrants that they have authority to enter into this SA on behalf of the DHEPDS Class. This SA has been duly and validly executed and delivered by DHEPDS Class Counsel, and constitutes a legal, valid and binding obligation of the DHEPDS Class, subject to Court approval.

(c) Transocean represents and warrants that it has all requisite corporate power and authority to execute, deliver and perform this SA. The execution, delivery, and performance by Transocean of this SA has been duly authorized by all necessary corporate action. This SA has been duly and validly executed and delivered by Transocean, and constitutes its legal, valid and binding obligation, subject to Court approval.

The Parties have caused this Agreement to be duly executed, as of the date first written above.

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC., TRANSOCEAN DEEPWATER INC., TRANSOCEAN HOLDINGS LLC, AND TRITON ASSET LEASING GmbH.

By: /s/ Lars Sjobring
Name: Lars Sjobring
Title: Senior Vice President and General Counsel

PLAINTIFFS' CO-LIAISON COUNSEL (FOR THE PSC)

By: /s/ James Parkerson Roy
Name: James Parkerson Roy

By: /s/ Stephen J. Herman
Name: Stephen J. Herman

DHEPDS CO-LEAD CLASS COUNSEL

By: /s/ James Parkerson Roy
Name: James Parkerson Roy

By: /s/ Stephen J. Herman
By: Name: Stephen J. Herman

Attachment A: New Class Release of Transocean Individual Release

Attachment B: Assigned Claims Release of Transocean

Attachment C: Transocean Release of BP

Attachment D: Map of Gulf Coast Areas Maps of Specified/Identified Gulf Waters

NEW CLASS RELEASE OF TRANSOCEAN

1. Upon the Effective Date of the Transocean Punitive Damages and Assigned Claims Settlement Agreement ("SA"),[1] and based on the consideration provided therein, the New Class and New Class Members, on behalf of themselves and their heirs, beneficiaries, estates, executors, administrators, personal representatives, agents, attorneys, principals, trustees, subsidiaries, corporate parents, affiliates, partners, members, predecessors, successors, indemnitors, insurers, subrogees, assigns, and any natural, legal or juridical person or Entity entitled to assert any claim on behalf of or in respect of the New Class or New Class Members, hereby release and forever discharge with prejudice, and covenant not to sue, the Transocean Released Parties for any and all "New Class Released Claims," described in Paragraph 2. In the event a Transocean Released Party, in whole or in part, is sold or otherwise transferred to, or purchases or otherwise acquires, or enters into a partnership or joint venture with, a Natural Person or Entity that is not a Transocean Released Party prior to giving effect to such transaction, then such Natural Person or Entity shall as a result of such transaction obtain a benefit under this New Class Release of Transocean only with respect to any liability of the Transocean Released Party Entity or Entities that such Natural Person or Entity, or any such partnership or joint venture, has acquired or assumed or otherwise become liable for, and not in its own right. This New Class Release applies to all New Class Released Claims, regardless whether the Claims Administrator denies any individual claim by any class member.

2. New Class Released Claims shall mean: (1) all claims, other than New Class Expressly Reserved Claims, seeking Punitive Damages against the Transocean Released Parties arising out of, due to, resulting from, or relating in any way to, directly or indirectly, the *Deepwater Horizon* Incident, including, without limitation, Punitive Damages with respect to any and all actions, claims, remedies, demands, liabilities, obligations, or promises of any kind or nature whatsoever, in both law or in equity, past or present, whether known or unknown, whether or not contingent, that arise out of, are due to, result from, or relate in any way to, directly or indirectly, in whole or in part, the *Deepwater Horizon* Incident, whether possessed or asserted directly, indirectly, derivatively, representatively or in any other capacity, whether or not such claims for Punitive Damages were or could have been raised or asserted, and regardless of whether such claims for Punitive Damages were sought pursuant to statutory law, codal law, common law, maritime or admiralty law, adjudication, quasi-adjudication, regulation, or ordinance, and (2) without limitation, any and all actions, claims, costs, expenses, taxes, rents, fees, profit shares, liens, remedies, debts, demands, liabilities, obligations, or promises of any kind or nature whatsoever, in both law or in equity, past or present, whether known or unknown, whether or not contingent, by the New Class or New Class Members against the Transocean Released Parties that arise out of, are due to, or result from acts or omissions of the Claims Administrator, the Allocation Neutral or the escrow agent of the Settlement Fund.

3. Upon the Effective Date of this SA, the New Class and New Class Members expressly waive and release with prejudice, and shall be deemed to have waived and released with prejudice, any and all rights that they may have under any law, codal law, common law, maritime or admiralty law, statute, regulation, adjudication, quasi-adjudication, decision, or administrative decision that would otherwise limit the scope or effect of this New Class Release of Transocean to those claims or matters actually known or suspected to exist at the time of execution of this New Class Release of Transocean. California law is not applicable to this SA, but purely for illustrative purposes, the New Class Released Claims includes claims that might otherwise be excluded from this New Class Release of Transocean by Section 1542 of the California Civil Code, which provides as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

4. The New Class and New Class Members expressly reserve, and do not release, "New Class Expressly Reserved Claims." New Class Expressly Reserved Claims mean:

(a) Bodily Injury Claims;

(b) Any and all claims for Punitive Damages based on or with respect to claims of any shareholders of any Transocean Released Party in any derivative action made in their capacity as shareholders of a Transocean Released Party;

(c) Any and all claims for damages other than Punitive Damages as described in Paragraphs 1-3 above, specifically including any and all claims for Compensatory Damages as defined in Section 2.4 of Exhibit 21 to the DHEPDS (with the understanding that all protections provided in Sections 1.1.1, 1.1.2.2, 1.1.2.3, and 1.1.2.4 of Exhibit 21 to the DHEPDS are not affected by this New Class Release of Transocean and remain in full force and effect) and any claim or right to pursue compensation under the DHEPDS or the Medical Benefits Class Action Settlement as Amended May 1, 2012;

(d) Any and all claims by Governmental Organizations; and

(e) Any and all claims of any kind or nature against other Defendants in MDL 2179 other than the Transocean Released Parties.

5. The New Class and New Class Members, and all other persons and Entities claiming by, through, or on behalf of them, covenant not to sue and will be forever barred and enjoined from commencing, filing, initiating, instituting, prosecuting, maintaining or consenting to any judicial, arbitral, or regulatory action against the Transocean Released Parties with respect to the New Class Released Claims. If the New Class or New Class Members commence, file, initiate, or institute any new action or other proceeding for any New Class Released Claims against the Transocean Released Parties in any federal or state court, arbitration tribunal, or administrative or other forum, such action or other proceeding shall be dismissed with prejudice and at the cost of the party that brings such action or proceeding; provided, however, before any costs may be assessed, counsel for such party shall be given reasonable notice and an opportunity voluntarily to dismiss such action or proceeding with prejudice. Furthermore, if any Transocean Released Party brings any legal action before any court or arbitration, regulatory agency, or other tribunal to enforce its rights under this New Class Release of Transocean, such Transocean Released Party shall be entitled to recover any and all related costs and expenses (including attorneys' fees) from such party.

6. Notwithstanding any provision in the SA to the contrary, if any party recovers from any Transocean Released Party (under any theory of recovery, including indemnity, contribution, or subrogation) for any New Class Released Claim of a New Class Member: (a) for which a payment was made to such New Class Member through the Claims Program, or (b) asserted by, through, under, or on account of such New Class Member for which a release of New Class Released Claims was given; then that New Class Member shall indemnify (but not defend) the Transocean Released Parties, but only to the extent of the payment received by that particular New Class Member from the Claims Program (by way of example, if a particular New Class Member has received $100.00 through the Claims Program for claims released under this SA, its indemnity obligation would be capped at this amount). This indemnity obligation owed by a New Class Member who has given a release to a Transocean Released Party includes any and all claims made or other actions taken by that New Class Member in breach of this SA.

7. Nothing in this New Class Release limits or expands the scope or effect of the Assigned Claims Release.

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[1] All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the SA.

New Class Member Individual Settlement Agreement,
Release, and Covenant Not To Sue ("Individual Release")

Please Provide This Information:

CLAIMANT NAME:_____
STREET ADDRESS: _____
CITY, STATE, ZIP CODE:_____
SSN:_____
PHONE:_____ EMAIL:_____

I, _____, am the Claimant or the duly authorized representative of the Claimant.

Claimant understands that all capitalized terms in this Individual Release shall have the meanings ascribed to them in the TRANSOCEAN PUNITIVE DAMAGES AND ASSIGNED CLAIMS SETTLEMENT AGREEMENT (hereinafter, "SA").

Claimant acknowledges that Claimant is a New Class Member.

In consideration of payment in the amount of **[insert $$]**, pursuant to the terms of the SA, which Claimant accepts as sufficient and adequate consideration for any and all New Class Released Claims of Claimant, Claimant on behalf of Claimant, and Claimant's heirs, beneficiaries, estates, executors, administrators, personal representatives, agents, attorneys, principals, trustees, subsidiaries, corporate parents, affiliates, partners, members, predecessors, successors, indemnitors, subrogees, assigns, and any natural, legal or juridical person or Entity entitled to assert any claim on behalf of or in respect of Claimant, hereby releases and forever discharges with prejudice, and covenants not to sue, the Transocean Released Parties for any and all New Class Released Claims; provided, however, that this Individual Release does not apply to New Class Expressly Reserved Claims, which are not recognized or released under this Individual Release and are reserved to Claimant. In the event Transocean, in whole or in part, is sold or otherwise transferred to, or purchases or otherwise acquires, or enters into a partnership or joint venture with a Natural Person or Entity immediately prior to giving effect to such transaction, then such Natural Person or Entity shall as a result of such transaction obtain a benefit under this Individual Release only with respect to any liability of the Transocean Entity or Entities that it, or any such partnership or joint venture, has acquired or assumed or otherwise become liable for, and not in its own right.

Claimant acknowledges that Claimant had a right to "opt out" and therefore not be a part of the New Class and that, if Claimant had "opted out" of the New Class, Claimant could potentially seek adjudication, individually, against Transocean for Claimant's New Class Released Claims. Knowing Claimant's rights, Claimant willingly and freely did not elect to, or timely or properly seek to, opt out of the New Class and accepts the benefits conferred by the SA in exchange for this Individual Release.

Claimant agrees to accept from [Claims Administrator] the amount of _____ as full and final settlement of Claimant's New Class Released Claims. Claimant agrees that this Individual Release is entered into in consideration of the agreements, promises, and mutual covenants set forth in this Individual Release and for such other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged.

Claimant acknowledges and affirms that Claimant has read this Individual Release in its entirety. Claimant further acknowledges and affirms that Claimant has read the SA, which is available at (www.[X].com/PINPOINT), or waives the right to do so.

Claimant acknowledges that Claimant has had the opportunity to consult with New Class Counsel, and individual counsel if Claimant so desired, regarding this Individual Release and the SA or waives the right to do so. Claimant understands this Individual Release in its entirety, and Claimant has signed it willingly and freely, and without coercion, threat or duress.

Claimant understands that Claimant will not receive any further compensation for Claimant's New Class Released Claims other than the amount identified in this Individual Release. And Claimant understands that by signing this Individual Release, Claimant agrees that Claimant will forever be barred and enjoined from commencing, filing, initiating, instituting, prosecuting, maintaining or consenting to any judicial, arbitral, or regulatory action against Transocean for any New Class Released Claims.

Claimant understands that the SA and this Individual Release set forth a full and final resolution of all of Claimant's New Class Released Claims, and that there are no other terms and conditions that are not set forth in the SA and this Individual Release.

Any disputes regarding this Individual Release shall be filed in the United States District Court for the Eastern District of Louisiana accompanied by a request that such dispute be made part of MDL 2179 (if still pending). No action to enforce this Individual Release shall be filed in a state court.

Claimant acknowledges and affirms that Claimant may be required to pay federal and/or state taxes on the payment amount identified herein and, if so required, Claimant agrees to pay such taxes. Claimant acknowledges and affirms that no opinion regarding the tax consequences of the SA or this Individual Release has been or will be given by Transocean, New Class Counsel or the PSC, nor is any representation or warranty in this regard made by virtue of the SA or this Individual Release. Claimant must consult with his, her, or its own tax advisors regarding the tax consequences of the SA and this Individual Release, including any payments made under the SA. Each Claimant's tax obligations, and the determination of such obligations, are his, her, or its sole responsibility, and it is understood that the tax consequences may vary depending on Claimant's particular circumstances.

Signed:_____ Date:_____

[Alternative Signature Blocks to be Developed]

ASSIGNED CLAIMS RELEASE OF TRANSOCEAN

1. Upon the Effective Date of the Transocean Settlement Agreement ("SA"),[2] and based on the consideration provided therein, the DHEPDS Class, as a juridical entity, on behalf of itself, and by and through DHEPDS Class Counsel, hereby releases and forever discharges with prejudice, and covenants not to sue, the Transocean Released Parties for any and all "Assigned Claims" against the Transocean Released Parties.

2. The Assigned Claims means the claims defined in Section 1.1.3 of Exhibit 21 to the DHEPDS, but does not include the "Retained Claims" defined in Section 1.1.4 of Exhibit 21 to the DHEPDS.

3. The DHEPDS Class, upon the Effective Date of this SA, hereby releases and forever discharges with prejudice, and covenants not to sue, the Transocean Released Parties for any acts or omissions of the escrow agent of any Settlement Fund, the Allocation Neutral, the Claims Administrator, and any Court appointed neutral party in connection with administration of the SA or disbursement of the Aggregate Payment, including without limitation any and all such actions, claims, costs, expenses, taxes, rents, fees, profit shares, liens, remedies, debts, demands, liabilities, obligations, or promises of any kind or nature whatsoever, in both law or in equity, past or present, whether known or unknown, or whether or not contingent.

4. Upon the Effective Date of this SA, the DHEPDS Class, and all other persons and Entities claiming by, through, or on behalf of it, covenants not to sue and will be forever barred and enjoined from commencing, filing, initiating, instituting, prosecuting, maintaining or consenting to any judicial, arbitral, or regulatory action against the Transocean Released Parties with respect to the Assigned Claims. If the DHEPDS Class commences, files, initiates, or institutes any new action or other proceeding for any Assigned Claims against the Transocean Released Parties in any federal or state court, arbitration tribunal, or administrative or other forum, such action or other proceeding shall be dismissed with prejudice and at the cost of the party that brings such action; provided, however, before any costs may be assessed, counsel for such party shall be given reasonable notice and an opportunity voluntarily to dismiss such action or proceeding with prejudice. Furthermore, if any Transocean Released Party brings any legal action before any Court or arbitration, regulatory agency, or other tribunal to enforce its rights under this Assigned Claims Release of Transocean, such Transocean Released Party shall be entitled to recover any and all related costs and expenses (including attorneys' fees) from such party bringing the action.

5. This Assigned Claims Release of Transocean is not intended to and does not operate as a release of any of the following claims, which are excluded from the operation of this Assigned Claims Release of Transocean and expressly reserved:

a. Assigned Claims, Punitive Damages Claims, or any other claims of any kind or nature against any other Defendant in MDL 2179 other than the Transocean Released Parties.

b. Any claims other than the claims described in Paragraphs 1-4 above against any Transocean Released Party, specifically including the "Retained Claims" defined in Section 1.1.4 of Exhibit 21 to the DHEPDS.

6. This Assigned Claims Release of Transocean releases only the claims of the DHEPDS Class, as a juridical entity, described in Paragraphs 1-4 above, and does not release any claims of any kind or nature by or on behalf of any DHEPDS Class Member, specifically including, but not limited to, the "Expressly Reserved" claims defined in Sections 3 and 38.67 of the DHEPDS and any claims or rights to pursue compensation under the DHEPDS or the Medical Benefits Class Action Settlement as Amended May 1, 2012. Notwithstanding the foregoing, to the extent that any DHEPDS Class Member asserts any right to the Assigned Claims in the member's capacity as a DHEPDS Class Member, that claim is included in this Assigned Claims Release.

7. Nothing in this Assigned Claims Release limits or expands the scope or effect of the New Class Release.

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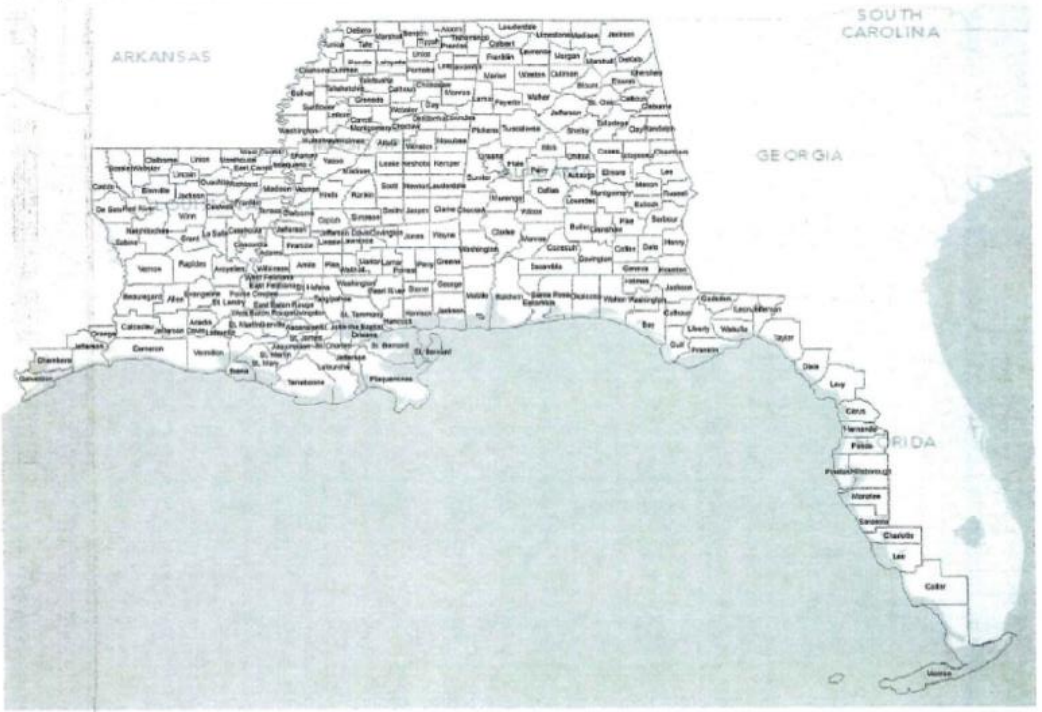
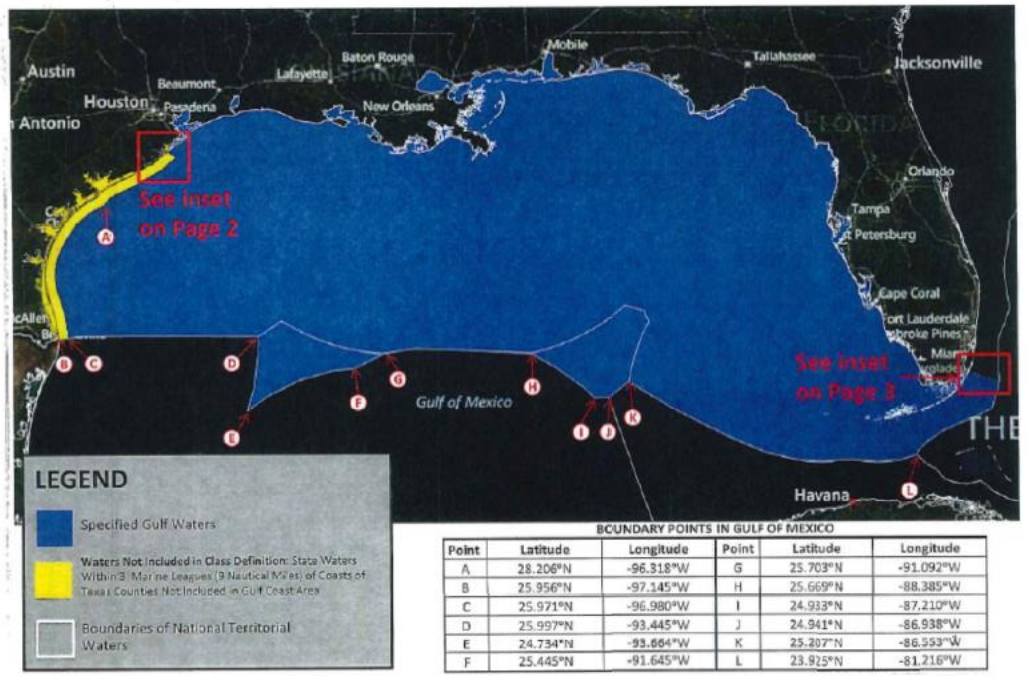
[2] All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the SA.

TRANSOCEAN RELEASE OF BP

As provided in the Confidential Settlement Agreement, Mutual Releases, and Agreement to Indemnify entered into by Transocean, BP Exploration & Production Inc. and BP America Production Co. on May 20, 2015, upon the Effective Date of the Transocean Punitive Damages and Assigned Claims Settlement Agreement ("SA"), Transocean and its Affiliates fully and finally release, dismiss, and covenant not to sue for any and all claims and rights to recover, directly or indirectly, from the BP Released Parties (whether through indemnity, contribution, subrogation, assignment or any other theory of recovery, by contract, pursuant to applicable law or regulation, or otherwise) for any damages or other relief or consideration provided under or relating to this SA. Transocean represents and warrants that it has not assigned and will not assign any rights to recover any payments made pursuant this SA. The Confidential Settlement Agreement, Mutual Releases, and Agreement to Indemnify entered into by Transocean, BP Exploration & Production Inc. and BP America Production Co. on May 20, 2015, addresses the rights of any insurer, reinsurer, or indemnitor of Transocean or its Affiliates to make any claim against the BP Released Parties.

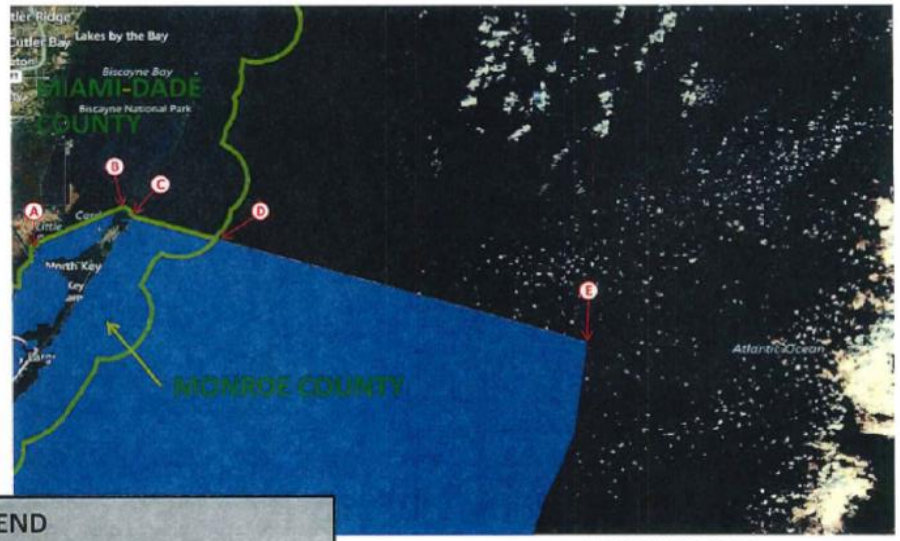
Map of Gulf Coast Area





BOUNDARY POINTS IN GULF OF MEXICO

Point	Latitude	Longitude	Point	Latitude	Longitude
A	28.206°N	-96.318°W	G	25.703°N	-91.092°W
B	25.956°N	-97.145°W	H	25.669°N	-88.385°W
C	25.971°N	-96.980°W	I	24.933°N	-87.210°W
D	25.997°N	-93.445°W	J	24.941°N	-86.938°W
E	24.734°N	-93.664°W	K	25.207°N	-86.553°W
F	25.445°N	-91.645°W	L	23.925°N	-81.216°W



LEGEND

- Specified Gulf Waters
- **Waters Not Included in Class Definition:** State Waters Within 3 Marine Leagues (9 Nautical Miles) of Coasts of Texas Counties Not Included in Gulf Coast Area
- Boundaries of National Territorial Waters
- County Boundaries

BOUNDARY POINTS

Point	Latitude	Longitude
A	25.306°N	-80.372°W
B	25.354°N	-80.265°W
C	25.342°N	-80.251°W
D	25.314°N	-80.150°W
E	25.184°N	-79.692°W

BOUNDARY POINTS

Point	Latitude	Longitude
A	29.197°N	-95.057°W
B	29.086°N	-95.130°W
C	29.063°N	-95.092°W
D	28.986°N	-94.978°W