NOBLE ENERGY INC
Form 10-Q
November 01, 2018

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2018-07-31 iso4217:USD utreg:bbl utreg:D utreg:MMcf utreg:D utreg:Bcf iso4217:USD utreg:bbl iso4217:USD utreg:MMBTU nbl:well utreg:acre utreg:MMBoe iso4217:USD xbrli:shares xbrli:pure xbrli:shares nbl:project utreg:MMBTU utreg:D utreg:MMBTU

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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from _____to_____

Commission file number: 001-07964

NOBLE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**73-0785597**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
1001 Noble Energy Way	
Houston, Texas	**77070**
(Address of principal executive offices)	(Zip Code)
(281) 872-3100	
(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 ý No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of September 30, 2018, there were 479,799,000 shares of the registrant's common stock, par value $0.01 per share, outstanding.

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Part I. Financial Information
Item 1. Financial Statements
Noble Energy, Inc.
Consolidated Statements of Operations and Comprehensive Income
(millions, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Oil, NGL and Gas Sales	$1,136	$907	$3,409	$2,918
Sales of Purchased Oil and Gas and Other	137	53	380	137
Total	1,273	960	3,789	3,055
Costs and Expenses				
Production Expense	273	280	886	866
Exploration Expense	25	64	89	136
Depreciation, Depletion and Amortization	485	523	1,418	1,554
Loss on Marcellus Shale Exit Activities	—	4	—	2,326
Gain on Divestitures, Net	(193)	—	(859)	—
Asset Impairments	—	—	168	—
General and Administrative	107	102	316	304
Other Operating Expense (Income), Net	78	(15)	222	132
Total	775	958	2,240	5,318
Operating Income (Loss)	498	2	1,549	(2,263)
Other (Income) Expense				
Loss (Gain) on Commodity Derivative Instruments	155	22	483	(145)
Interest, Net of Amount Capitalized	70	88	216	271
Other Non-Operating (Income) Expense, Net	(34)	100	(10)	94
Total	191	210	689	220
Income (Loss) Before Income Taxes	307	(208)	860	(2,483)
Income Tax Expense (Benefit)	59	(93)	44	(917)
Net Income (Loss) and Comprehensive Income (Loss) Including Noncontrolling Interests	248	(115)	816	(1,566)
Less: Net Income and Comprehensive Income Attributable to Noncontrolling Interests	21	21	58	46
Net Income (Loss) and Comprehensive Income (Loss) Attributable to Noble Energy	$227	$(136)	$758	$(1,612)
Net Income (Loss) Attributable to Noble Energy per Common Share				
Basic	$0.47	$(0.28)	$1.57	$(3.47)
Diluted	$0.47	$(0.28)	$1.56	$(3.47)
Weighted Average Number of Common Shares Outstanding				
Basic	482	487	484	464
Diluted	484	487	486	464

The accompanying notes are an integral part of these financial statements.

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Noble Energy, Inc.
Consolidated Balance Sheets
(millions)
(unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 720	$ 675
Accounts Receivable, Net	698	748
Other Current Assets	309	780
Total Current Assets	1,727	2,203
Property, Plant and Equipment		
Oil and Gas Properties (Successful Efforts Method of Accounting)	29,029	29,678
Property, Plant and Equipment, Other	893	879
Total Property, Plant and Equipment, Gross	29,922	30,557
Accumulated Depreciation, Depletion and Amortization	(11,677)	(13,055)
Total Property, Plant and Equipment, Net	18,245	17,502
Other Noncurrent Assets	774	461
Goodwill	1,401	1,310
Total Assets	$ 22,147	$ 21,476
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable – Trade	$ 1,239	$ 1,161
Other Current Liabilities	885	578
Total Current Liabilities	2,124	1,739
Long-Term Debt	6,571	6,746
Deferred Income Taxes	983	1,127
Other Noncurrent Liabilities	1,075	1,245
Total Liabilities	10,753	10,857
Commitments and Contingencies		
Shareholders' Equity		
Preferred Stock - Par Value $1.00 per share; 4 Million Shares Authorized; None Issued	—	—
Common Stock - Par Value $0.01 per share; 1 Billion Shares Authorized; 523 Million and 529 Million Shares Issued, respectively	5	5
Additional Paid in Capital	8,249	8,438
Accumulated Other Comprehensive Loss	(27)	(30)
Treasury Stock, at Cost; 39 Million Shares	(731)	(725)
Retained Earnings	2,850	2,248
Noble Energy Share of Equity	10,346	9,936
Noncontrolling Interests	1,048	683
Total Equity	11,394	10,619
Total Liabilities and Equity	$ 22,147	$ 21,476

The accompanying notes are an integral part of these financial statements.

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Noble Energy, Inc.
Consolidated Statements of Cash Flows
(millions)
(unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows From Operating Activities		
Net Income (Loss) Including Noncontrolling Interests	$816	$(1,566)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation, Depletion and Amortization	1,418	1,554
Loss on Marcellus Shale Exit Activities	—	2,326
Gain on Divestitures, Net	(859)	—
Asset Impairments	168	—
Deferred Income Tax Benefit	(150)	(988)
Undeveloped Leasehold Impairment	—	51
(Gain) Loss on Extinguishment of Debt, Net	(3)	98
Loss (Gain) on Commodity Derivative Instruments	483	(145)
Net Cash (Paid) Received in Settlement of Commodity Derivative Instruments	(160)	18
Stock Based Compensation	53	83
Other Adjustments for Noncash Items Included in Income (Loss)	(5)	14
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Accounts Receivable	114	(148)
(Decrease) Increase in Accounts Payable	(91)	230
Increase (Decrease) in Current Income Taxes Payable	54	(41)
Other Current Assets and Liabilities, Net	19	(5)
Other Operating Assets and Liabilities, Net	(81)	(63)
Net Cash Provided by Operating Activities	1,776	1,418
Cash Flows From Investing Activities		
Additions to Property, Plant and Equipment	(2,589)	(1,956)
Proceeds from Sale of 7.5% Interest in Tamar Field	484	—
Proceeds from Sale of CONE Gathering LLC and CNX Midstream Partners Common Units	691	—
Proceeds from Gulf of Mexico Divestiture	383	—
Proceeds from Marcellus Shale Upstream Divestiture	—	1,028
Clayton Williams Energy Acquisition, Net of Cash Received	—	(616)
Saddle Butte Acquisition, Net of Cash Received	(650)	—
Other Acquisitions	(3)	(357)
Proceeds from Other Divestitures	182	129
Additions to Equity Method Investments	—	(68)
Net Cash Used in Investing Activities	(1,502)	(1,840)
Cash Flows From Financing Activities		
Dividends Paid, Common Stock	(156)	(141)
Purchase and Retirement of Common Stock	(223)	—
Proceeds from Noble Midstream Services Revolving Credit Facility	690	245
Repayment of Noble Midstream Services Revolving Credit Facility	(725)	(45)
Proceeds from Noble Midstream Services Term Loan Credit Facility	500	—
Contributions from Noncontrolling Interest Owners	348	—
Issuance of Noble Midstream Partners Common Units, Net of Offering Costs	—	138

Proceeds from Revolving Credit Facility	1,450	1,585
Repayment of Revolving Credit Facility	(1,680)	(1,310)
Repayment of Clayton Williams Energy Long-term Debt	—	(595)
Proceeds from Issuance of Senior Notes, Net	—	1,086
Repayment of Senior Notes	(384)	(1,096)
Repayment of Capital Lease Obligation	(49)	(44)
Distributions to Noncontrolling Interest Owners and Other	(37)	(47)
Net Cash Used in Financing Activities	(266)	(224)
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	8	(646)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	713	1,210
Cash, Cash Equivalents, and Restricted Cash at End of Period	$721	$564

The accompanying notes are an integral part of these financial statements.

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Noble Energy, Inc.
Consolidated Statements of Equity
(millions)
(unaudited)

	Attributable to Noble Energy						
	Common Stock	Additional Paid in Capital	Accumulated Other Comprehensive Loss	Treasury Stock at Cost	Retained Earnings	Non-controlling Interests	Total Equity
December 31, 2017	$5	$ 8,438	$ (30)	$ (725)	$ 2,248	$ 683	$ 10,619
Net Income	—	—	—	—	758	58	816
Stock-based Compensation	—	63	—	—	—	—	63
Dividends (32 cents per share)	—	—	—	—	(156)	—	(156)
Purchase and Retirement of Common Stock	—	(233)	—	—	—	—	(233)
Clayton Williams Energy Acquisition	—	(25)	—	—	—	—	(25)
Distributions to Noncontrolling Interest Owners	—	—	—	—	—	(35)	(35)
Contributions from Noncontrolling Interest Owners	—	—	—	—	—	348	348
Other	—	6	3	(6)	—	(6)	(3)
September 30, 2018	$5	$ 8,249	$ (27)	$ (731)	$ 2,850	$ 1,048	$ 11,394
December 31, 2016	$5	$ 6,450	$ (31)	$ (692)	$ 3,556	$ 312	$ 9,600
Net (Loss) Income	—	—	—	—	(1,612)	46	(1,566)
Clayton Williams Energy Acquisition	—	1,876	—	(25)	—	—	1,851
Stock-based Compensation	—	80	—	—	—	—	80
Dividends (30 cents per share)	—	—	—	—	(141)	—	(141)
Issuance of Noble Midstream Partners Common Units, Net of Offering Costs	—	—	—	—	—	138	138
Distributions to Noncontrolling Interest Owners	—	—	—	—	—	(19)	(19)
Other	—	9	2	(11)	—	—	—
September 30, 2017	$5	$ 8,415	$ (29)	$ (728)	$ 1,803	$ 477	$ 9,943

The accompanying notes are an integral part of these financial statements.

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Noble Energy, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 1. Organization and Nature of Operations

Noble Energy, Inc. (Noble Energy, we or us) is a leading independent energy company engaged in worldwide crude oil and natural gas exploration and production. Our historical operating areas include: US onshore, primarily the DJ Basin, Delaware Basin, Eagle Ford Shale and Marcellus Shale (until June 2017); US offshore Gulf of Mexico (until April 2018); Eastern Mediterranean; and West Africa. Our Midstream segment develops, owns, operates and acquires domestic midstream infrastructure assets, with current focus areas being the DJ and Delaware Basins.

Note 2. Basis of Presentation

Presentation The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the US (US GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements. The accompanying consolidated financial statements at September 30, 2018 and December 31, 2017 and for the three and nine months ended September 30, 2018 and 2017 contain all normally recurring adjustments considered necessary for a fair presentation of our financial position, results of operations, cash flows and equity for such periods. Certain prior-period amounts have been reclassified to conform to the current period presentation. For the periods presented, net income is materially consistent with comprehensive income or loss.

Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Consolidation Our consolidated financial statements include our accounts, the accounts of subsidiaries which Noble Energy wholly owns, and the accounts of Noble Midstream Partners LP (Noble Midstream Partners), which is considered a variable interest entity (VIE) for which Noble Energy is the primary beneficiary. In addition, we use the equity method of accounting for investments in entities that we do not control, but over which we exert significant influence. All significant intercompany balances and transactions have been eliminated upon consolidation.

Estimates The preparation of consolidated financial statements in conformity with US GAAP requires us to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Management evaluates estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic and commodity price environment.

Investment in Shares of Tamar Petroleum Ltd. We account for our investment in shares of Tamar Petroleum Ltd. at fair value and record changes in fair value in other non-operating (income) expense, net in our consolidated statements of operations. See Note 3. Acquisitions and Divestitures and Note 6. Fair Value Measurements and Disclosures.

Goodwill As of September 30, 2018, our consolidated balance sheet includes goodwill of $1.4 billion, which is allocated to our Texas and Midstream reporting units. Goodwill is not amortized to earnings but is assessed for impairment on an annual basis during third quarter, or more frequently as circumstances require, at the reporting unit level.

We conducted a qualitative goodwill impairment assessment as of September 30, 2018 by examining relevant events and circumstances which could have an impact on our goodwill. Having assessed the totality of such events and circumstances, we determined that while there exist certain negative factors, the overall qualitative assessment did not indicate that it is more likely than not that the fair values of the reporting units are less than their carrying values. However, regardless of the outcome of the qualitative review, we decided to conduct Step 1 of the impairment test as part of our annual review.

As such, we performed Step 1 of the goodwill impairment test, used to identify potential impairment. The result of the Step 1 test indicated that the fair values of the Texas and Midstream reporting units exceeded their carrying values, including goodwill, and therefore, we concluded no impairment existed as of September 30, 2018.

Intangible Assets Intangible assets consist of customer contracts and relationships acquired by Noble Midstream Partners in its acquisition of Saddle Butte Rockies Midstream, LLC and affiliates (collectively, Saddle Butte). We recorded the intangible assets at their estimated fair values at the date of acquisition. Amortization is calculated using the straight-line method, which reflects the pattern in which the estimated economic benefit is expected to be received over the estimated useful life of the intangible assets, which is currently over periods of seven to 13 years. As of September 30, 2018, the net book value of the intangible assets was $318 million. Amortization expense of $8 million and $22 million for the three and nine months ended

September 30, 2018, respectively, is included in depreciation, depletion and amortization expense in our consolidated statements of operations. Intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. See Note 3. Acquisitions and Divestitures.

Stock Repurchase Program On February 15, 2018, we announced that the Company's Board of Directors authorized a $750 million share repurchase program which expires December 31, 2020. All purchases will be made from time to time in the open market or private transactions, depending on market conditions, and may be discontinued at any time. During third quarter and first nine months of 2018, 3.4 million shares and 7.4 million shares, respectively, of common stock were repurchased and retired at an average purchase price of $30.07 per share and $31.34 per share, respectively.

ASC 606, Revenue from Contracts with Customers Our revenue is derived from the sale of crude oil, NGL and natural gas production, primarily to crude oil refining companies, midstream marketing companies, marketers, industrial companies, electric utility companies, independent power producers and cogeneration facilities, among others. We account for revenue in accordance with ASC 606, *Revenue from Contracts with Customers* (ASC 606), which we adopted on January 1, 2018 using the modified retrospective method. Under ASC 606, performance obligations are the unit of account and generally represent distinct goods or services that are promised to customers. For sales of crude oil, NGLs and natural gas, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time. We recognize our sales revenues at a point in time and upon delivery to a customer at the contractually stated price and for the quantity of product delivered. In Israel, because our contracts are long-term arrangements, we recognize revenues from the sale of natural gas over the life of the contract based on the quantity of natural gas delivered.

ASC 606 provides additional clarification related to principal versus agent considerations. Under this guidance, we record revenue on a gross basis if we control a promised good or service before transferring it to a customer. For example, gathering, processing, transportation and fractionation costs incurred before transfer of control to the customer at the tailgate of a plant are accounted for as fulfillment costs and are presented as a component of gathering, transportation and processing expense in our consolidated statements of operations. On the other hand, we record revenue on a net basis if our role is to arrange for another entity to provide the goods or services. For example, costs incurred after control over the product has transferred to the customer, such as at the wellhead or inlet of a plant, are recorded as a reduction of the transaction price received within revenue.

Certain of our contracts for the sale of commodities contain embedded derivatives. We have elected the normal purchases and normal sales scope exception as provided by ASC 815, *Derivatives and Hedging*, and will account for such contracts in accordance with ASC 606.

In the US, we enter into marketing agreements with our non-operating partners to market and sell their share of production to third parties. We have determined that we act as an agent in such arrangements and account for such arrangements on a net basis.

ASC 606 adoption did not have an impact on the opening balance of retained earnings. The adoption resulted in a de minimis decrease of $2 million to revenues and expenses for third quarter 2018 and an increase of $5 million to revenues and expenses for the first nine months of 2018, respectively, but did not affect operating or net income or operating cash flows. The comparative information for the prior period has not been recast and continues to be reported under the accounting standards in effect for the period. Adoption of the new standard did not impact our financial position, and we do not expect that it will do so going forward. See Note 11. Segment Information for disaggregation of revenue by commodity and geographic location.

Changes to the presentation of commodity sales revenue and production expense resulted from our assessment of certain contractual arrangements under principal versus agent guidance and assessment of control under ASC 606. In particular, we have determined that the processor is our customer with regard to the sale of natural gas at the wellhead or the sale of NGLs at the tailgate. This is a change from previous conclusions reached under principal versus agent guidance per ASC 605, *Revenue Recognition*, where we previously retained control over our production until the sale to the end customer in the downstream markets. As such, effective January 1, 2018, revenues and expenses are presented on a net basis within revenues in our consolidated statements of operations at the time control over production is transferred to the processor under these arrangements.

Following the control model in ASC 606, we determined that we remain the principal in arrangements with end customers, such as when we take product in-kind at the tailgate and when we are directly responsible for the transportation and marketing of our production in the downstream markets. In such arrangements, we record NGL and natural gas sales and production expense on a gross basis.

Our commodity sales contracts in the US are index-based and, thus, include variable consideration. In accordance with ASC 606, we allocate variable consideration (market price) to the distinct commodities transferred in the period, but not to the future obligations to deliver production. Such allocation represents the amount of consideration to which we are entitled for deliveries

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of our commodities to-date and represents the value of product delivered to the customer. Therefore, our revenue is recognized at the time of delivery and is the product of the volume delivered and the index-based price for the period.
The following is a summary of our types of revenue arrangements by commodity and geographic location.

EXPLORATION AND PRODUCTION (E&P) REVENUE ARRANGEMENTS

Crude Oil Sale Arrangements – US We sell the majority of our US crude oil production under short-term contracts at market-based prices, adjusted for location, quality and transportation charges. Market-based pricing is based on the price index applicable for the location of the sale.

We sell our crude oil production either at the lease location or in downstream markets. Crude oil production at the lease location is sold through netback arrangements, under which we sell crude oil net of transportation costs incurred by the purchaser. We record revenue, net, at the lease location when the customer receives delivery of the product.
When we move our crude oil production from the lease location to the downstream markets in the US, we incur gathering and transportation costs, which we consider contract fulfillment activities. Such costs are reported as expense within gathering, transportation and processing expense in the consolidated statements of operations.
Revenue from the sale of crude oil in downstream markets is recognized upon delivery, as specified in the contract, when control of the product has transferred to the customer.

In second quarter 2018, we entered into a long-term contract to sell firm quantities of crude oil under index-based prices adjusted by applicable fees, including transportation, insurance, and marketing.

Crude Oil Buy/Sell Transactions – US We enter into buy/sell arrangements that effect a change in location and/or grade with required repurchase of crude oil at a delivery point. The sale and repurchase of crude oil is settled at the same contractually fixed price (before application of transportation and grade deductions) on a net basis. We account for these transactions on a net basis, in accordance with ASC 845, *Nonmonetary Transactions*. We record the residual transportation fee as transportation expense within gathering, transportation and processing expense in the consolidated statements of operations.

Crude Oil Sale Arrangements – West Africa Our share of crude oil and condensate from the Aseng, Alen and Alba fields is sold at market-based prices to Glencore Energy UK Ltd. (Glencore Energy). Crude oil is priced at a Dated Brent FOB net realized price achieved by Glencore Energy and is adjusted by applicable fees, including transportation, insurance, and marketing. We recognize revenue on the sale of crude oil to Glencore Energy at the time crude oil cargo is loaded onto the tanker and control transfers to Glencore Energy. We record revenue at the realized price received from Glencore Energy, net of applicable fees.

Natural Gas and NGLs Sale Arrangements – US Certain of our commodity contracts in the US are for the sale of natural gas to processors at prevailing market prices. We evaluate the contract terms of these arrangements to determine whether the processor is a service provider or a customer on a contract by contract basis. In arrangements where we determine that we sold our product to the processor, we treat the processor as a customer and record revenue when the processor takes physical possession of the natural gas and NGLs and in the amount of proceeds expected to be received, net of any fees or deductions charged by the processor.

In other natural gas processing arrangements, we receive natural gas and NGL products "in-kind" after processing at the tailgate of the plant. In these arrangements, we are responsible for the transportation, fractionation and marketing costs of our production. In such cases, where we have determined that the processor is a service provider, we record the sale of natural gas and NGLs and applicable gathering, processing, transportation and fractionation fees on a gross basis at the time the product is delivered to the end customer.

Natural Gas Purchase and Sale Arrangements – US We enter into purchase transactions and separate sale transactions with third parties at prevailing market prices to mitigate unutilized pipeline transportation commitments, primarily related to retained Marcellus Shale firm transportation agreements. Revenues and expenses from the sales and purchases are recorded on a gross basis, as we act as a principal in these transactions by assuming control of the purchased commodity before it is transferred to the customer.

Natural Gas Sale Arrangements – West Africa We sell our share of natural gas production from the Alba field under a long-term contract for $0.25 per MMBtu to a methanol plant, a liquefied petroleum gas (LPG) plant, a liquefied natural gas (LNG) plant and a power generation plant. We recognize revenue upon transfer of control of product to these processors.

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Natural Gas Sale Arrangements – Israel Our natural gas sales in Israel are primarily based on long-term contracts with fixed volume commitments over the life of the arrangements. Our performance obligations for the sale of natural gas are satisfied over time using production output to measure progress. The nature of these contracts gives rise to several types of variable consideration, including index-based annual price escalations, commodity-based index pricing, tiered pricing and sales price discounts in periods of volume deficiencies. Additionally, the majority of our sales contracts contain take-or-pay provisions where the customers are required to purchase a contractual minimum over varying time periods. Where the variable consideration is related to market-based pricing or index-based escalations of a fixed base price, we have elected the variable consideration allocation exception pursuant to ASC 606. We record revenue related to the volumes delivered at the contract price at the time of delivery. To date, there have been no material impacts of variability in consideration due to tiered pricing, take-or-pay provisions and/or volume deficiency discounts. We believe that any variability due to future sales price adjustments associated with potential volume deficiencies will not have a significant impact on our financial position or results of operations.

Transaction Price Allocated to Remaining Performance Obligations – Israel Remaining performance obligations represent the transaction price of firm sales arrangements for which volumes have not been delivered. Pursuant to ASC 606, short and long-term interruptible contracts and long-term dedicated production agreements are excluded from the disclosure due to uncertainty associated with estimating future production volumes and future market prices. However, certain of our natural gas sales contracts in Israel have fixed annual sales volumes and fixed base pricing with annual index escalations. The following table includes estimated revenues based upon those certain agreements with fixed minimum take-or-pay sales volumes. Our actual future sales volumes under these agreements may exceed future minimum volume commitments.

(millions)	Oct - Dec 2018	2019	2020	Total
Natural Gas Revenues [(1)]	$ 54	$137	$169	$360

(1) The remaining performance obligations are estimated utilizing the contractual base or floor price provision in effect. Our future revenues from the sale of natural gas under these associated contracts will vary from the amounts presented above due to components of variable consideration above the contractual base or floor provision, such as index-based escalations and market price changes.

MIDSTREAM REVENUE ARRANGEMENTS

Midstream Services Arrangements Our Midstream segment revenues are derived from fixed fee contract arrangements for gathering, transportation and storage services. We have determined that our performance obligations for the provision of such services are satisfied over time using volumes delivered as the measure of progress. ASC 606 adoption did not have an impact on the recognition, measurement and presentation of our midstream revenues and expenses.

Crude Oil Purchase and Sale Arrangements – US As part of the Saddle Butte acquisition in first quarter 2018, we acquired a pipeline and associated third party contracts which include transactions for the purchase and sale of crude oil with varying counterparties. Revenues and expenses from the sales and purchases are recorded on a gross basis as we act as a principal in these transactions by assuming control of the purchased commodity before it is transferred to the customer. The purchases and sales of crude oil are recorded at the prevailing market prices.

Recently Issued Accounting Standards

Leases In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (ASU 2016-02): *Leases.* The standard requires lessees to recognize a right of use asset and lease liability on the balance sheet for the rights and obligations created by leases. ASU 2016-02 also requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued Accounting Standards Update No. 2018-11 (ASU 2018-11): *Leases (Topic 842): Targeted Improvements*, which provides for an alternative transition method by allowing entities to initially apply the new leases standard at the adoption date (such as January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption (comparative periods presented in the financial statements will continue to be in accordance with current GAAP (Topic 840, Leases)). The standard will be effective for annual and interim periods beginning after December 15, 2018, with earlier application permitted.

In the normal course of business, we enter into capital and operating lease agreements to support our exploration and development operations and lease assets, such as drilling rigs, platforms, field services and well equipment, office space and other assets. We will adopt the new standard on the effective date of January 1, 2019, using a modified retrospective approach as permitted under ASU 2018-11. We plan to make certain elections allowing us to not reassess contracts that commenced prior to adoption of the standard, not recognize right of use assets or lease liabilities associated with leases of terms less than 12 months, and account for existing land easements under our current accounting policy.

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We continue to execute a project plan, which includes contract review and assessment, data collection, and evaluation of our systems, processes and internal controls. In addition, we are implementing a new lease accounting software which will facilitate the adoption of this standard. Although we continue to assess the impact of the standard on our consolidated financial statements, we believe adoption and implementation will result in an increase to assets and liabilities, as well as additional disclosures. We do not expect a material impact on our consolidated statement of operations.

Accumulated Other Comprehensive Income In February 2018, the FASB issued Accounting Standards Update No. 2018-02 (ASU 2018-02): *Income Statement – Reporting Comprehensive Income,* to allow reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. ASU 2018-02 will be effective for annual and interim periods beginning after December 15, 2018, with earlier application permitted. As of September 30, 2018, we have a disproportionate tax effect of approximately $7 million stranded in accumulated other comprehensive income. We are currently evaluating the provisions of ASU 2018-02.

Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04): *Intangibles – Goodwill and Other – Simplifying the Test for Goodwill Impairment,* to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the new standard, we will perform our goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, with an impairment charge being recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 will be effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the provisions of ASU 2017-04.

Financial Instruments: Credit Losses In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13): *Financial Instruments – Credit Losses*, which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses. The update is intended to provide financial statement users with more useful information about expected credit losses. The amended standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. From evaluation of our current credit portfolio, which includes receivables for commodity sales, joint interest billings due from partners and other receivables, historical credit losses have been de minimis and we believe that our expected future credit losses would not be significant. As such, we do not believe adoption of the standard will have a material impact on our financial statements.

Derivatives and Hedging – Targeted Improvements to Accounting for Hedging Activities In August 2017, the FASB issued Accounting Standards Update No. 2017-12 (ASU 2017-12): *Derivatives and Hedging – Targeted Improvements to Accounting for Hedging Activities.* The update is intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition to that main objective, ASU 2017-12 makes certain targeted improvements to simplify the application of the hedge accounting guidance in current US GAAP. The amended standard is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the provisions of ASU 2017-12.

Intangibles—Goodwill and Other—Internal-Use Software In August 2018, the FASB issued Accounting Standards Update No. 2018-15 (ASU 2018-15): *Intangibles—Goodwill and Other—Internal-Use Software,* to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amended standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the provisions of ASU 2018-15.

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Statements of Operations Information Other statements of operations information is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(millions)	2018	2017	2018	2017
Sales of Purchased Oil and Gas and Other				
Sales of Purchased Oil and Gas [1]	$72	$—	$191	$—
Income from Equity Method Investees	44	46	140	125
Midstream Services Revenues – Third Party	21	7	49	12
Total	$137	$53	$380	$137
Production Expense				
Lease Operating Expense	$124	$151	$411	$414
Production and Ad Valorem Taxes	47	31	151	104
Gathering, Transportation and Processing Expense	97	93	292	333
Other Royalty Expense	5	5	32	15
Total	$273	$280	$886	$866
Exploration Expense				
Leasehold Impairment	$—	$33	$—	$51
Seismic, Geological and Geophysical	4	7	17	20
Staff Expense	14	11	41	40
Other	7	13	31	25
Total	$25	$64	$89	$136
Other Operating Expense (Income), Net				
Marketing Expense [2]	$11	$6	$21	$39
Purchased Oil and Gas [1]	76	—	204	—
Clayton Williams Energy Acquisition Expenses	—	4	—	98
Gain on Asset Retirement Obligation Revisions [3]	(10)	(42)	(21)	(42)
Other, Net	1	17	18	37
Total	$78	$(15)	$222	$132
Other Non-Operating (Income) Expense, Net				
Gain on Investment in Shares of Tamar Petroleum Ltd., Net [4]	$(32)	$—	$(6)	$—
Loss (Gain) on Extinguishment of Debt, Net	—	98	(3)	98
Other, Net	(2)	2	(1)	(4)
Total	$(34)	$100	$(10)	$94

(1) As part of the Saddle Butte acquisition in first quarter 2018, we acquired certain contracts which include the purchase and sale of crude oil with third parties. In addition, we entered into certain transactions beginning in first quarter 2018 for the purchase of third party natural gas and the subsequent sale of natural gas to other third parties. The natural gas is transported through firm transportation capacity we retained following the Marcellus Shale upstream divestiture in second quarter 2017 and is part of our mitigation efforts to utilize capacity and reduce our financial commitment. See Note 11. Segment Information and Note 12. Marcellus Shale Firm Transportation Contracts.

(2) Amounts relate to unutilized firm transportation and shortfalls in delivering or transporting minimum volumes under certain commitments primarily in the DJ Basin for 2018 and in the DJ Basin and Marcellus Shale for 2017 (prior to the Marcellus Shale upstream divestiture in second quarter 2017).

(3) Gain resulted from downward asset retirement obligation revisions in locations where we have no remaining assets. See Note 8. Asset Retirement Obligations.

(4) Amounts for third quarter and first nine months of 2018 include a gain of $15 million and a loss of $25 million, respectively, due to changes

in the fair value of our investment in shares of Tamar Petroleum Ltd. In addition, third quarter and first nine months of 2018 include dividend income of $17 million and $31 million, respectively. See Note 6. Fair Value Measurements and Disclosures.

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Balance Sheet Information Other balance sheet information is as follows:

(millions)	September 30, 2018	December 31, 2017
Accounts Receivable, Net		
Commodity Sales	$ 475	$ 455
Joint Interest Billings	147	207
Other	90	103
Allowance for Doubtful Accounts	(14)	(17)
Total	$ 698	$ 748
Other Current Assets		
Inventories, Materials and Supplies	$ 52	$ 66
Inventories, Crude Oil	34	16
Assets Held for Sale (1)	—	629
Restricted Cash (2)	1	38
Investment in Shares of Tamar Petroleum Ltd. (3)	165	—
Prepaid Expenses and Other Current Assets	57	31
Total	$ 309	$ 780
Other Noncurrent Assets		
Equity Method Investments (4)	$ 295	$ 305
Customer-Related Intangible Assets (5)	318	—
Mutual Fund Investments	58	57
Net Deferred Income Tax Asset	25	25
Other Assets, Noncurrent	78	74
Total	$ 774	$ 461
Other Current Liabilities		
Production and Ad Valorem Taxes	$ 112	$ 84
Commodity Derivative Liabilities	294	58
Income Taxes Payable	57	18
Asset Retirement Obligations (6)	92	51
Interest Payable	87	67
Current Portion of Capital Lease Obligations	44	61
Liabilities Associated with Assets Held for Sale (1)	—	55
Compensation and Benefits Payable	76	98
Other Liabilities, Current	123	86
Total	$ 885	$ 578
Other Noncurrent Liabilities		
Deferred Compensation Liabilities	$ 182	$ 197
Asset Retirement Obligations (6)	582	824
Marcellus Shale Firm Transportation Commitment (7)	69	76
Production and Ad Valorem Taxes	60	69
Commodity Derivative Liabilities	100	15
Other Liabilities, Noncurrent	82	64
Total	$ 1,075	$ 1,245

(1) There are no assets held for sale at September 30, 2018. Assets held for sale at December 31, 2017 include assets in the Greeley Crescent area of the DJ Basin, a 7.5% interest in the Tamar field, offshore Israel, our investment in Southwest Royalties, Inc. acquired in the Clayton Williams Energy Acquisition, and the CONE investments. Liabilities associated with assets held for sale primarily represent asset retirement obligations and other liabilities to be assumed by the purchaser. See Note 3. Acquisitions and Divestitures.

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(2) Balance at September 30, 2018 represents Noble Midstream Partners collateral on letters of credit. Balance at December 31, 2017 represents amount held in escrow pending closing of the Saddle Butte acquisition. See Note 3. Acquisitions and Divestitures.

(3) Amount relates to our investment in shares of Tamar Petroleum Ltd. See Note 3. Acquisitions and Divestitures and Note 6. Fair Value Measurements and Disclosures.

(4) In 2018, we sold our units in CNX Midstream Partners LP, which was previously recorded as an equity method investment. At December 31, 2017, this investment was included in assets held for sale. See Note 3. Acquisitions and Divestitures and Note 6. Fair Value Measurements and Disclosures.

(5) Amount relates to intangible assets acquired in the Saddle Butte acquisition and is net of $22 million of accumulated amortization. See Note 3. Acquisitions and Divestitures.

(6) The decrease in asset retirement obligations during the nine months ended September 30, 2018 is primarily due to liabilities assumed by purchasers of divested assets during the period, partially offset by revisions, accretion and additional liabilities incurred. See Note 8. Asset Retirement Obligations.

(7) Amounts relate to the long-term portion of retained firm transportation agreements. The current portion of these obligations is included in other liabilities, current. See Note 12. Marcellus Shale Firm Transportation Contracts.

Reconciliation of Total Cash We define total cash as cash, cash equivalents and restricted cash. The following table provides a reconciliation of total cash:

	Nine Months Ended September 30,	
(millions)	2018	2017
Cash and Cash Equivalents at Beginning of Period	$675	$1,180
Restricted Cash at Beginning of Period	38	30
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	$713	$1,210
Cash and Cash Equivalents at End of Period	$720	$564
Restricted Cash at End of Period	1	—
Cash, Cash Equivalents, and Restricted Cash at End of Period	$721	$564

Note 3. Acquisitions and Divestitures

2018 Asset Transactions

Divestiture of Gulf of Mexico Assets On February 15, 2018, we announced that we had signed a definitive agreement to sell our Gulf of Mexico assets, including all of our interests in producing properties and undeveloped acreage, for cash consideration of $480 million, along with the assumption, by the purchaser, of all abandonment obligations associated with the properties. As a result, we recorded impairment expense of $168 million during first quarter 2018. In second quarter 2018, we closed the transaction with an effective date of January 1, 2018. After consideration of customary closing adjustments, to date we have received net proceeds of $383 million and recorded a loss of $24 million.

In addition, a cumulative contingent payment of up to $100 million is payable to us in the period after the closing of the transaction, beginning third quarter 2018, through the end of 2022, determined quarterly, at a rate of $2 per barrel produced by these assets when the average purchase price for Light Louisiana Sweet (LLS) crude oil exceeds $63 per barrel, and if produced crude oil volumes exceed certain minimum thresholds. As of September 30, 2018, no amounts have been accrued related to the contingent payment.

Proved reserves associated with these properties totaled approximately 23 MMBoe as of December 31, 2017.

Divestiture of 7.5% Interest in Tamar Field On March 14, 2018, we closed the sale of a 7.5% working interest in the Tamar field to Tamar Petroleum Ltd. (Tamar Petroleum), a publicly traded entity on the Tel Aviv Stock Exchange (TASE: TMRP). Total consideration included cash and 38.5 million shares of Tamar Petroleum that had a publicly traded value of $224 million. The transaction had an effective date of January 1, 2018 and, after consideration of closing adjustments and before consideration of taxes, we received $484 million of cash. Proved reserves related to the 7.5% interest totaled approximately 502 Bcf, or approximately 84 MMBoe, as of December 31, 2017.

The Tamar Petroleum shares are subject to certain temporary lock-up provisions and have no voting rights. Upon subsequent sale of the shares to a third party, the voting rights will be restored and granted to the third party. Due to the lock-up provisions associated with the Tamar Petroleum shares, we initially attributed $190 million of fair value to the shares, or 15% lower than the publicly traded value on the TASE. These shares are being accounted for at fair value, and we recorded changes in fair value of $15 million and $25 million for third quarter and first nine months of 2018, respectively. See Note 2. Basis of Presentation and Note 6. Fair Value Measurements and Disclosures.

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Total consideration received from the sale was applied to the field's basis and resulted in the recognition of a pre-tax gain of $376 million. In connection with the transaction, we incurred tax expense of $86 million.
Subsequent to quarter end, on October 2 and October 3, 2018, we sold 21.9 million and 16.6 million shares of Tamar Petroleum, respectively, in over the counter transactions for pre-tax proceeds of $163 million, net of transaction expenses. The sales of the 7.5% working interest in the Tamar field and of the Tamar Petroleum shares are in accordance with the terms of the Israel Natural Gas Framework that requires us to reduce our ownership interest in the Tamar field from 32.5% to 25% by year-end 2021.
Divestiture of Southwest Royalties In January 2018, we closed the sale of our investment in Southwest Royalties, Inc. (Southwest Royalties), a subsidiary of Clayton Williams Energy, Inc. (Clayton Williams Energy), which we acquired in the acquisition of Clayton Williams Energy (Clayton Williams Energy Acquisition) in 2017. We received proceeds of $60 million, resulting in no gain or loss recognition on the sale of these assets.
Divestiture of Marcellus Shale CONE Gathering In January 2018, we closed the sale of our 50% interest in CONE Gathering LLC (CONE Gathering) to CNX Resources Corporation. CONE Gathering owns the general partner of CNX Midstream Partners LP (CNX Midstream Partners, NYSE: CNXM). We received proceeds of $308 million in cash and recognized a pre-tax gain of $196 million.
After the sale, we held 21.7 million common units, representing a 34.1% limited partner interest, in CNX Midstream Partners. During second quarter 2018, we sold 7.5 million of the common units, receiving net proceeds of approximately $135 million, net of placement agent fees, and recognized a gain of $109 million.
During third quarter 2018, we sold the remaining 14.2 million common units, which represented a 22.3% limited partner interest in CNX Midstream Partners. We received net proceeds of approximately $248 million, net of underwriting fees, and recognized a gain of $198 million. The investment was previously accounted for under the equity method of accounting.
Divestiture of Greeley Crescent Assets In September 2018, we closed the sale of assets in the Greeley Crescent area of the DJ Basin. We received proceeds of $64 million, resulting in no gain or loss recognition on the sale of these assets.
Noble Midstream Partners Saddle Butte Acquisition On January 31, 2018, Black Diamond Gathering LLC (Black Diamond), an entity formed by Black Diamond Gathering Holdings LLC, a wholly-owned subsidiary of Noble Midstream Partners, and Greenfield Midstream, LLC (Greenfield), completed the acquisition of Saddle Butte Rockies Midstream, LLC and affiliates (collectively, Saddle Butte) from Saddle Butte Pipeline II, LLC. Saddle Butte owned a large-scale integrated gathering system, located in the DJ Basin, which we subsequently renamed the Black Diamond gathering system.
Consideration totaled $681 million, which included $663 million of cash and assumption of $18 million of liabilities. Greenfield funded approximately $343 million of the purchase price, which is reflected as a contribution from noncontrolling interest within our consolidated statement of equity, and Noble Midstream Partners funded the remainder. We consolidate Black Diamond as a VIE and reflect the third-party ownership within noncontrolling interest within our consolidated statement of equity.
We accounted for the transaction as a business combination using the acquisition method. The total purchase price was allocated to assets acquired and liabilities assumed based on the fair value at the acquisition date. We have recognized goodwill for the amount of the purchase price exceeding the fair value of the assets acquired. Allocated fair value included: $206 million to property, plant and equipment; $340 million to customer-related intangible assets (acquired customer contracts); and $110 million to implied goodwill. The purchase price allocation is preliminary as certain data necessary to complete the purchase price allocation is not yet available, such as analysis of the final appraisals of assets acquired and liabilities assumed. We expect to complete the purchase price allocation during the 12-month period following the acquisition date, during which time the value of the assets and liabilities, including any goodwill, may be revised as appropriate.
Other Divestitures During the first nine months of 2018, we also closed the sale of certain other smaller US onshore proved and unproved properties and received total cash consideration of $58 million, recording a gain of $4 million.
2017 Asset Transactions

Delaware Basin Acquisition During the first nine months of 2017, we closed a bolt-on acquisition in the Delaware Basin for $301 million, approximately $246 million of which was allocated to undeveloped leasehold costs. The acquisition included interests in seven producing wells, four of which are operated by us.

Clayton Williams Energy Acquisition On April 24, 2017, we completed the Clayton Williams Energy Acquisition. The acquisition was effected through the issuance of 56 million shares of Noble Energy common stock, with a fair value of $1.9 billion, and cash consideration of $637 million, for total consideration of $2.5 billion, in exchange for all of the outstanding Clayton Williams Energy shares, including stock options, restricted stock awards and warrants.
The transaction was accounted for as a business combination using the acquisition method. The following table represents the final allocation of the total purchase price of Clayton Williams Energy to the assets acquired and liabilities assumed, based on the fair value at the acquisition date, with any excess of the purchase price over the estimated fair value of the identifiable net assets acquired recorded as goodwill.

(millions)	
Fair Value of Common Stock Issued	$1,851
Plus: Cash Consideration Paid to Clayton Williams Energy Stockholders	637
Total Purchase Price	$2,488
Plus Liabilities Assumed by Noble Energy:	
Accounts Payable	99
Other Current Liabilities	38
Long-Term Deferred Tax Liability	515
Long-Term Debt	595
Asset Retirement Obligations	63
Total Purchase Price Plus Liabilities Assumed	$3,798

The fair value of Clayton Williams Energy's identifiable assets was as follows:

(millions)	
Cash and Cash Equivalents	$21
Other Current Assets	70
Oil and Gas Properties:	
Proved Reserves	722
Undeveloped Leasehold Costs	1,571
Gathering and Processing Assets	48
Asset Retirement Costs	63
Other Noncurrent Assets	12
Implied Goodwill	1,291
Total Asset Value	$3,798

In connection with the acquisition, we assumed, and then subsequently retired in second quarter 2017, all of Clayton Williams Energy's long-term debt at a cost of $595 million. The fair value measurements of long-term debt were estimated based on the early redemption prices and represented Level 1 inputs.
The fair value measurements of crude oil and natural gas properties and asset retirement obligations were based on inputs that are not observable in the market and, therefore, represented Level 3 inputs. The fair values of crude oil and natural gas properties and asset retirement obligations were measured using valuation techniques that convert expected future cash flows to a single discounted amount. Significant inputs to the valuation of crude oil and natural gas properties included estimates of: (i) proved, possible and probable reserves; (ii) production rates and related development timing; (iii) future operating and development costs; (iv) future commodity prices; and (v) a market-based weighted average cost of capital rate. These inputs required significant judgments and estimates by management at the time of the valuation and were the most sensitive.
Based upon the final purchase price allocation, we recognized $1.3 billion of goodwill, all of which was assigned to the Texas reporting unit.
The following pro forma condensed combined financial information was derived from the historical financial statements of Noble Energy and Clayton Williams Energy and gives effect to the acquisition as if it had occurred on

January 1, 2017. The information below reflects pro forma adjustments based on available information and certain assumptions that we believe are reasonable, including: (i) Noble Energy's common stock and equity awards issued to convert Clayton Williams Energy's outstanding shares of common stock and equity awards and conversion of warrants as of the closing date of the acquisition, (ii)

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depletion of Clayton Williams Energy's fair-valued proved crude oil and natural gas properties, and (iii) the estimated tax impacts of the pro forma adjustments.

The pro forma results of operations do not include any cost savings or other synergies that we expect to realize from the Clayton Williams Energy Acquisition or any estimated costs that have been or will be incurred by us to integrate the Clayton Williams Energy assets. The pro forma condensed combined financial information has been included for comparative purposes and is not necessarily indicative of the results that might have actually occurred had the Clayton Williams Energy Acquisition taken place on January 1, 2017; furthermore, the financial information is not intended to be a projection of future results.

(millions, except per share amounts)	Three Months Ended September 30, 2018 (1)	2017	Nine Months Ended September 30, 2018 (1)	2017
Revenues	$1,273	$960	$3,789	$3,102
Net Income (Loss) and Comprehensive Income (Loss) Attributable to Noble Energy	227	(133)	758	(1,561)
Net Income (Loss) Attributable to Noble Energy per Common Share				
Basic	$0.47	$(0.27)	$1.57	$(3.21)
Diluted	$0.47	$(0.27)	$1.56	$(3.21)

(1) No pro forma adjustments were made for the period as Clayton Williams Energy operations are included in our historical results.

Marcellus Shale Upstream Divestiture On June 28, 2017, we closed the sale of all of our Marcellus Shale upstream assets, which were primarily natural gas properties. The purchase price totaled $1.2 billion, and we received $1.0 billion of net cash proceeds, after consideration of customary adjustments, at closing. The purchase price includes additional contingent consideration of up to $100 million structured as three separate payments of $33.3 million each. The contingent payments are in effect should the average annual price of the Appalachia Dominion, South Point index exceed $3.30 per MMBtu in the individual annual periods from 2018 through 2020. No amounts have been accrued related to the contingent consideration. Proceeds from the transaction were used to repay borrowings resulting from the Clayton Williams Energy Acquisition. See Note 5. Debt.

In second quarter 2017, we recognized a total loss of $2.3 billion, or $1.5 billion after-tax, on this transaction. The aggregate net book value of the properties prior to the sale was approximately $3.4 billion, which included approximately $883 million of undeveloped leasehold cost.

As part of the total loss, we recorded a charge of $41 million, discounted, relating to a retained transportation contract. See Note 12. Marcellus Shale Firm Transportation Contracts.

During second quarter 2017, production from the Marcellus Shale upstream assets totaled 393 MMcfe/d. With the closing of the sale, we recorded a decrease in net proved reserves of approximately 241 MMBoe, of which approximately 190 MMBoe were proved developed reserves and 51 MMBoe were proved undeveloped reserves.

Noble Midstream Partners Asset Contribution On June 26, 2017, Noble Midstream Partners acquired an additional 15% limited partner interest in Blanco River DevCo LP (Blanco River DevCo), increasing its ownership to 40% of the Blanco River DevCo LP, and acquired the remaining 20% limited partner interest in Colorado River DevCo LP (Colorado River DevCo) from Noble Energy for $270 million.

Blanco River DevCo holds Noble Midstream Partners' Delaware Basin in-field gathering dedications for crude oil and produced water gathering services on approximately 111,000 net acres, with substantially all of the acreage also dedicated for natural gas gathering. Colorado River DevCo consists of gathering systems across Noble Energy's Wells Ranch and East Pony development areas in the DJ Basin.

The $270 million consideration consisted of $245 million in cash and 562,430 common units representing limited partner interests in Noble Midstream Partners. Noble Midstream Partners funded the cash consideration with approximately $138 million of net proceeds from a concurrent private placement of common units and $90 million of borrowings under the Noble Midstream Services Revolving Credit Facility (defined below) and the remainder from cash on hand.

Noble Midstream Partners Advantage Acquisition On April 3, 2017, Noble Midstream Partners and Plains Pipeline, L.P., a wholly owned subsidiary of Plains All American Pipeline, L.P., acquired Advantage Pipeline, L.L.C. (Advantage Pipeline) for $133 million through a newly formed 50/50 joint venture (Advantage Joint Venture). Noble Midstream Partners contributed $66.5 million of cash to the joint venture, funded by available cash on hand and the Noble Midstream Services Revolving Credit Facility. The Advantage Joint Venture is accounted for under the equity method and is included within our Midstream segment. Noble Midstream Partners serves as the operator of the Advantage Pipeline system, which includes a crude oil pipeline in the Delaware Basin from Reeves County, Texas to Crane County, Texas.

Note 4. Derivative Instruments and Hedging Activities

Objective and Strategies for Using Derivative Instruments We are exposed to fluctuations in crude oil, natural gas and NGL pricing. In order to mitigate the effect of commodity price volatility and enhance the predictability of cash flows relating to the marketing of our global crude oil and domestic natural gas, we enter into crude oil and natural gas price hedging arrangements.

While these instruments mitigate the cash flow risk of future decreases in commodity prices, they may also curtail benefits from future increases in commodity prices. See Note 6. Fair Value Measurements and Disclosures for a discussion of methods and assumptions used to estimate the fair values of our derivative instruments.

Unsettled Commodity Derivative Instruments As of September 30, 2018, the following crude oil derivative contracts were outstanding:

				Swaps		Collars		
Settlement Period	Type of Contract	Index	Bbls Per Day	Weighted Average Differential	Weighted Average Fixed Price	Weighted Average Short Put Price	Weighted Average Floor Price	Weighted Average Ceiling Price
2018	Swaps	NYMEX WTI	66,000	$ —	$ 60.30	$ —	$ —	$ —
2018	Collars	NYMEX WTI	18,000	—	—	—	50.42	58.82
2018	Three-Way Collars	NYMEX WTI	10,000	—	—	45.50	52.50	69.09
2018	Three-Way Collars	Dated Brent	3,000	—	—	40.00	50.00	70.41
2018	Swaps	ICE Brent	2,000	—	59.00	—	—	—
2018	Collars	ICE Brent	2,000	—	—	—	50.00	55.25
2018	Three-Way Collars	ICE Brent	5,000	—	—	43.00	50.00	59.50
2018	Basis Swaps	(1)	20,000	(2.30)	—	—	—	—
2019	Swaps	NYMEX WTI	44,000	—	58.37	—	—	—
2019	Three-Way Collars	NYMEX WTI	11,000	—	—	52.65	62.05	75.84
2019	Swaps	ICE Brent	5,000	—	57.00	—	—	—
2019	Three-Way Collars	ICE Brent	3,000	—	—	43.00	50.00	64.07
2019	Basis Swaps	(1)	27,000	(3.23)	—	—	—	—
2020	Swaption (2)	NYMEX WTI	5,000	—	61.79	—	—	—
2020	Basis Swaps	(1)	15,000	(5.01)	—	—	—	—

(1) We have entered into crude oil basis swap contracts in order to establish a fixed amount for the differential between pricing in Midland, Texas, and Cushing, Oklahoma. The weighted average differential represents the amount of reduction to Cushing, Oklahoma prices for the notional volumes covered by the basis swap contracts.

(2) We have entered into certain derivative contracts (swaptions), which give counterparties the right, but not the obligation, to enter into swap agreements with us on the option expiration dates.

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As of September 30, 2018, the following natural gas derivative contracts were outstanding:

				Swaps		Collars		
Settlement Period	Type of Contract	Index	MMBtu Per Day	Weighted Average Differential	Weighted Average Fixed Price	Weighted Average Short Put Price	Weighted Average Floor Price	Weighted Average Ceiling Price
2018	Three-Way Collars	NYMEX HH	120,000	$ —	$ —	$2.50	$ 2.88	$ 3.65
2019	Three-Way Collars	NYMEX HH	104,000	—	—	2.25	2.65	2.95
2019	Basis Swaps	[1]	52,000	(0.74)	—	—	—	—

[1] We have entered into natural gas basis swap contracts in order to establish a fixed amount for the differential between index pricing for Colorado Interstate Gas and NYMEX Henry Hub. The weighted average differential represents the amount of reduction to NYMEX Henry Hub prices for the notional volumes covered by the basis swap contracts.

Fair Value Amounts and Loss (Gain) on Commodity Derivative Instruments The fair values of commodity derivative instruments in our consolidated balance sheets were as follows:

Fair Value of Derivative Instruments

	Asset Derivative Instruments				Liability Derivative Instruments			
	September 30, 2018		December 31, 2017		September 30, 2018		December 31, 2017	
(millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Commodity Derivative Instruments	Current Assets	$ —	Current Assets	$ 2	Current Liabilities	$ 294	Current Liabilities	$ 58
	Noncurrent Assets	—	Noncurrent Assets	—	Noncurrent Liabilities	100	Noncurrent Liabilities	15
Total		$ —		$ 2		$ 394		$ 73

The effect of commodity derivative instruments on our consolidated statements of operations was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(millions)	2018	2017	2018	2017
Cash Paid (Received) in Settlement of Commodity Derivative Instruments				
Crude Oil	$68	$(4)	$164	$(20)
Natural Gas	(1)	—	(4)	2
Total Cash Paid (Received) in Settlement of Commodity Derivative Instruments	67	(4)	160	(18)
Non-cash Portion of Loss (Gain) on Commodity Derivative Instruments				
Crude Oil	85	27	316	(64)
Natural Gas	3	(1)	7	(63)
Total Non-cash Portion of Loss (Gain) on Commodity Derivative Instruments	88	26	323	(127)
Loss (Gain) on Commodity Derivative Instruments				
Crude Oil	153	23	480	(84)
Natural Gas	2	(1)	3	(61)

Total Loss (Gain) on Commodity Derivative Instruments	$155	$22	$483	$(145)

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Note 5. Debt

Debt consists of the following:

	September 30, 2018		December 31, 2017	
(millions, except percentages)	Debt	Interest Rate	Debt	Interest Rate
Revolving Credit Facility, due March 9, 2023	$—	— %	$230	2.27 %
Noble Midstream Services Revolving Credit Facility, due March 9, 2023	50	3.32 %	85	2.75 %
Noble Midstream Services Term Loan Credit Facility, due July 31, 2021	500	3.17 %	—	— %
Leviathan Term Loan Facility, due February 23, 2025	—	— %	—	— %
Senior Notes, due May 1, 2021 [1]	—	— %	379	5.63 %
Senior Notes, due December 15, 2021	1,000	4.15 %	1,000	4.15 %
Senior Notes, due October 15, 2023	100	7.25 %	100	7.25 %
Senior Notes, due November 15, 2024	650	3.90 %	650	3.90 %
Senior Notes, due April 1, 2027	250	8.00 %	250	8.00 %
Senior Notes, due January 15, 2028	600	3.85 %	600	3.85 %
Senior Notes, due March 1, 2041	850	6.00 %	850	6.00 %
Senior Notes, due November 15, 2043	1,000	5.25 %	1,000	5.25 %
Senior Notes, due November 15, 2044	850	5.05 %	850	5.05 %
Senior Notes, due August 15, 2047	500	4.95 %	500	4.95 %
Other Senior Notes and Debentures [2]	92	7.13 %	92	7.13 %
Capital Lease Obligations	234	— %	273	— %
Total	6,676		6,859	
Unamortized Discount	(23)		(24)	
Unamortized Premium [1]	—		12	
Unamortized Debt Issuance Costs	(38)		(40)	
Total Debt, Net of Unamortized Discount, Premium and Debt Issuance Costs	6,615		6,807	
Less Amounts Due Within One Year:				
Capital Lease Obligations	(44)		(61)	
Long-Term Debt Due After One Year	$6,571		$6,746	

(1) In second quarter 2018, we redeemed all of the Senior Notes due May 1, 2021, and expensed the associated premium. See *Redemption of Senior Notes*, below.

(2) Includes $8 million of Senior Notes due June 1, 2024 and $84 million of Senior Debentures due August 1, 2097. The weighted average interest rate for these instruments is 7.13%.

Revolving Credit Facility Our Credit Agreement, as amended, provides for a $4.0 billion unsecured revolving credit facility (Revolving Credit Facility), which is available for general corporate purposes. The Revolving Credit Facility (i) provides for facility fee rates that range from 10 basis points to 25 basis points per year depending upon our credit rating, (ii) provides for interest rates that are based upon the Eurodollar rate plus a margin that ranges from 90 basis points to 150 basis points depending upon our credit rating and (iii) includes sub-facilities for short-term loans and letters of credit up to an aggregate amount of $500 million under each sub-facility.

In first quarter 2018, we extended the maturity date of the Revolving Credit Facility from August 2020 to March 2023. As of September 30, 2018, no borrowings were outstanding under the Revolving Credit Facility.

Noble Midstream Services Revolving Credit Facility Noble Midstream Services, LLC (Noble Midstream Services), a subsidiary of Noble Midstream Partners, maintains a revolving credit facility (Noble Midstream Services Revolving Credit Facility), which is available to fund working capital and to finance acquisitions and other capital expenditures

of Noble Midstream Partners.
In first quarter 2018, the capacity was increased from $350 million to $800 million and the maturity date was extended from September 2021 to March 2023.

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Borrowings by Noble Midstream Partners under the Noble Midstream Services Revolving Credit Facility bear interest at a rate equal to an applicable margin plus, at Noble Midstream Partners' option, either (a) in the case of base rate borrowings, a rate equal to the highest of (1) the prime rate, (2) the greater of the federal funds rate or the overnight bank funding rate, plus 0.5% and (3) the LIBOR for an interest period of one month plus 1.00%; or (b) in the case of LIBOR borrowings, the offered rate per annum for deposits of dollars for the applicable interest period.

During third quarter 2018, $480 million was paid on the Noble Midstream Services Revolving Credit Facility through the issuance of a new term loan credit facility. See *Noble Midstream Services Term Loan Credit Facility* below. As of September 30, 2018, $50 million was outstanding under the Noble Midstream Services Revolving Credit Facility.

Noble Midstream Services Term Loan Credit Facility On July 31, 2018, Noble Midstream Services entered into a Term Credit Agreement (Noble Midstream Services Term Credit Agreement), which provides for a three year senior unsecured term loan credit facility (Noble Midstream Services Term Loan Credit Facility) and permits aggregate borrowings of up to $500 million. Proceeds from the Noble Midstream Services Term Loan Credit Facility were used to repay a portion of the outstanding borrowings under the Noble Midstream Services Revolving Credit Facility and to pay fees and expenses in connection with the Noble Midstream Services Term Loan Credit Facility.

Borrowings under the Noble Midstream Services Term Loan Credit Facility bear interest at a rate equal to, at Noble Midstream Partners' option, either (1) a base rate plus an applicable margin between 0.00% and 0.50% per annum or (2) a Eurodollar rate plus an applicable margin between 1.00% and 1.50% per annum. As of September 30, 2018, $500 million was outstanding under the Noble Midstream Services Term Loan Credit Facility.

The Noble Midstream Services Term Loan Credit Facility contains customary representations and warranties, affirmative and negative covenants, and events of default that are substantially the same as those contained in the Noble Midstream Services Revolving Credit Facility. Upon the occurrence and during the continuation of an event of default under the Noble Midstream Services Term Loan Credit Facility, the lenders may declare all amounts outstanding under the Noble Midstream Services Term Loan Credit Facility to be immediately due and payable and exercise other remedies as provided by applicable law.

Leviathan Term Loan Agreement On February 24, 2017, Noble Energy Mediterranean Ltd. (NEML), a wholly owned subsidiary of Noble Energy, entered into a facility agreement (Leviathan Term Loan Facility) which provides for a limited recourse secured term loan facility with an aggregate principal borrowing amount of up to $1.0 billion, $625 million of which is initially committed. Any amounts borrowed under the Leviathan Term Loan Facility will be available to fund a portion of our share of costs for the initial phase of development of the Leviathan field offshore Israel.

Any amounts borrowed will be subject to repayment on a quarterly basis following production startup for the first phase of development, which is targeted for the end of 2019. Repayment will be in accordance with an amortization schedule set forth in the facility agreement, with a final balloon payment of no more than 35% of the loans outstanding. The Leviathan Term Loan Facility matures on February 23, 2025, and we can prepay borrowings at any time, in whole or in part, without penalty. The Leviathan Term Loan Facility contains customary representations and warranties, affirmative and negative covenants, events of default and also includes a prepayment mechanism that reduces the final balloon amount if cash flows exceed certain defined coverage ratios.

Any amounts borrowed will accrue interest at LIBOR, plus a margin of 3.50% per annum prior to production startup, 3.25% during the period following production startup until the last two years of maturity, and 3.75% during the last two years until the maturity date. We are also required to pay a commitment fee equal to 1.00% per annum on the unused and available commitments under the Leviathan Term Loan Facility until the beginning of the repayment period.

The Leviathan Term Loan Facility is secured by a first priority security interest in substantially all of NEML's interests in the Leviathan field and its marketing subsidiary and in assets related to the initial phase of the project. All of NEML's revenues from the first phase of the Leviathan development will be deposited in collateral accounts and we will be required to maintain a debt service reserve account for the benefit of the lenders under the Leviathan Term Loan Facility. Once servicing accounts are replenished and debt service made, all remaining cash will be available to

us and our subsidiaries. As of September 30, 2018, there were no borrowings under the Leviathan Term Loan Facility. See Note 6. Fair Value Measurements and Disclosures for a discussion of methods and assumptions used to estimate the fair values of debt.
Redemption of Senior Notes In May 2018, we redeemed $379 million of Senior Notes due May 1, 2021 that we assumed in the merger (Rosetta Merger) with Rosetta Resources, Inc. in 2015 for $395 million, including $11 million of accrued interest and $5 million of call premium. We fully amortized $10 million of remaining premium and recognized a gain of $5 million, which is reflected in other non-operating (income) expense in our consolidated statements of operations.

Annual Debt Maturities Our nearest annual maturity of outstanding debt, excluding capital lease payments and outstanding balances under the revolving credit facilities and the Noble Midstream Services Term Loan Credit Facility, is $1.0 billion of senior notes which mature in December 2021. The Noble Midstream Services Term Loan Credit Facility matures in July 2021 and the Revolving Credit Facility and Noble Midstream Services Revolving Credit Facility both mature in March 2023. As of September 30, 2018, no other balances are due within the next five years.

Note 6. Fair Value Measurements and Disclosures

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are measured at fair value on a recurring basis in our consolidated balance sheets. The following methods and assumptions were used to estimate the fair values:

Cash, Cash Equivalents, Accounts Receivable and Accounts Payable The carrying amounts approximate fair value due to the short-term nature or maturity of the instruments.

Mutual Fund Investments Our mutual fund investments consist of various publicly-traded mutual funds that include investments ranging from equities to money market instruments. The fair values are based on quoted market prices for identical assets.

Commodity Derivative Instruments Our commodity derivative instruments may include variable to fixed price commodity swaps, two-way collars, three-way collars, swaptions, enhanced swaps and basis swaps. We estimate the fair values of these instruments using published forward commodity price curves as of the date of the estimate. The discount rate used in the discounted cash flow projections is based on published LIBOR rates, Eurodollar futures rates and interest swap rates. The fair values of commodity derivative instruments in an asset position include a measure of counterparty nonperformance risk, and the fair values of commodity derivative instruments in a liability position include a measure of our own nonperformance risk, each based on the current published credit default swap rates. In addition, for collars, we estimate the option values of the put options sold and the contract floors and ceilings using an option pricing model which takes into account market volatility, market prices and contract terms. See Note 4. Derivative Instruments and Hedging Activities.

Investment in Tamar Petroleum Ltd. Our investment in shares of Tamar Petroleum was acquired on March 14, 2018. As of March 31, 2018 and June 30, 2018, the fair value of these shares was determined based on the trading price of Tamar Petroleum shares on the TASE, reduced by a discount rate of 15%. The discount rate was based on analysis of historical discounts realized in private placements of public common stock, which we believe represented a reasonable estimate of the impact of the temporary lock-up provisions applicable to the shares we owned.

We sold our shares of Tamar Petroleum in two separate transactions on October 2 and October 3, 2018. As of September 30, 2018, we continued to account for these shares at fair value and reclassified our investment from other noncurrent assets to other current assets on our consolidated balance sheets. The fair value of the shares at September 30, 2018 was determined based on the negotiated selling price, which represented a discount from trading price on the TASE due to the temporary lock up provisions, which transferred to the buyer. See Note 2. Basis of Presentation and Note 3. Acquisitions and Divestitures.

Deferred Compensation Liability The value is dependent upon the fair values of mutual fund investments and shares of our common stock held in a rabbi trust. See *Mutual Fund Investments* above.

Stock-Based Compensation Liability A portion of the value of the liability associated with our phantom unit plan is dependent upon the fair value of Noble Energy common stock as of the end of each reporting period.

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Measurement information for assets and liabilities that are measured at fair value on a recurring basis was as follows:

(millions)	Fair Value Measurements Using Quoted Prices in Active Markets (Level 1) [1]	Significant Other Observable Inputs (Level 2) [2]	Significant Unobservable Inputs (Level 3) [3]	Adjustment [4]	Fair Value Measurement
September 30, 2018					
Financial Assets:					
Mutual Fund Investments	$ 58	$ —	$ —	$ —	$ 58
Commodity Derivative Instruments	—	35	—	(35)	—
Investment in Tamar Petroleum Ltd. (38,495,575 Shares)	—	165	—	—	165
Financial Liabilities:					
Commodity Derivative Instruments	—	(429)	—	35	(394)
Portion of Deferred Compensation Liability Measured at Fair Value	(73)	—	—	—	(73)
Stock Based Compensation Liability Measured at Fair Value	(14)	—	—	—	(14)
December 31, 2017					
Financial Assets:					
Mutual Fund Investments	$ 57	$ —	$ —	$ —	$ 57
Commodity Derivative Instruments	—	7	—	(5)	2
Financial Liabilities:					
Commodity Derivative Instruments	—	(78)	—	5	(73)
Portion of Deferred Compensation Liability Measured at Fair Value	(71)	—	—	—	(71)
Stock Based Compensation Liability Measured at Fair Value	(10)	—	—	—	(10)

(1) Level 1 measurements are fair value measurements which use quoted market prices (unadjusted) in active markets for identical assets or liabilities. We use Level 1 inputs when available as Level 1 inputs generally provide the most reliable evidence of fair value.

(2) Level 2 measurements are fair value measurements which use inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

(3) Level 3 measurements are fair value measurements which use unobservable inputs.

(4) Amount represents the impact of netting provisions within our master agreements that allow us to net cash settle asset and liability positions with the same counterparty.

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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis
Certain assets and liabilities, such as oil and gas properties, goodwill and other intangible assets, are not required to be measured at fair value on a recurring basis. However, these assets are assessed for impairment, and a resulting asset impairment would require the asset be recorded at fair value.
Asset Impairments During first quarter 2018, upon classification of the Gulf of Mexico properties as assets held for sale, we recognized an impairment of $168 million. See Note 3. Acquisitions and Divestitures. For second and third quarter 2018 and the first nine months of 2017, we had no adjustments in fair value related to oil and gas properties.
Additional Fair Value Disclosures
Investment in CNX Midstream Partners Our investment in CNX Midstream Partners, which is included in our Midstream reportable segment, was previously accounted for using the equity method. The fair value of the investment at December 31, 2017, was based on the published market price of the common units at that date. During second quarter 2018, we sold 7.5 million of our 21.7 million common units in CNX Midstream Partners. In third quarter 2018, we sold the remaining 14.2 million common units. See Note 3. Acquisitions and Divestitures.

	September 30, 2018		December 31, 2017	
(millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment in CNX Midstream Partners (0 Common Units and 21,692,198 Common Units, respectively)	$ —	$ —	$ 70	$ 364

Debt The fair value of fixed-rate, public debt is estimated based on the published market prices for the same or similar issues. As such, we consider the fair value of our public, fixed-rate debt to be a Level 1 measurement on the fair value hierarchy.
Our Revolving Credit Facility, the Noble Midstream Services Revolving Credit Facility, the Noble Midstream Services Term Loan Credit Facility and the Leviathan Term Loan Facility are variable-rate, non-public debt. The fair value is estimated based on significant other observable inputs. As such, we consider the fair value of these facilities to be a Level 2 measurement on the fair value hierarchy. See Note 5. Debt.
Fair value information regarding our debt is as follows:

	September 30, 2018		December 31, 2017	
(millions)	Carrying Amount	Fair Value [1]	Carrying Amount	Fair Value
Long-Term Debt [2]	$6,442	$ 6,498	$6,586	$7,142

(1) As of September 30, 2018, the fair value of long-term debt approximates the carrying amount, primarily due to the current rising interest rate environment.
(2) Excludes unamortized discount, premium, debt issuance costs and capital lease obligations.

Note 7. Capitalized Exploratory Well Costs and Undeveloped Leasehold Costs
Capitalized Exploratory Well Costs We capitalize exploratory well costs until a determination is made that the well has found proved reserves or is deemed noncommercial. On a quarterly basis, we review the status of suspended exploratory well costs and assess the development of these projects. If a well is deemed to be noncommercial, the well costs are charged to exploration expense as dry hole cost.
Changes in capitalized exploratory well costs are as follows and exclude amounts that were capitalized and subsequently expensed in the same period:

(millions)	Nine Months Ended September 30, 2018	
Capitalized Exploratory Well Costs, Beginning of Period	$	520

Additions to Capitalized Exploratory Well Costs Pending Determination of Proved Reserves	7		
Divestitures [1]	(168		)
Reclassified to Proved Oil and Gas Properties Based on Determination of Proved Reserves	(1		)
Capitalized Exploratory Well Costs Charged to Expense	—		
Capitalized Exploratory Well Costs, End of Period	$	358	

[1] Represents costs primarily related to Gulf of Mexico assets.

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The following table provides an aging of capitalized exploratory well costs based on the date that drilling commenced:

(millions)	September 30, 2018	December 31, 2017
Exploratory Well Costs Capitalized for a Period of One Year or Less	$ 8	$ 10
Exploratory Well Costs Capitalized for a Period Greater Than One Year Since Commencement of Drilling	350	510
Balance at End of Period	$ 358	$ 520
Number of Projects with Exploratory Well Costs That Have Been Capitalized for a Period Greater Than One Year Since Commencement of Drilling	7	8

Undeveloped Leasehold Costs We reclassify undeveloped leasehold costs to proved property costs when, as a result of exploration and development activities, probable and possible resources are reclassified to proved reserves, including proved undeveloped reserves. On the other hand, if, based upon a change in exploration plans, timing and extent of development activities, availability of capital and suitable rig and drilling equipment, resource potential, comparative economics, changing regulations and/or other factors, an impairment is indicated, we record impairment expense related to the respective leases or licenses.

As of September 30, 2018, we had remaining undeveloped leasehold costs, to which proved reserves had not been attributed, of $2.6 billion, including $2.4 billion and $129 million attributable to the Delaware Basin and Eagle Ford Shale, respectively. Undeveloped leasehold costs were derived from allocated fair values as a result of business combinations or other purchases of unproved properties and are subject to impairment testing.

The remaining balance of undeveloped leasehold costs as of September 30, 2018 primarily included $53 million related to international unproved properties. These costs pertain to acquired leases or licenses that are subject to expiration over the next several years unless production is established on units containing the acreage. These costs are evaluated as part of our periodic impairment review.

During the first nine months of 2018, we transferred $259 million and $20 million of undeveloped leasehold costs associated with Delaware Basin and Eagle Ford Shale assets, respectively, to proved properties. These transfers resulted from additions of proved reserves through development activities. In addition, $43 million of capitalized costs associated with Gulf of Mexico leases and licenses and $36 million of capitalized costs associated with other US onshore properties were removed from undeveloped leasehold costs due to divestiture of the associated assets in second quarter and third quarter 2018, respectively. See Note 3. Acquisitions and Divestitures.

Note 8. Asset Retirement Obligations

Asset retirement obligations (ARO) consist primarily of estimated costs of dismantlement, removal, site reclamation and similar activities associated with our oil and gas properties. Changes in ARO are as follows:

	Nine Months Ended September 30,	
(millions)	2018	2017
Asset Retirement Obligations, Beginning Balance	$875	$935
Liabilities Incurred	16	83
Liabilities Settled	(309)	(53)
Revisions of Estimates	67	(56)
Accretion Expense [1]	25	35
Asset Retirement Obligations, Ending Balance	$674	$944

(1) Accretion expense is included in depreciation, depletion and amortization (DD&A) expense in the consolidated statements of operations.

For the Nine Months Ended September 30, 2018 Liabilities settled included $216 million and $24 million of liabilities assumed by the purchasers of the Gulf of Mexico properties and Greeley Crescent assets, respectively, and $69 million related to abandonment of US onshore properties, primarily in the DJ Basin, where we have engaged in a program to plug and abandon older vertical wells. Costs associated with these abandonment activities will be incurred over several years. Revisions of estimates were primarily related to increases in cost and timing estimates of $84 million for US onshore, primarily in the DJ Basin, partially offset by decreases in cost and timing estimates of $11 million associated with the North Sea abandonment project and $6 million for wells offshore Israel.

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For the Nine Months Ended September 30, 2017 Liabilities incurred included $58 million related to the Clayton Williams Energy Acquisition and $25 million primarily for other US onshore wells and facilities placed into service. Liabilities settled included $37 million related to abandonment of onshore US properties, $12 million related to properties sold in the Marcellus Shale upstream divestiture and $4 million related to other offshore international and US properties. Revisions of estimates related to decreases in cost and timing estimates of $42 million associated with the North Sea abandonment project and $29 million for US onshore and Gulf of Mexico, partially offset by an increase of $15 million for West Africa.

Note 9. Income Taxes

The income tax expense (benefit) consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(millions, except percentages)	2018	2017	2018	2017
Current	$45	$22	$194	$71
Deferred	14	(115)	(150)	(988)
Total Income Tax Expense (Benefit)	$59	$(93)	$44	$(917)
Effective Tax Rate	19.2%	44.7 %	5.1 %	36.9 %

Changes in US Tax Law On December 22, 2017, the US Congress enacted the Tax Cuts and Jobs Act (Tax Reform Legislation), which made significant changes to US federal income tax law, including a reduction in the federal corporate tax rate to 21%, effective January 1, 2018. In accordance with US GAAP, we recognized the effect of the rate change on deferred tax assets and liabilities as of December 31, 2017.

On April 2, 2018, the US Department of the Treasury and the Internal Revenue Service released Notice 2018-26, signaling intent to issue regulations related to the transition tax (toll tax) on a one-time “deemed repatriation” of accumulated foreign earnings for the year ended December 31, 2017. Notice 2018-26 clarifies that an Internal Revenue Code Section 965(n) election is available with respect to both current year operating losses and net operating losses from a prior year. As a result, during first quarter 2018, we released the valuation allowance recorded against foreign tax credits that will be utilized against the $268 million toll tax liability we had recorded as of December 31, 2017, resulting in a $252 million tax benefit, and reduced our estimated toll tax liability to $16 million to be paid in installments over eight years. We also recorded a corresponding expense of $107 million for the tax rate change adjustment on the previously utilized net operating losses. The impact on first quarter 2018 total tax expense, related to this additional guidance, was a net $145 million discrete tax benefit.

The ultimate impact of the Tax Reform Legislation may differ from our estimates due to changes in interpretations and assumptions made by us, as well as additional regulatory guidance that may be issued. In particular, our estimate of the impact of the toll tax is a provisional amount and our current assessment of the global intangible low-taxed income (GILTI) tax is ongoing and subject to legal interpretation. There may be further adjustments to income tax expense or benefit during fourth quarter 2018, when the final amounts are determined in accordance with Staff Accounting Bulletin No. 118.

Effective Tax Rate (ETR) At the end of each interim period, we apply a forecasted annualized effective tax rate (ETR) to current period earnings or loss before tax, which can produce interim ETR fluctuations. The ETR for the three months ended September 30, 2018 varied as compared with the three months ended September 30, 2017 primarily due to a prior year deferred tax benefit resulting from a higher forecasted annualized ETR applied to significant domestic losses.

The ETR for the nine months ended September 30, 2018 varied as compared with the nine months ended September 30, 2017, primarily due to a deferred tax benefit of $145 million recorded discretely in the current year, as discussed above, and a significant deferred tax benefit recorded at the higher prior year US tax rate of 35% on the Marcellus Shale upstream divestiture in second quarter 2017. In addition, the increase in the current income tax expense for the nine months ended September 30, 2018 is primarily due to foreign taxes on a gain associated with the first quarter 2018 divestiture of a 7.5% interest in the Tamar field, offshore Israel.

In our major tax jurisdictions, the earliest years remaining open to examination are as follows: US – 2014, Israel – 2015 (2013 with respect to Israel Oil Profits Tax) and Equatorial Guinea – 2013.

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Note 10. Income Per Share Attributable to Noble Energy

Noble Energy's basic income (loss) per share of common stock is computed by dividing net income (loss) attributable to Noble Energy by the weighted average number of shares of Noble Energy common stock outstanding during each period. The following table summarizes the calculation of basic and diluted income (loss) per share:

(millions, except per share amounts)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Net Income (Loss) and Comprehensive Income (Loss) Attributable to Noble Energy	$227	$(136)	$758	$(1,612)
Weighted Average Number of Shares Outstanding, Basic	482	487	484	464
Incremental Shares from Assumed Conversion of Dilutive Stock Options, Restricted Stock, and Shares of Common Stock in Rabbi Trust	2	—	2	—
Weighted Average Number of Shares Outstanding, Diluted	484	487	486	464
Income (Loss) Per Share, Basic	$0.47	$(0.28)	$1.57	$(3.47)
Income (Loss) Per Share, Diluted	0.47	(0.28)	1.56	(3.47)
Number of Antidilutive Stock Options, Shares of Restricted Stock, and Shares of Common Stock in Rabbi Trust Excluded from Calculation Above	13	16	14	16

Note 11. Segment Information

We have the following reportable segments: United States (US onshore and Gulf of Mexico (until April 2018)); Eastern Mediterranean (Israel and Cyprus); West Africa (Equatorial Guinea, Cameroon and Gabon); Other International (Suriname, Canada and New Ventures); and Midstream. The Midstream segment includes the consolidated accounts of Noble Midstream Partners, US onshore equity method investments and other US onshore midstream assets.

The geographical reportable segments are in the business of crude oil and natural gas acquisition and exploration, development, and production (Oil and Gas Exploration and Production). The Midstream reportable segment develops, owns, operates and acquires domestic midstream infrastructure assets, or invests in other midstream entities, with current focus areas being the DJ and Delaware Basins. Expenses related to debt, headquarters depreciation and corporate general and administrative expenses are recorded at the corporate level.

		Oil and Gas Exploration and Production				Midstream		
(millions)	Consolidated	United States	Eastern Mediter-ranean	West Africa	Other Int'l	United States	Intersegment Eliminations and Other[1]	Corporate
Three Months Ended September 30, 2018								
Crude Oil Sales	$ 744	$655	$ 2	$ 87	$ —	$ —	$ —	$ —
NGL Sales	166	166	—	—	—	—	—	—
Natural Gas Sales	226	98	122	6	—	—	—	—
Total Crude Oil, NGL and Natural Gas Sales	1,136	919	124	93	—	—	—	—
Sales of Purchased Oil and Gas	72	26	—	—	—	46	—	—
Income from Equity Method Investees and Other	65	—	—	34	—	31	—	—
Intersegment Revenues	—	—	—	—	—	91	(91)	—
Total Revenues	1,273	945	124	127	—	168	(91)	—
Lease Operating Expense	124	114	7	15	—	—	(12)	—
Production and Ad Valorem Taxes	47	46	—	—	—	1	—	—

Gathering, Transportation and Processing Expense	97	129	—	—	—	28	(60)	—
Other Royalty Expense	5	5	—	—	—	—	—	—
Total Production Expense	273	294	7	15	—	29	(72)	—

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		Oil and Gas Exploration and Production				Midstream		
(millions)	Consolidated	United States	Eastern Mediter-ranean	West Africa	Other Int'l	United States	Intersegment Eliminations and Other[(1)]	Corporate
DD&A	485	414	16	25	1	24	(5)	10
(Gain) Loss on Divestitures, Net	(193)	5	—	—	—	(198)	—	—
Purchased Oil and Gas	76	32	—	—	—	44	—	—
Gain on Asset Retirement Obligation Revisions	(10)	—	—	—	(10)	—	—	—
Loss on Commodity Derivative Instruments	155	140	—	15	—	—	—	—
Gain on Investment in Shares of Tamar Petroleum Ltd., Net	(32)	—	(32)	—	—	—	—	—
Income (Loss) Before Income Taxes	307	31	143	68	(17)	268	(16)	(170)
Three Months Ended September 30, 2017								
Crude Oil Sales	$ 553	$487	$ 2	$ 64	$ —	$ —	$ —	$ —
NGL Sales	116	116	—	—	—	—	—	—
Natural Gas Sales	238	93	139	6	—	—	—	—
Total Crude Oil, NGL and Natural Gas Sales	907	696	141	70	—	—	—	—
Income from Equity Method Investees and Other	53	—	—	33	—	20	—	—
Intersegment Revenues	—	—	—	—	—	72	(72)	—
Total Revenues	960	696	141	103	—	92	(72)	—
Lease Operating Expense	151	118	9	25	—	—	(1)	—
Production and Ad Valorem Taxes	31	30	—	—	—	1	—	—
Gathering, Transportation and Processing Expense	93	129	—	—	—	20	(56)	—
Other Royalty Expense	5	5	—	—	—	—	—	—
Total Production Expense	280	282	9	25	—	21	(57)	—
DD&A	523	442	18	41	1	10	(1)	12
Gain on Asset Retirement Obligation Revisions	(42)	—	—	—	(42)	—	—	—
Loss on Debt Extinguishment	98	—	—	—	—	—	—	98
Loss on Commodity Derivative Instruments	22	16	—	6	—	—	—	—
(Loss) Income Before Income Taxes	(208)	(115)	109	24	23	58	(12)	(295)
Nine Months Ended September 30, 2018								
Crude Oil Sales	$ 2,266	$1,972						