The background of the slide features a blurred image of an oil rig against a sky that transitions from a warm orange and red glow on the left to a clear blue on the right. The rig's structure is visible on the left side, partially obscured by the large text.

# NBL

NOBLE ENERGY

**Wall Street Reform and  
Consumer Act &  
Regulatory Implementation  
February 2011**

# **Key Regulatory Concerns**

## ***NBL Supports Regulatory Objectives***

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- ▶ **Reduction of “Systemic” Risks**
- ▶ **Reduction of Major Market Participant Risks**
- ▶ **Protection Against Counterparty Credit Risks**
- ▶ **Improved Market Visibility / Transparency and Full Disclosure**
- ▶ **Protect U.S. Taxpayers**

# Executive Summary

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- ▶ **Noble Energy (“NBL”) is a Leading Investment Grade, Independent Energy Company Engaged in Worldwide Oil and Gas Exploration and Production (“E&P”)**
- ▶ **NBL Hedges (i.e. Sells Forward) up to 50% of its Oil & Gas Volumes to Reduce Cash Flow Volatility and to Protect Near-Term Capital Investment Programs**
- ▶ **NBL Does Not Conduct Proprietary Trading**
- ▶ **As an Investment Grade Company, NBL Does Not Have Any Collateral / Margin Posting Requirements**
- ▶ **Collateral / Margin Requirements Have the Potential to Substantially Reduce NBL’s Cash and Available Borrowing Capacity Impacting Capital Spending / Future Investment Plans**
- ▶ **Independent Producers are Critical to U.S. Energy Security and Affordability**
  - ▲ Reliable Energy Supply
  - ▲ Affordable Energy for Consumers
- ▶ **An End User Exemption and Freedom From Collateral / Margin Requirements are Imperative to Support Current Business Plans, Maintain a Conservative Financial Position and Ensure Future Investment Capabilities**

# Noble Energy, Inc.

**NYSE Ticker Symbol: NBL**

- ▶ **Global Independent Exploration and Production Company**
  - ▲ **\$15 B Market Capitalization**
  - ▲ **Investment Grade Credit Rating**
  - ▲ **230,000 BOE Day of Production.....820 Million BOE Reserves at Year End 2009**
- ▶ **Discovered World's Top 2 Offshore Gas Discoveries of the Past Decade in 2009 and 2010 - Israel Offshore - Tamar and Leviathan (25 Tcf)**
- ▶ **Extensive Worldwide Exploration Acreage and Project Inventory**
- ▶ **Conducts Commodity Hedging as Part of its Treasury / Risk Management Activities**
  - ▲ **Risk Management Only**
  - ▲ **No Proprietary Trading**

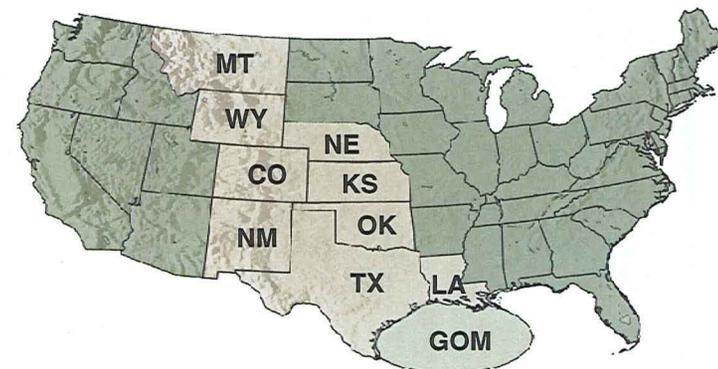
## International



### Future Focus Areas

- France
- Cyprus
- Nicaragua

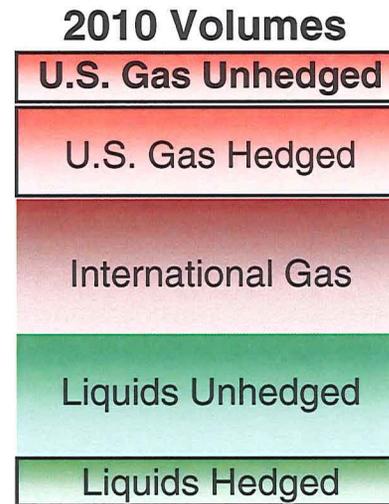
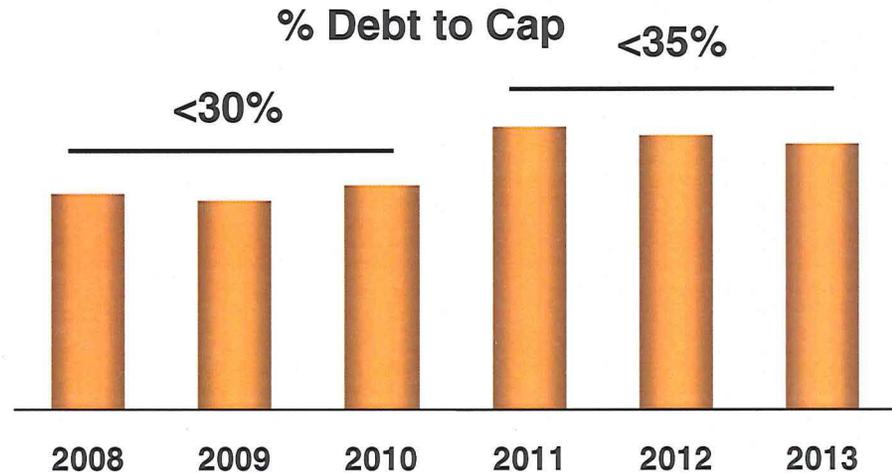
## United States



# Conservative Financial Position

*Provides Short Term Safety, Supports Long-Term Growth Plans*

- ▶ **Over \$1.1 Billion Cash On-hand**
- ▶ **\$1.8 Billion Available Under Credit Facility**
  - ▲ Investment grade rating with stable outlook
- ▶ **Debt to Book Cap Ratio of 25%**
- ▶ **Debt to Book Cap Ratio, Net of Cash, of 13%**
- ▶ **Hedges in Place to Support Cash Flow**
  - ▲ Only 10% of volumes tied to unhedged U.S. natural gas



Note: All information as of September 30, 2010

# **NBL Commodity Hedging Program**

## ***Strategy, Rationale, Governance and Controls***

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- ▶ **Reduce Commodity Price Volatility Exposure**
- ▶ **Ensure Predictability of Cash Flow and Earnings**
- ▶ **Secure Revenue to Support Acquisition and Major Project Economics**
- ▶ **Protect Balance Sheet and Multi-Year Capital Investment Programs**
  - ▲ NBL's Current Business Plan Includes ~ \$2.6 Billion Exploration and Development Capital Per Year Through 2015
- ▶ **Transact Only with Investment Grade Counterparties with A Rating or Better**
- ▶ **Board of Directors Governance**
  - ▲ Strategy, Rules and Policies Ratified by Board of Directors
  - ▲ Management Committee Oversight (CEO / COO / CFO / Treasurer)
  - ▲ Strong Internal and External Controls in Place
  - ▲ Internal & External Audits (KPMG) Conducted to Ensure Compliance
- ▶ **Commodity Risk Management Team Incentives and Compensation Fully Consistent With All NBL Employees**
  - ▲ Aligned with Risk Management / Control Objectives of the Corporation

# **NBL Commodity Hedging Program**

## ***Noble Energy Is Not A Significant Market Participant***

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- ▶ **The Over-The-Counter (“OTC”) Market is a Very Large, Extremely Liquid and Competitive Market**
- ▶ **The Confidential Nature of the OTC Market Ensures That Prices Are Competitive and That NBL’s Price View is Not Signaled to the Rest of the Market**
- ▶ **The OTC Market is Highly Customizable to a Producer’s Specific Needs**
- ▶ **Common Settlement Dates Enable Netting of “In-the-money” and “Out-of-the-money” Positions Which Creates Efficiencies in Administration**
- ▶ **NBL Has No Influence Over Commodity Prices**
- ▶ **Commodity Prices are Determined by Worldwide Supply and Demand Fundamentals**
  - ▲ **2009 Top 20 Independents Production: 1.2% of Global Oil and 26.3% of U.S Natural Gas Markets**
  - ▲ **2009 NBL Production: .076% of Global Oil and .69% of U.S. Natural Gas Markets**

Source: Bloomberg

# **Independents Role in the Energy System**

***Independent Producers are Critical to U.S. Energy Security and Affordability***

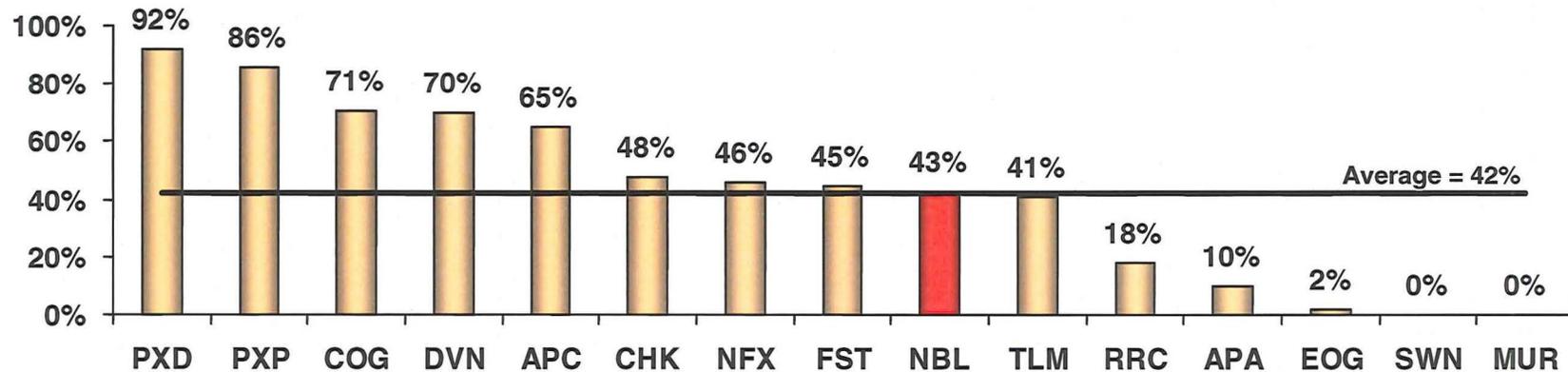
- ▶ **U.S. Independent Producers Play a Key Role in U.S. Oil Production and a Leading Role in U.S. Natural Gas Production**
  
- ▶ **U.S. Independent Producers Account For:**
  - ▲ **80% of Natural Gas and 41 % of Oil Production in the U.S.**
  - ▲ **81% of Natural Gas and 60% of Oil Reserves in the U.S.**
  - ▲ **85% of Rig Count Usage in the U.S.**

Source: Independent Petroleum Association of America (IPAA) as of October 2010

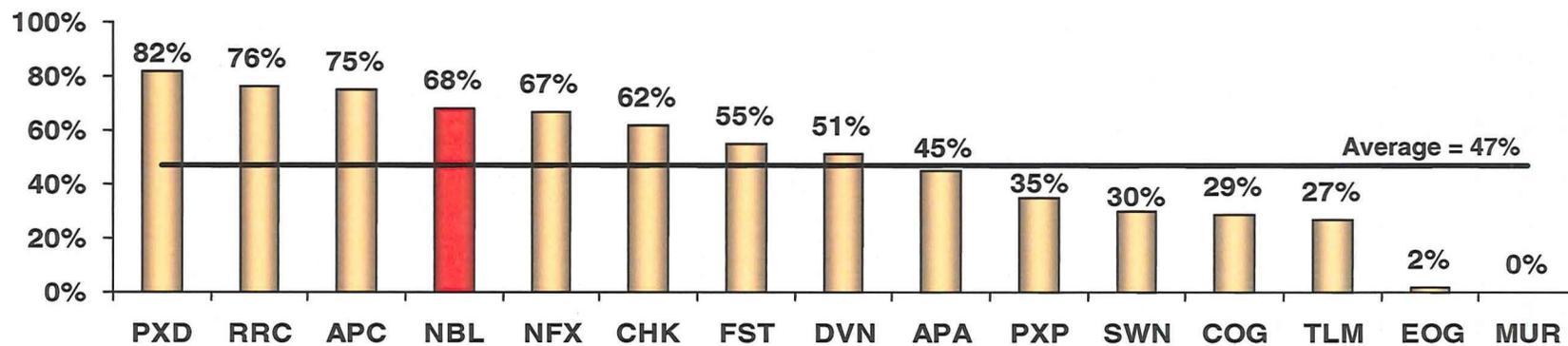
# US Independent Commodity Hedging

## *Large Majority of US Independents Utilize Hedging to Manage Risk*

Percent of 2010 Oil Volume Hedged



Percent of 2010 U.S. Gas Volume Hedged



Source: Morgan Stanley Research Dated October 25, 2010

# Indicative Impact of Margin / Collateral Posting

## *Would Create Capital “Squeeze” and Negatively Impact Investment Plans*

\$=Mln		Maintenance Margin Requirements 2011-12									
		GAS PRICE									
		2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	
OIL PRICE	40.00	0	0	0	0	0	0	0	0	0	0
	45.00	0	0	0	0	0	0	0	0	0	0
	50.00	0	0	0	0	0	0	0	0	0	0
	55.00	0	0	0	0	0	0	0	0	0	(12)
	60.00	0	0	0	0	0	0	0	0	0	(52)
	65.00	0	0	0	0	0	0	0	0	(28)	(106)
	70.00	0	0	0	0	0	0	0	(4)	(83)	(161)
	75.00	0	0	0	0	0	0	0	(59)	(138)	(246)
	80.00	0	0	0	0	(4)	(28)	(106)	(235)	(365)	
	85.00	0	0	0	0	(14)	(41)	(170)	(300)	(429)	
	90.00	0	0	0	0	(30)	(79)	(208)	(338)	(468)	
	95.00	0	0	0	(15)	(70)	(119)	(249)	(378)	(508)	
	100.00	0	0	(8)	(50)	(129)	(178)	(307)	(437)	(566)	
	105.00	(37)	(48)	(59)	(154)	(232)	(281)	(410)	(540)	(670)	
	110.00	(107)	(118)	(167)	(279)	(357)	(406)	(535)	(665)	(794)	
115.00	(179)	(221)	(292)	(404)	(483)	(532)	(661)	(791)	(920)		
120.00	(276)	(347)	(418)	(530)	(609)	(658)	(787)	(917)	(1,046)		

- ▶ **Indicative Hedge Book with Approximately 64,000 BOE / Day Hedged For Two Years and “Marked-To-Market” on 1/1/2011 at Indicated Prices**
- ▶ **Data Above Excludes Initial Margin Requirements of \$116 Mln**
- ▶ **Best / Worst Case Total Margin Requirements of \$116 Mln - \$1.16 Bln**
  - ⋈ Worst Case Margin Represents 40% of Financial Liquidity and 44% of Capital Program
  - ⋈ As Commodity Prices Rise, Margin Requirements Increase, Reducing Financial Capacity For New Capital Investment Which is Required in Order to Provide Incremental Market Supply

# To Ensure NBL's Investment Capacity in U.S. Energy Supply

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- ▶ **Designation as “Exempt End-User”**
- ▶ **Large and Healthy Market with Creditworthy Counterparties**
  - ▲ **Cost Effective Commodity Hedge Pricing**
- ▶ **Freedom From Collateral or Margin Requirements**
  - ▲ **Avoid Tying Up Scarce Capital.....Directly or Indirectly Via Counterparties**

# Appendix

# NBL Clearly Discloses All Commodity Hedging Today

## 3Q 2010 10Q & 2009 10K Crude Oil Excerpts

10Q

Production Period	Index	Type of Contract	Bbls Per Day	Weighted Average Fixed Price	Weighted Average Additional Put	Weighted Average Floor Price	Weighted Average Ceiling Price
Q3 - Q4 2010	NYMEX WTI	Variable to Fixed Price Swaps	3,000	\$ 83.36			
Q3 - Q4 2010	NYMEX WTI	Two Way Collars	14,500			61.48	75.63
Q3 - Q4 2010	Dated Brent	Variable to Fixed Price Swaps	1,000	80.05			
Q3 - Q4 2010	Dated Brent	Two Way Collars	7,000			64.00	73.96
2010 Average			25,500	82.53		62.30	75.09
2011	NYMEX WTI	Variable to Fixed Price Swaps	5,000	-			
2011	NYMEX WTI	Two Way Collars	13,000			80.15	94.63
2011	NYMEX WTI	Three Way Collars	5,000		56.00	76.00	101.46
2011	Dated Brent	Variable to Fixed Price Swaps	-	-			
2011	Dated Brent	Two Way Collars	-			-	-
2011 Average			23,000		56.00	79.00	96.53
2012	NYMEX WTI	Variable to Fixed Price Swaps	5,000	\$ 91.84			
2012	NYMEX WTI	Two Way Collars	-			-	-
2012	NYMEX WTI	Three Way Collars	12,000		-	-	-
2012	Dated Brent	Variable to Fixed Price Swaps	5,000	-			
2012	Dated Brent	Two Way Collars	-			-	-
2012 Average			22,000	91.84	-	-	-

### Variable to Fixed Price Swaps

### Collars

10K

Production Period	Index	Bbls Per Day	Weighted Average Fixed Price	Index	Bbls Per Day	Weighted Average Floor Price	Weighted Average Ceiling Price
2010	NYMEX WTI	1,000	-	NYMEX WTI	14,500	61.48	75.63
2010	Dated Brent	1,000	80.05	Dated Brent	7,000	64.00	73.96
2010 Average		2,000	40.03		21,500	62.30	75.09
2011	NYMEX WTI	-	-	NYMEX WTI	6,000	79.00	87.42
2011	Dated Brent	-	-	Dated Brent	-	-	-
2011 Average					6,000	79.00	87.42

Note: The above tables represent NBL's Crude Oil Swap and Collar Contracts, as disclosed in the Q3 2010 Form 10Q and 2009 Form 10K, respectively. All other derivative instruments are presented to this detail in our SEC filed reports.

# NBL Clearly Discloses All Commodity Hedging Today

## 3Q 2010 10Q & 2009 10K Natural Gas Excerpts

10Q

Production Period	Index	Type of Contract	MMBtu Per Day	Weighted Average Fixed Price	Weighted Average Additional Put	Weighted Average Floor Price	Weighted Average Ceiling Price
Q3 - Q4 2010	NYMEX HH	Variable to Fixed Price Swaps	40,000	\$ 6.10			
Q3 - Q4 2010	NYMEX HH	Two Way Collars	210,000			5.90	6.73
Q3 - Q4 2010	IFERC CIG	Two Way Collars	15,000			6.25	8.10
2010 Average			265,000	6.10		5.93	6.82
2011	NYMEX HH	Variable to Fixed Price Swaps	25,000	6.41			
2011	NYMEX HH	Two Way Collars	140,000			5.95	6.82
2011	NYMEX HH	Three Way Collars	50,000		4.00	5.00	6.70
2011	IFERC CIG	Two Way Collars	-			-	-
2011 Average			215,000	6.41		5.70	6.79
2012	NYMEX HH	Variable to Fixed Price Swaps	-	-			
2012	NYMEX HH	Two Way Collars	-			-	-
2012	NYMEX HH	Three Way Collars	50,000		4.75	5.50	7.92
2012	IFERC CIG	Two Way Collars	-			-	-
2012 Average			50,000	-		5.50	7.92

Production Period	Index	Index Less Differential	MMBtu Per Day	Weighted Average Differential
Q3 - Q4 2010	IFERC CIG	NYMEX HH	110,000	\$ (1.49)
2011	IFERC CIG	NYMEX HH	140,000	(0.70)
2012	IFERC CIG	NYMEX HH	150,000	(0.52)

10K

Variable to Fixed Price Swaps				Collars			
Production Period	Index	MMBtu Per Day	Weighted Average Fixed Price	Index	MMBtu Per Day	Weighted Average Floor Price	Weighted Average Ceiling Price
2010	NYMEX HH	20,000	\$ 6.10	NYMEX HH	210,000	\$ 5.90	\$ 6.73
2010	IFERC CIG	-	-	IFERC CIG	15,000	6.25	8.10
2010 Average		20,000	6.10		225,000	5.93	6.82
2011	NYMEX HH	-	-	NYMEX HH	140,000	5.95	6.82

Basis Swaps				
Production Period	Index	Index Less Differential	MMBtu Per Day	Weighted Average Differential
2010	IFERC CIG	NYMEX HH	100,000	\$ (1.60)
2011	IFERC CIG	NYMEX HH	110,000	(0.76)