

Transocean Ltd.
Form 10-K
February 27, 2012

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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2011

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
(State or other jurisdiction of incorporation or organization)

98-0599916
(I.R.S. Employer Identification No.)

Chemin de Blandonnet 10
Vernier, Switzerland
(Address of principal executive offices)

1214
(Zip Code)

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

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

Title of class	Exchange on which registered
Shares, par value CHF 15.00 per share	New York Stock Exchange
	SIX Swiss Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller company. See 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 by Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2011, 319,639,362 shares were outstanding and the aggregate market value of shares held by non-affiliates was approximately \$20.6 billion (based on the reported closing market price of the shares of Transocean Ltd. on such date of \$64.56 and assuming that all directors and executive officers of the Company are "affiliates," although the Company does not acknowledge that any such person is actually an "affiliate" within the meaning of the federal securities laws). As of February 22, 2012, 350,424,694 shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of December 31, 2011, for its 2012 annual general meeting of shareholders, are incorporated by reference into Part III of this Form 10-K.

TRANSOCEAN LTD. AND SUBSIDIARIES
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FOR THE YEAR ENDED DECEMBER 31, 2011

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Forward-Looking Information

The statements included in this annual 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 Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this annual report include, but are not limited to, statements about the following subjects:

§ the impact of the Macondo well incident and related matters,

§ our results of operations and cash flow from operations, including revenues 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 the downturn in the global economy or market outlook for our various geographical operating sectors and classes of rigs,

§ customer contracts, including contract backlog, force majeure provisions, contract commencements, contract extensions, contract terminations, contract option exercises, contract revenues, contract awards and rig mobilizations,

§ liquidity and adequacy of cash flows for our obligations,

§ debt levels, including impacts of the financial and economic downturn,

§ uses of excess cash, including the payment of dividends and other distributions and debt retirement,

§ 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,

§ 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 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.

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Forward-looking statements in this annual 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,”
- § the adequacy of and access to sources of liquidity,
- § our inability to obtain contracts for our rigs that do not have contracts,
- § our inability to renew contracts at comparable dayrates,
- § operational performance,
- § the impact of regulatory changes,
- § the cancellation of contracts currently included in our reported contract backlog,
- § increased political and civil unrest,
- § the effect and results of litigation, regulatory matters, settlements, audits, assessments and contingencies, and
- § other factors discussed in this annual 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, and we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

PART I

Item 1. Business

Overview

Transocean Ltd. (together with its subsidiaries and predecessors unless the context requires otherwise, “Transocean,” the “Company,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. As of February 14, 2012, we owned or had partial ownership interests in and operated 134 mobile offshore drilling units. As of this date, our fleet consisted of 50 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 25 Midwater Floaters, nine High-Specification Jackups, 49 Standard Jackups and one swamp barge. In addition, we had two Ultra-Deepwater Floaters and four High-Specification Jackups under construction.

We specialize in technically demanding sectors of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our mobile offshore drilling fleet is one of the most versatile fleets in the world. Our primary business is to contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. We also provide oil and gas drilling management services on either a dayrate basis or a completed-project, fixed-price (or “turnkey”) basis, as well as drilling engineering and drilling project management services.

Transocean Ltd. is a Swiss corporation with its registered office in Steinhausen, Canton of Zug and with principal executive offices located at Chemin de Blandonnet 10, 1214 Vernier, Switzerland. Our telephone number at that address is +41 22 930-9000. Our shares are listed on the New York Stock Exchange (“NYSE”) under the symbol “RIG” and on the SIX Swiss Exchange under the symbol “RIGN.” For information about the revenues, operating income, assets and other information related to our business, our segments and the geographic areas in which we operate, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes to Consolidated Financial Statements—Note 25—Segments, Geographical Analysis and Major Customers.

Recent Developments

In February 2011, we sold the subsidiary that owns the High-Specification Jackup, Trident 20, located in the Caspian Sea. In March 2011, we engaged an unaffiliated advisor to coordinate the sale of the assets of our oil and gas properties reporting unit, a component of our other operations segment, which comprises the exploration, development and production activities performed by Challenger Minerals Inc. and Challenger Minerals (North Sea) Limited (together, “CMI”). As a result of these actions, we reclassified to discontinued operations the operating results and the assets and liabilities associated with our Caspian Sea operations and our oil and gas operations. In October 2011, we completed the sale of Challenger Minerals (North Sea) Limited, and in February 2012, entered into an agreement to sell the assets of Challenger Minerals Inc.

In October 2011, we completed our acquisition of Aker Drilling ASA (“Aker Drilling”), a Norwegian company formerly listed on the Oslo Stock Exchange. In connection with the acquisition, we acquired two Harsh Environment, Ultra-Deepwater semisubmersibles currently operating on long-term contracts in Norway. Additionally, we acquired two Ultra-Deepwater drillships currently under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, which have expected deliveries in 2014.

Drilling Fleet

Fleet overview—Most of our drilling equipment is suitable for both exploration and development drilling, and we normally engage in both types of drilling activity. Likewise, all of our drilling rigs are mobile and can be moved to new locations in response to customer demand. All of our mobile offshore drilling units are designed for operations away from port for extended periods of time and have living quarters for the crews, a helicopter landing deck and storage space for pipe and drilling supplies. Our drilling fleet can be generally characterized as follows: (1) floaters, including drillships and semisubmersibles, and (2) jackups. Also included in our fleet is a swamp barge drilling unit.

Drillships are generally self-propelled vessels, shaped like conventional ships, and are the most mobile of the major rig types. All of our high-specification drillships are equipped with a computer-controlled dynamic positioning thruster system, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems. Drillships typically have greater load capacity than early generation semisubmersible rigs. This enables them to carry more supplies on board, which often makes them better suited for drilling in remote locations where resupply is more difficult. However, drillships are generally limited to operations in calmer water conditions than those in which semisubmersibles can operate. We have three Enterprise-class and five Enhanced Enterprise-class drillships, which are all equipped with our patented dual-activity technology. Dual-activity technology employs structures, equipment and techniques using two drilling stations within a single derrick to allow these drillships to perform simultaneous drilling tasks in a parallel rather than sequential manner, reducing critical path activity, to improve efficiency in both exploration and development drilling. Our Enhanced Enterprise-class drillships offer improved reliability, increased pipe handling capacity, dual well control systems and flexible fluid capabilities and increased water depth and drilling depth.

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that the lower hulls are below the water surface during drilling operations. These rigs are capable of maintaining their position over a well through the use of an anchoring system or a computer-controlled dynamic positioning thruster system. Although most semisubmersible rigs are relocated with the assistance of tugs, some units are self-propelled and move between locations under their own power when afloat on pontoons. Typically, semisubmersibles are better suited than drillships for operations in rougher water conditions. We have three Express-class semisubmersibles, which are designed for mild environments and are equipped with the unique tri-act derrick. The tri-act derrick was designed to reduce overall well construction costs, as it allows offline tubular and riser handling operations to occur at two sides of the derrick while the center portion of the derrick is being used for normal drilling operations through the rotary table. Our three Development Driller-class semisubmersibles are equipped with our patented dual-activity technology.

Jackup rigs are mobile self-elevating drilling platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the drilling platform. Once a foundation is established, the drilling platform is then jacked further up the legs so that the platform is above the highest expected waves. These rigs are generally suited for water depths of 400 feet or less.

Fleet categories—We categorize the drilling units of our fleet as follows: (1) “High-Specification Floaters,” consisting of our “Ultra-Deepwater Floaters,” “Deepwater Floaters” and “Harsh Environment Floaters,” (2) “Midwater Floaters,” (3) “High-Specification Jackups,” (4) “Standard Jackups” and (5) a swamp barge. As of February 14, 2012, our fleet of

134 rigs, excluding rigs under construction, was as follows:

§ 50 High-Specification Floaters, which are comprised of:

§ 27 Ultra-Deepwater Floaters;

§ 16 Deepwater Floaters; and

§ Seven Harsh Environment Floaters;

§ 25 Midwater Floaters;

§ Nine High-Specification Jackups;

§ 49 Standard Jackups; and

§ one swamp barge

High-Specification Floaters are specialized offshore drilling units that we categorize into three sub-classifications based on their capabilities. Ultra-Deepwater Floaters are equipped with high-pressure mud pumps and are capable of drilling in water depths of 7,500 feet or greater. Deepwater Floaters are generally those other semisubmersible rigs and drillships capable of drilling in water depths between 7,500 and 4,500 feet. Harsh Environment Floaters are capable of drilling in harsh environments in water depths between 10,000 and 1,500 feet and have greater displacement, which offers larger variable load capacity, more useable deck space and better motion characteristics. Midwater Floaters are generally comprised of those non-high-specification semisubmersibles that have a water depth capacity of less than 4,500 feet. High-Specification Jackups have greater operational capabilities than Standard Jackups and are able to operate in harsh environments, and have higher capacity derricks, drawworks, mud systems and storage. Typically, High-Specification Jackups also have deeper water depth capacity than Standard Jackups.

Fleet status—Depending on market conditions, we may idle or stack non-contracted rigs. An idle rig is between contracts, readily available for operations, and operating costs are typically at or near normal levels. A stacked rig is staffed by a reduced crew or has no crew and typically has reduced operating costs and is (a) preparing for an extended period of inactivity, (b) expected to continue to be inactive for an extended period, or (c) completing a period of extended inactivity. Stacked rigs will continue to incur operating costs at or above normal operating levels for 30 to 60 days following initiation of stacking. Some idle rigs and all stacked rigs require additional costs to return to service. The actual cost to return to service, which in many instances could be significant and could fluctuate over time, depends upon various factors, including the availability and cost of shipyard facilities, cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. We consider these factors, together with market conditions, length of contract, dayrate and other contract terms, when deciding whether to return a stacked rig to service. We may, from time to time, consider marketing stacked rigs as accommodation units or for other alternative uses until drilling activity increases and we obtain drilling contracts for these units.

Drilling units—The following tables, presented as of February 14, 2012, provide certain specifications for our rigs. Unless otherwise noted, the stated location of each rig indicates either the current drilling location, if the rig is operating, or the next operating location, if the rig is in shipyard with a follow-on contract. As of February 14, 2012, we owned all of the drilling rigs in our fleet noted in the tables below, except for the following: (1) those specifically described as being owned through our interests in joint venture companies and (2) Petrobras 10000, which is subject to a capital lease through August 2029. In addition to the rigs presented below, we also own and operate one swamp barge.

Rigs Under Construction (6)

Name	Type	Expected completion (in feet)	Water depth	Drilling depth	Contracted location
Ultra-Deepwater Floaters					
DSME 12000 Drillship TBN1	HSD	1Q 2014	12,000	40,000	To be determined
DSME 12000 Drillship TBN2	HSD	2Q 2014	12,000	40,000	To be determined
High-Specification Jackups					
Transocean Honor	Jackup	1Q 2012	400	30,000	Angola
Transocean Siam Driller	Jackup	1Q 2013	350	35,000	Thailand
Transocean Andaman	Jackup	1Q 2013	350	35,000	Thailand
Transocean Ao Thai	Jackup	3Q 2013	350	35,000	Thailand

“HSD” means high-specification drillship.

High-Specification Floaters (50)

Name	Type	(a)	Year entered service/ upgraded	Water depth (in feet)	Drilling depth (in feet)	Location
Ultra-Deepwater Floaters (27)						
Discoverer Clear Leader (b) (c) (d)	HSD	2009	12,000	40,000	U.S. Gulf	
Discoverer Americas (b) (c) (d)	HSD	2009	12,000	40,000	U.S. Gulf	