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

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 31, 2015

OR

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

OR

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

Commission file number 001-35345

PACIFIC DRILLING S.A.
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Luxembourg
(Jurisdiction of incorporation or organization)

8-10, Avenue de la Gare
L-1610 Luxembourg
(Address of principal executive offices)

Lisa Manget Buchanan
Senior Vice President, General Counsel and Secretary
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares, $0.01 par value per share	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act. None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2015, there were 211,207,230 shares outstanding.

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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FORWARD-LOOKING STATEMENTS

This annual report contains "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identifiable by their use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "will" and similar terms and phrases, which are not generally historical in nature, including references to assumptions. The assumptions and bases used to make any forward-looking statements, while reasonable and made in good faith, almost always vary from the actual results, and the differences between assumed facts or bases and actual results can be material, depending upon the circumstances.

Any forward-looking statements contained in this annual report should not be relied upon as predictions of future events as no assurance can be given that the expectations expressed in any forward-looking statements will prove to be correct. You should thoroughly read this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and Item 3, "Risk Factors" in this annual report. Additionally, new risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers are cautioned not to place undue reliance on the forward-looking statements contained in this annual report, which represent the best judgment of our management. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

As used in this annual report, unless the context otherwise requires, references to "Pacific Drilling," the "Company," "we," "us," "our" and words of similar import refer to Pacific Drilling S.A. and its subsidiaries. Unless otherwise indicated, all references to "$" in this report are to, and amounts are represented in, United States ("U.S.") dollars.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with Item 5, "Operating Results" and our historical consolidated financial statements and related notes thereto included elsewhere in this annual report. The financial information included in this annual report may not be indicative of our future financial position, results of operations or cash flows.

Pacific Drilling S.A. was formed as a Luxembourg public limited liability company (*société anonyme)* to act as an indirect holding company for our predecessor, Pacific Drilling Limited (our "Predecessor"), a company organized under the laws of Liberia, and its subsidiaries in connection with a corporate reorganization completed on March 30, 2011 (referred to in this annual report as the "Restructuring"). In connection with the Restructuring, our Predecessor was contributed to a wholly-owned subsidiary of Pacific Drilling S.A. by a subsidiary of Quantum Pacific International Limited, a British Virgin Islands company and parent company of an investment holdings group (the "Quantum Pacific Group"). Pacific Drilling S.A. did not engage in any business or other activities prior to the Restructuring except in connection with its formation and the Restructuring. The Restructuring was limited to entities that were all under the control of the Quantum Pacific Group and its affiliates, and, as such, the Restructuring was accounted for as a transaction between entities under common control. As a result, the consolidated financial statements of Pacific Drilling S.A. are presented using the historical values of the Predecessor's financial statements on a combined basis. However, the issued share capital of Pacific Drilling S.A. is retrospectively reflected for all periods in the selected historical consolidated financial data to reflect the 150,000,000 common shares held by the Quantum Pacific Group at the completion of the Restructuring. The financial information relating to the Company and its subsidiaries has been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and is in U.S. dollars.

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

Set forth below are (i) selected historical consolidated financial data as of December 31, 2015 and 2014 and for the years ended December 31, 2015 , 2014 and 2013 , which have been derived from our audited consolidated financial statements included elsewhere in this annual report, and (ii) selected historical consolidated financial data as of December 31, 2013 , 2012 and 2011 and for the years ended December 31, 2012 and 2011 , which have been derived from our audited consolidated financial statements not included in this annual report.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share amounts)				
Statement of operations data:					
Revenues					
Contract drilling	$ 1,085,063	$ 1,085,794	$ 745,574	$ 638,050	$ 65,431
Costs and expenses					
Operating expenses	(431,261)	(459,617)	(337,277)	(331,495)	(32,142)
General and administrative expenses	(55,511)	(57,662)	(48,614)	(45,386)	(52,614)
Depreciation expense	(243,457)	(199,337)	(149,465)	(127,698)	(11,619)
	(730,229)	(716,616)	(535,356)	(504,579)	(96,375)
Loss from construction contract rescission	(40,155)	—	—	—	—
Loss of hire insurance recovery	—	—	—	23,671	18,500
Operating income (loss)	314,679	369,178	210,218	157,142	(12,444)
Other income (expense)					
Costs on interest rate swap termination	—	—	(38,184)	—	—
Interest expense	(156,361)	(130,130)	(94,027)	(104,685)	(10,384)
Total interest expense	(156,361)	(130,130)	(132,211)	(104,685)	(10,384)
Costs on extinguishment of debt	—	—	(28,428)	—	—
Equity in earnings of Joint Venture	—	—	—	—	18,955
Interest income from Joint Venture	—	—	—	—	495
Other income (expense)	(3,217)	(5,171)	(1,554)	3,245	3,675
Income before income taxes	155,101	233,877	48,025	55,702	297
Income tax expense	(28,871)	(45,620)	(22,523)	(21,713)	(3,200)
Net income (loss)	$ 126,230	$ 188,257	$ 25,502	$ 33,989	$ (2,903)
Earnings (loss) per common share, basic	$ 0.60	$ 0.87	$ 0.12	$ 0.16	$ (0.01)
Weighted-average number of common shares, basic	211,454	217,223	216,964	216,901	195,448
Earnings (loss) per common share, diluted	$ 0.60	$ 0.87	$ 0.12	$ 0.16	$ (0.01)
Weighted-average number of common shares, diluted	211,557	217,376	217,421	216,903	195,448

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Balance sheet data:					
Working capital [1]	$ 168,888	$ (21,425)	$ 301,471	$ 522,390	$ 115,462
Property and equipment, net	5,143,556	5,431,823	4,512,154	3,760,421	3,436,010
Total assets	5,832,478	6,077,301	5,164,040	4,893,928	4,184,289
Long-term debt [2]	2,885,428	3,150,242	2,430,837	2,253,708	1,675,000
Shareholders' equity	2,692,055	2,578,872	2,399,924	2,315,248	2,274,073

(1) Working capital is defined as current assets minus current liabilities.
(2) Includes current maturities of long-term debt.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

An investment in our common shares involves a high degree of risk. You should consider carefully the following risk factors, as well as the other information contained in this annual report, before making an investment in our common shares. Any of the risk factors described below could significantly and negatively affect our financial position, results of operations or cash flows. In addition, these risks represent important factors that can cause our actual results to differ materially from those anticipated in our forward-looking statements.

Risks Related to Our Business

The demand for our services depends on the level of activity in the offshore oil and natural gas industry, which is significantly affected by, among other things, volatile oil and natural gas prices and may be materially and adversely affected by the current significant decline in the offshore oil and gas industry.

The offshore contract drilling industry is cyclical and volatile and is currently in significant decline. The demand for our services depends on the level of activity in oil and natural gas exploration, development and production in offshore areas worldwide. Oil and natural gas prices and market expectations of potential changes in these prices also significantly affect the level of offshore activity and demand for drilling units.

Oil and natural gas prices are extremely volatile and are affected by numerous factors beyond our control, including the worldwide production and demand for oil and natural gas and any geographical dislocations in supply and demand, worldwide economic and financial problems and corresponding decline in the demand for oil and gas and consequently for our services, and the worldwide social and political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities, insurrection or other crises in the Middle East, Africa, South America or other geographic areas or acts of terrorism in the United States, or elsewhere.

Declines in oil and gas prices for an extended period of time, and market expectations of additional potential decreases in these prices, could continue to negatively affect our business in the offshore drilling sector. Sustained periods of low oil prices have resulted in and could continue to result in reduced exploration and drilling. These commodity price declines have an effect on rig demand, and periods of low demand can cause excess rig supply and intensify the competition in the industry which often results in drilling units of all generations and technical specifications being idle for periods of time. As a result of the low commodity prices, the majority of exploration and production companies have announced 2016 capital expenditure budgets with significant reductions in capital spending from prior years. Additionally, multiple deepwater and mid-water drillships and semisubmersibles have completed their contracts prior to signing new ones for continued work, leading to an oversupply of drilling rigs. These developments have exerted pricing pressure on our market. We cannot accurately predict the future level of demand for our services or future conditions in the oil and gas industry. The decrease in exploration, development or production expenditures by oil and gas companies, and any further decreases, could reduce our revenues and materially harm our business and results of operations.

Failure to secure drilling contracts for our drillships could have a material adverse effect on our financial position, results of operations or cash flows.

We do not currently have drilling contracts for three of our seven drillships, the *Pacific Meltem,* the *Pacific Mistral or* the *Pacific Khamsin* . In addition, the contract for the *Pacific Bora* is set to expire in the third quarter of 2016. Our ability to obtain drilling contracts for these drillships will depend on market conditions and our clients' drilling programs. We may not be able to secure contracts for these drillships on favorable terms, or at all. Our failure to secure drilling contracts for our uncontracted drillships or currently operating drillships after the expiration of existing contracts could have a material adverse effect on our financial position, results of operations or cash flows.

An oversupply of rigs competing with our rigs could continue to depress the demand and contract prices for ultra-deepwater rigs and could adversely affect our financial position, results of operations or cash flows and our ability to repay debt in the future.

There are numerous rigs currently available for drilling services in the industry worldwide. We estimate there are approximately 34 - 38 high-specification rigs without firm contracts and available for drilling services in 2016. Additionally, we estimate that approximately 43 high-specification rigs are scheduled for delivery between January 1, 2016 and the end of 2018, many of which are without firm contracts. The current oversupply of rigs, especially high-specification drillships, has led to a significant reduction in dayrates and lower utilization and such dayrates may continue to decline. Lower utilization and dayrates could require us to enter into lower dayrate contracts or to idle or stack more of our drillships, which could have a material adverse effect on our financial position, results of operations or cash flows and our ability to repay debt in the future.

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

Our substantial level of indebtedness, and the terms of the agreements that govern such indebtedness, may require us and our subsidiaries to use a substantial portion of our cash flow from operations to pay interest and principal on the debt, which would reduce the funds available for working capital, capital expenditures and other general corporate purposes and limit our ability to obtain additional financing, which may limit our ability to effectively compete in the offshore drilling market. If our cash flows from operations are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these actions on satisfactory terms, or at all.

The restrictions and covenants contained in our debt agreements may prevent us from taking actions that we believe would be in our best interest and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that could subject us to additional restrictive covenants, which could affect our financial and operational flexibility. Our ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond our control. The breach of any of these covenants and restrictions could result in a default under the agreements governing our debt.

Pursuant to the terms of the agreements governing our indebtedness, an event of default may be triggered by the occurrence of certain or all of the following events in connection with our other indebtedness: (i) failure to make payments when due or upon maturity, (ii) acceleration of other indebtedness and (iii) events of default due to breaches of covenants or otherwise under the agreements governing other indebtedness. An event of default under any of our debt agreements could permit some or all of the lenders to declare all amounts borrowed from them due and payable. In addition, debt under other debt agreements that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, our assets might not be sufficient to repay in full all of our outstanding indebtedness, and we may not be able to find alternative financing. In addition, if we obtain alternative financings, such financing might not be on terms that are favorable or acceptable. If we were unable to repay amounts borrowed at their stated maturities or upon acceleration, the holders of the debt could initiate a bankruptcy or liquidation proceeding. See Item 5, “Liquidity and Capital Resources—Description of Indebtedness” and Note 5 to the Company’s Consolidated Financial Statements in this annual report for a description of the restrictions and covenants applicable to our indebtedness.

We have a small fleet and rely on a limited number of clients. The loss of any client or significant downtime on any drillship attributable to unplanned maintenance, repairs or other factors could adversely affect our financial position, results of operations or cash flows.

As a result of our relatively small fleet of drillships, we anticipate revenues will depend on contracts with a limited number of clients. We currently have four operating drillships and three available drillships. Three of our operating drillships, the *Pacific Bora,* the *Pacific Santa Ana,* and the *Pacific Sharav,* are working for subsidiaries of Chevron Corporation (“Chevron”). The *Pacific Scirocco* is working for a subsidiary of Total S.A. (“Total”).

The loss of either one of these clients could have a material adverse effect on our financial position, results of operations or cash flows. In addition, our limited number of drillships makes us more susceptible to incremental loss in the event of downtime on any one operating unit. If any one of our drillships becomes inactive for a substantial period of time and is not otherwise earning contractual revenues, it could have a material adverse impact on our financial position, results of operations or cash flows.

Although we entered into an International Master Service Agreement (“IMA”) with Chevron in November 2012 in order to simplify the process of entering into new drilling contracts with Chevron, the IMA is a framework agreement and does not create any obligation on Chevron’s part to utilize our offshore drilling or related services nor does it create any obligation on our part to provide such services. Each drilling project with Chevron is governed by a separate, specific agreement that sets forth negotiated commercial and technical terms and conditions. We may not enter into future drilling contracts with Chevron, and even if we do, they may not be entered into under the construct of the IMA.

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

As of February 23, 2016, we had a contract backlog on the *Pacific Bora,* the *Pacific Scirocco,* the *Pacific Santa Ana* , and the *Pacific Sharav* of approximately $1.3 billion. We calculate our contract backlog by multiplying the average contractual dayrate we expect to earn by the minimum number of days committed under the contracts (excluding options to extend), assuming full utilization, and also include mobilization fees, upgrade reimbursements and other revenue sources, such as the standby rate during upgrades, as stipulated in the contracts. The actual amounts of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods shown in the tables provided in Item 4, “Business

Overview—Contract Backlog" of this annual report due to various factors, including unplanned downtime and maintenance projects and other factors. The contractual dayrate used to calculate average estimated contract backlog per day is higher than other rates that may be in effect at certain times under the contract, including the standby rate or waiting on weather rate, the repair rate or the force majeure rate. We may not be able to realize the full amount of our contract backlog due to events beyond our control. In addition, some of our clients may experience liquidity issues, which could worsen if commodity prices remain low or decrease further for an extended period of time. Liquidity issues could lead our clients to seek to repudiate, cancel or renegotiate these agreements for various reasons, as described under "—Our drilling contracts may be terminated early in certain circumstances" below. Our inability to realize the full amount of our contract backlog could have a material adverse effect on our financial position, results of operations or cash flows.

We may enter into drilling contracts with less favorable terms that expose us to greater risks than we normally assume.

The current market conditions and oversupply of drilling rigs could impact our existing drilling contracts. Our clients may seek to renegotiate dayrates under our existing contracts and we may not be able to preserve current dayrates or utilization and we may not be able to extend contracts with our clients on favorable terms, or at all. Additionally, our clients may seek to terminate existing contracts prior to the expiration of their terms, as described in "—Our drilling contracts may be terminated early in certain circumstances."

We may enter into drilling contracts or amendments to drilling contracts that expose us to greater risks than we normally assume, such as exposure to greater environmental or other liabilities and more onerous termination provisions giving the customer a right to terminate without cause or upon little or no notice. Upon termination, these contracts may not result in a payment to us, or if a termination payment is required, it may not fully compensate us for the loss of a contract. In addition, the early termination of a contract may result in a rig being idle for an extended period of time, which could adversely affect our financial position, results of operations or cash flows. We can provide no assurance that any such increased risk exposure will not have a material negative impact on our future operations and financial results.

We may not realize the cost-savings anticipated on our idle rigs.

Our operating expenses and maintenance costs depend on a variety of factors including crew costs, provisions, equipment, insurance, maintenance and repairs and shipyard costs, many of which are beyond our control. During periods in which a rig is idle, we may decide to "smart stack" the rig, which means the rig is maintained with a reduced level of crew to be ready to ramp up to operational status for redeployment within a three month time frame. As a result of smart stacking, our operating expenses are less than if the rig remained active; however, reductions in costs may not be immediate and we may not be able to realize the costs savings anticipated from smart stacking.

Moreover, as our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the rig is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized. Should rigs be idle for an extended period, we may seek to "cold stack" the rig so as to further reduce costs, which means the rig is stored in a harbor or designated offshore area and the crew is reassigned or dismissed. However, there can be no assurance that we will be successful in reducing our costs in such cases.

Our drilling contracts may be terminated early in certain circumstances.

Our contracts with clients may be terminated at the option of the client upon payment of an early termination fee, which is typically a significant percentage of the dayrate or the standby rate under the drilling contract for a specified period of time. During periods of depressed market conditions, we are subject to an increased risk that our clients may seek to terminate our contracts. Early termination payments may not fully compensate us for the loss of the contract. Our contracts also provide for termination by the client without the payment of any termination fee, under various circumstances, typically including, but not limited to, our non-performance, as a result of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events. Many of these events are beyond our control. If our clients terminate some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if payments due under our contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, our financial position, results of operations or cash flows could be materially adversely affected.

Our business and the industry in which we operate involve numerous operating hazards which, if they occur, may cause a material adverse effect to our business.

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

We may experience downtime as a result of repairs or maintenance, human error, defective or failed equipment or delays waiting for replacement parts.

Our operations may be suspended because of machinery breakdowns, human error, abnormal operating conditions, failure of subcontractors to perform or supply goods or services, delays on replacement parts or personnel shortages, which may cause us to experience operational downtime and could have an adverse effect on our results of operations.

In addition, we rely on certain third parties to provide supplies and services necessary for our offshore drilling operations, including, but not limited to, drilling equipment, catering and machinery suppliers. Mergers in our industry have reduced the number of available suppliers, resulting in fewer alternatives for sourcing key supplies. Such consolidation, combined with a high volume of drilling units under construction, may result in a shortage of supplies and services potentially inhibiting the ability of suppliers to deliver on time, or at all. These delays may have a material adverse effect on our results of operations and result in downtime, and delays in the repair and maintenance of our drillships.

Our business is subject to numerous governmental laws and regulations, including environmental requirements that may impose significant costs and liabilities on us.

Our operations are subject to federal, state, local and foreign or international laws and regulations that may require us to obtain and maintain specific permits or other governmental approvals to control the discharge of oil and other contaminants into the environment or otherwise relating to environmental protection. Countries where we operate have environmental laws and regulations governing our discharge of oil and other contaminants and imposing stringent standards on our activities that are protective of the environment. Any operations and activities that we conduct in the United States and its territorial waters are subject to numerous environmental laws, including the Oil Pollution Act of 1990 (“OPA”), the Outer Continental Shelf Lands Act (“OCSLA”), the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”) and the International Convention for the Prevention of Pollution from Ships (“MARPOL”), as each has been amended from time to time, and analogous state laws. Failure to comply with these laws, regulations and treaties may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, the denial or revocation of permits or other authorizations and the issuance of injunctions that may limit or prohibit some or all of our operations. Laws and regulations protecting the environment have become more stringent in recent years and may in certain circumstances impose strict liability, rendering us liable for environmental and natural resource damages caused by others or for acts that were in compliance with all applicable laws at the time the acts were performed. The application of these laws and regulations, the modification of existing laws or regulations or the adoption of new laws or regulations that curtail exploratory or developmental drilling for oil and natural gas could materially limit future contract drilling opportunities or materially increase our costs, including our capital expenditures.

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

Catastrophic events resulting in the release of oil or other contaminants offshore have heightened environmental and regulatory concerns about the oil and natural gas industry. In the past, the federal government, acting through the U.S. Department of the Interior (“DOI”) and its implementing agencies that have since evolved into the present day Bureau of Ocean Energy Management (“BOEM”) and Bureau of Safety and Environmental Enforcement (“BSEE”), have issued various rules, Notices to Lessees and Operators (“NTLs”) and temporary drilling moratoria that impose or result in added environmental and safety regulations or requirements upon oil and natural gas exploration, development and production operators in the U.S. Gulf of Mexico, some of whom are our clients. Any such regulatory initiatives may serve to effectively slow down the pace of drilling and production operations in the U.S. Gulf of Mexico due to adjustments in operating procedures and certification requirements as well as increased lead times to obtain exploration and production plan reviews. For example, BSEE has extended its regulatory enforcement reach to include contractors as well as offshore lease operators. Consequently, BSEE may elect to hold contractors, including drilling contractors, liable for alleged violations of law arising in

the BSEE's jurisdictional area. We could become subject to fines, penalties or orders requiring us to modify or suspend our operations in the U.S. Gulf of Mexico if we fail to comply with these requirements. This could result in increased future operating costs, including insurance costs, which we may not be able to pass through to our clients.

Our business could be affected adversely by union disputes and strikes or work stoppages by our employees. In addition, our labor costs and the operating restrictions under which we operate could increase as a result of collective bargaining negotiations and changes in labor laws and regulations.

Some of our international employees are represented by unions, and some of our contracted labor work under collective bargaining agreements. Many of these represented individuals are working under agreements that are subject to annual salary negotiations. We cannot guarantee the results of any such collective bargaining negotiations or whether any such negotiations will result in a work stoppage. In addition, employees may strike for reasons unrelated to our union arrangements. Any future work stoppage could, depending on the affected operations and the length of the work stoppage, have a material adverse effect on our financial position, results of operations or cash flows. In addition, we could enter new markets where the workforce is represented by unions, which could result in higher operating costs that we are unable to pass along to our clients.

Our global operations may be adversely affected by political and economic circumstances in the countries in which we operate, including as a result of violations of the U.S. Foreign Corrupt Practices Act and similar foreign anti-bribery laws. A significant portion of our business is conducted in Nigeria, which exposes us to risks of war, local economic instabilities, corruption, political disruption and civil disturbance in that region.

We operate in oil and natural gas producing areas worldwide. We are subject to a number of risks inherent in any business that operates globally, including: political, social and economic instability, war, piracy and acts of terrorism; corruption; potential seizure, expropriation or nationalization of assets; increased operating costs; wage and price controls; imposition or changes in interpretation and enforcement of local content laws; and other forms of government regulation and economic conditions that are beyond our control.

The United States Foreign Corrupt Practices Act (the "FCPA"), the UK Bribery Act 2010, the Nigerian Corrupt Practices and Other Related Offenses Act of 2000, Brazil's Anti Corruption Law of 2014 and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making, offering or authorizing improper payments to government officials for the purpose of obtaining or retaining business. We may operate in countries where strict compliance with anti-bribery laws conflicts with local customs and practices. Violations of or any non-compliance with current and future anti-bribery laws (either due to acts or inadvertence by us or our agents) may result in criminal and civil sanctions and could subject us to other liabilities in the U.S. and elsewhere.

In order to effectively compete in some foreign jurisdictions, we utilize local agents and/or establish joint ventures with local operators or strategic partners. Our agents often interact with government officials on our behalf. Even though some of our agents and partners may not themselves be subject to the FCPA or other anti-bribery laws to which we may be subject, if our agents or partners make improper payments to government officials in connection with engagements or partnerships with us, we could be investigated and potentially found liable for violation of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on our financial position, results of operations or cash flows.

These risks may be higher in developing countries such as Nigeria, where two of our drillships currently operate. Countries in West Africa have experienced political and economic instability in the past and such instability may continue in the future. Disruptions in our operations may occur in the future, and losses caused by these disruptions may not be covered by insurance.

We may be required to make significant capital expenditures to maintain our competitiveness and to comply with laws and the applicable regulations and standards of governmental authorities and organizations.

Changes in offshore drilling technology, client requirements for new or upgraded equipment and competition within our industry may require us to make significant capital expenditures in order to maintain our competitiveness. Our competitors may have greater financial and other resources than we have, which may enable them to make technological improvements to existing equipment or replace equipment that becomes obsolete. In addition, changes in governmental regulations, safety or other equipment standards may require us to make additional unforeseen capital expenditures.

If we are unable to fund these capital expenditures with cash flow from operations, we may either incur additional borrowings or raise capital through the sale of debt or equity securities. Our ability to access the capital markets for future offerings may be limited by our financial position at the time, by changes in laws and regulations and by adverse market conditions. Our failure to obtain the funds for necessary future capital expenditures could limit our ability to continue to

operate some of our vessels and could have a material adverse effect on our business and on our financial position, results of operations or cash flows.

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

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

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

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

Any significant cyber-attack or interruption in network security could materially disrupt our operations and adversely affect our business.

We have become increasingly dependent upon digital technologies to conduct and support our offshore operations, and we rely on our operational and financial computer systems to conduct almost all aspects of our business. Threats to our information technology systems associated with cybersecurity risks and incidents or attacks continue to grow. Any failure of our computer systems, or those of our customers, vendors or others with whom we do business, could materially disrupt our operations and could result in the corruption of data or unauthorized release of proprietary or confidential data concerning our company, business operations and activities, clients or employees. Computers and other digital technologies could become impaired or unavailable due to a variety of causes, including, among others, theft, design defects, terrorist attacks, utility outages, human error or complications encountered as existing systems are maintained, repaired, replaced or upgraded. Any cyber-attack or interruption could have a material adverse effect on our financial position, results of operations or cash flows, and our reputation.

Our insurance may not be adequate in the event of a catastrophic loss.

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

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

Our clients may be unable or unwilling to indemnify us.

Consistent with standard industry practice, our clients generally assume, and indemnify us against, well control and subsurface risks under our dayrate contracts. These risks are associated with the loss of control of a well, such as blowout or cratering, the cost to regain control or redrill the well and associated pollution. However, the indemnification provisions in our contracts may not cover all damages, claims or losses to us or third parties, and our client may not have sufficient resources to

cover their indemnification obligations or the client may contest their obligation to indemnify us. Also, in the interest of maintaining good relations with our key clients, we may choose not to assert certain indemnification claims. In addition, in certain market conditions, we may be unable to negotiate contracts containing indemnity provisions that obligate our clients to indemnify us for such damages and risks.

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

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

Public health threats could have a material adverse effect on our financial position, results of operations or cash flows.

Public health threats, such as Ebola, the H1N1 flu virus, Severe Acute Respiratory Syndrome, and other highly communicable diseases, outbreaks of which have already occurred in various parts of the world in which we operate, could adversely impact our operations, the operations of our customers and the global economy, including the worldwide demand for oil and natural gas and the level of demand for our services. Any quarantine of personnel or inability to access our offices or rigs could adversely affect our operations. Travel restrictions or operational problems in any part of the world in which we operate, or any reduction in the demand for drilling services caused by public health threats in the future, may adversely affect our financial position, results of operations or cash flows.

The market value of our current drillships may decrease, which could cause us to incur losses if we decide to sell them following a decline in their values or accounting charges, which may affect our ability to comply with certain covenants in our debt agreements.

If the offshore contract drilling industry continues to suffer adverse developments, the fair market value of our drillships may decline. The fair market value of the drillship we currently own or may acquire in the future may increase or decrease depending on a number of factors, many of which are beyond our control, including the level of offshore drilling activity.

In the future, if the market values of our drillships deteriorate significantly, we may be required to record an impairment charge in our financial statements, which could adversely affect our results of operations. If we sell any of our drillships when prices for such drillships have fallen, but before we have recorded an impairment adjustment to our financial statements, the sale may be at less than such drillship's carrying amount on our financial statements, resulting in a loss. Additionally, any such deterioration in the market values of our drillships could trigger early repayments to our lenders under our debt agreements. Such a charge, loss or repayment could materially and adversely affect our business prospects, financial condition, liquidity, and results of operations.

We may be adversely affected by national, state and foreign or international laws or regulatory initiatives focusing on greenhouse gas (GHG) reduction.

Due to concern over the risk of climate change, there has been a broad range of proposed or promulgated initiatives regarding GHG reduction. Regulatory frameworks adopted, or being considered for adoption, to reduce GHG emissions include cap and trade regimes, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates for renewable energy. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions in the United States would impact our business, any such future laws and regulations that require reporting of GHGs or otherwise limit emissions of GHGs from oil and gas exploration and production operators, some of whom are our clients, could require such operators to incur increased costs, lengthen project implementation times, and adversely affect demand for the oil and natural gas that they produce, which could decrease demand for our services. We are currently unable to predict the manner or extent of any such effect.

Risks Related to Our Common Shares

We have received notice from the New York Stock Exchange ("NYSE") that we have fallen below its continued listing standards, and unless improvement in our share price is demonstrated, our common shares could be delisted from the NYSE. Delisting could limit the liquidity of our common shares, hinder our ability to raise additional capital and have other negative results.

On January 13, 2016, we were notified by the NYSE that we did not satisfy the NYSE's continued listing criteria, because the average closing price of our common shares was less than $1.00 per share over a consecutive 30 trading-day period. In accordance with the NYSE rules, we notified the NYSE that we intend to cure the share price deficiency and are considering all available options to return to compliance with the continued listing requirements. We have six months following receipt of the non-compliance notice to cure the deficiency for this continued listing standard. If our shares are delisted, our shares would likely be traded on an over-the-counter quotation system or on the pink sheets, which could adversely affect the market liquidity for our common shares and limit the ability of shareholders to sell securities in the secondary market.

Delisting from the NYSE could also adversely affect our ability to raise additional financing through public or private sales of equity securities. Delisting could have other negative results, including the loss of institutional investor interest and fewer business development opportunities.

Our inability to pay dividends or make distributions could have a material negative impact on our share price.

The payment of dividends or distributions to shareholders is at the discretion of members of our board of directors ("Board of Directors") and subject to shareholder approval as well as other requirements of Luxembourg law. Any dividend payment or distribution is dependent upon our earnings, capital requirements, financial position, general market conditions and numerous other factors. Our existing credit facilities prohibit us from paying dividends and repurchasing shares through March 31, 2018. See Item 5, "Liquidity and Capital Resources" and Note 5 to the Company's Consolidated Financial Statements in this annual report for a more detailed description of the terms of our debt financings. Our inability to pay dividends or make distributions may materially adversely affect the price of our common shares.

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

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

In addition, the rights of shareholders as they relate to, for example, the exercise of shareholder rights are governed by Luxembourg law and our Articles and differ from the rights of shareholders under other jurisdictions, including the United States. The holders of our common shares may have more difficulty in protecting their interests in the face of actions by the Board of Directors than if we were incorporated in the United States.

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

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

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

We are controlled by Quantum Pacific (Gibraltar) Limited, which could result in potential conflicts of interest with our public shareholders.

An entity controlled by the Quantum Pacific Group was the beneficial owner of approximately 71.0% of our outstanding common shares as of February 23, 2016 and is in a position to control actions that require the consent of our shareholders, including the election of directors, amendment of our Articles and any merger or sale of substantially all of our assets. In addition, three of our nine Board of Directors members are also employees of affiliates of the Quantum Pacific Group, including Mr. Ron Moskovitz, the Chairman of our Board of Directors.

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

Our controlling shareholder may pledge a portion of its shares in our company to secure its own debt facilities.

Our controlling shareholder, Quantum Pacific (Gibraltar) Limited, has from time to time pledged a significant portion of its shares in our Company to secure its own debt facilities. Although Quantum Pacific (Gibraltar) Limited does not currently have any of its shares in our company pledged, Quantum Pacific (Gibraltar) Limited may, in the future, obtain loans that are secured by a pledge of equity interests in our Company. A default under a loan facility with our Company shares pledged could result in another person acquiring a significant voting interest in our Company and could adversely affect the market price of our common shares.

Additionally, a decline in the market value of our common shares could trigger margin calls under any such loan facilities. Failure or delay by Quantum Pacific (Gibraltar) Limited to promptly meet any margin call or other events of default under these financing arrangements could result in the sale or other disposition of some or all of the pledged shares, which could result in one or more persons other than Quantum Pacific (Gibraltar) Limited acquiring the pledged shares and thereby acquiring a significant voting interest in our Company. Furthermore, due to Quantum Pacific (Gibraltar) Limited's significant interest in our Company, the disposition of a portion or all of its pledged shares by the lender under the loan facility or a subsequent holder of the pledged shares may adversely affect prevailing market prices of our shares.

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

We are a "foreign private issuer" under the securities laws of the United States and the rules of the NYSE. Under the NYSE rules, a "foreign private issuer" is subject to less stringent corporate governance requirements than a domestic issuer. Subject to certain exceptions, the rules of the NYSE permit a "foreign private issuer" to follow its home country practice in lieu of the listing requirements of the NYSE. In addition, Quantum Pacific Group controls a majority of our outstanding common shares. As a result, we are considered a "controlled company" within the meaning of the NYSE corporate governance standards. Based on the foregoing we may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that all independent directors meet in executive session at least once a year, (3) the requirement that the nominating/corporate governance committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities, (4) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities and (5) the requirement of an annual performance evaluation of the nominating and corporate governance and compensation committees. As permitted by these exemptions, as well as by our Articles and the laws of Luxembourg, we currently have a compensation committee with one or more non-independent directors serving as committee members. As a result, non-independent directors, may, among other things, fix the compensation of our management, make common share and option awards and resolve governance issues regarding our company. Accordingly, investors may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

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

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

Tax Risks

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

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

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

If we are not successful in our efforts to make distributions, if any, through a withholding tax free reduction of share capital or share premium (the absence of withholding on such distributions is subject to certain requirements), then any dividends paid by us will generally be subject to a Luxembourg withholding tax at a rate of 15% (17.65% if the dividend tax is not withheld from the shareholder) (subject to the reductions/exceptions discussed under Item 10 "Taxation—Material Luxembourg Tax Considerations for U.S. Holders of Common Shares—Exemption from Luxembourg Withholding Tax"). The withholding tax must be withheld from the gross distribution and paid to the Luxembourg tax authorities. Under current Luxembourg tax law, a reduction of share capital or share premium is not subject to Luxembourg withholding tax provided that certain conditions are met, including, for example, the condition that we do not have distributable reserves or profits. However, there can be no assurance that our shareholders will approve such a reduction in share capital or share premium, that we will be able to meet the other legal requirements for a reduction in share capital or share premium, or that Luxembourg tax withholding rules will not be changed in the future. In addition, over the long term, the amount of share capital and share premium available for us to use for capital reductions will be limited. If we are unable to make a distribution through a withholding tax free reduction in share capital or share premium, we may not be able to make distributions without subjecting our shareholders to Luxembourg withholding taxes.

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

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

We believe that we are not a PFIC for the current taxable year and will not be a PFIC during any future taxable year. Based on our operations described herein, all or a substantial portion of our income from offshore contract drilling services should be treated as services income and not as passive income, and thus all or a substantial portion of the assets that we own and operate in connection with the production of that income should not constitute passive assets, for purposes of determining whether we are a PFIC. However, this involves a facts and circumstances analysis and it is possible that the IRS would not agree with this conclusion. See Item 10, "Taxation—Material U.S. Federal Income Tax Considerations for Holders of Common Shares—U.S. Holders—Passive Foreign Investment Company Rules."

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The Company

Pacific Drilling S.A. was formed on March 11, 2011, as a Luxembourg public limited liability company (*société anonyme)* under the Luxembourg law of 10 August 1915 on commercial companies, as amended, to act as an indirect holding company for our Predecessor. Our common shares have been listed on the Norwegian OTC List since April 2011 and on the NYSE since November 2011. Our principal executive offices are located at 8-10, Avenue de la Gare, L-1610 Luxembourg and our telephone number is +352 27 85 81 35. Our agent in Luxembourg is Centralis S.A, which is located at 8-10, Avenue de la Gare, L-1610 Luxembourg.

History and Business Development

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

Our initial investment in the ultra-deepwater drilling industry was through the purchase in 2006 of a drillship under construction by Samsung Heavy Industries Co., Ltd. ("SHI") and the later exercise of an option for a second drillship.

In 2007, we formed TPDI with Transocean Ltd., and the two drillships then under construction were transferred into TPDI. We formed a construction management team to oversee activities in the SHI shipyard that was then seconded to Transocean Ltd., who assumed responsibility for management of construction and operation of the two TPDI drillships through a contract with TPDI.

In 2007, we entered into additional construction contracts with SHI to construct two ultra-deepwater drillships, the *Pacific Bora* and the *Pacific Mistral* , which were not included in TDPI, and in 2008, management decided to expand our activities in the ultra-deepwater segment to include operation and marketing of drilling services for the two drillships. As part of this strategy, we then entered into additional contracts with SHI to construct two more ultra-deepwater drillships, the *Pacific Scirocco* and the *Pacific Santa Ana* .

In 2011, we reincorporated in Luxembourg, completed the Restructuring and determined that it was in our best interest to focus on the operation and marketing of our wholly-owned fleet. On March 30, 2011, we completed the TPDI Transfer, pursuant to which all of our equity interest in TPDI was transferred to a wholly-owned subsidiary of the Quantum Pacific Group for no consideration. As a result, neither we nor any of our subsidiaries currently own any interest in TPDI.

We currently have seven drillships in our fleet. For more information on our fleet and drilling contracts, see Item 4, "Business Overview—Contract Backlog" and "Property, Plant and Equipment—Our Fleet."

Debt and Equity Financings

In September 2010, we entered into the Project Facilities Agreement ("PFA") with a group of lenders to finance the construction, operation and other costs associated with the *Pacific Bora* , the *Pacific Mistral* , the *Pacific Scirocco* and the *Pacific Santa Ana* . During 2010 and 2011, we borrowed an aggregate of $1.725 billion under the PFA. The PFA was fully repaid in June 2013 with the proceeds from the 2020 Senior Secured Notes and Senior Secured Term Loan B.

In April 2011, we completed the 2011 Private Placement of 60.0 million common shares for net proceeds of approximately $575.5 million. As a result of this offering, our common shares began trading on the Norwegian OTC List on April 5, 2011.

In November 2011, we completed an initial public offering of 6.0 million common shares. In December 2011, the underwriters purchased an additional 0.9 million common shares pursuant to the full exercise of an over-allotment option. The initial public offering resulted in net proceeds of approximately $50.3 million. As a result of this offering, our common shares began trading on the NYSE on November 11, 2011 under the ticker symbol "PACD." As of February 23, 2016, approximately 58.3 million of our common shares had migrated from the Norwegian OTC List to the NYSE.

In February 2012, we completed a private placement of $300.0 million in aggregate principal amount of 8.25% senior unsecured U.S. dollar denominated bonds due in 2015, which were fully repaid on February 23, 2015.

In November 2012, we completed a private placement of $500.0 million in aggregate principal amount of 7.25% senior secured U.S. dollar denominated notes due in 2017 (the "2017 Senior Secured Notes") to fund the final construction costs

related to the *Pacific Khamsin* . In connection with this private placement, we listed the 2017 Senior Secured Notes on the Global Exchange Market of the Irish Stock Exchange.

In February 2013, we entered into a $1 billion Senior Secured Credit Facility ("SSCF") with a group of lenders to finance the construction, operation and expenses associated with the *Pacific Sharav* and the *Pacific Meltem* . In the second quarter of 2015, we completed the final drawdown under the SSCF. As of February 23, 2016, we had borrowings of $857.1 million outstanding under the SSCF and no undrawn capacity.

In June 2013, we completed three financing transactions totaling $2.0 billion, consisting of (i) $750.0 million in 5.375% senior secured notes due 2020 (the "2020 Senior Secured Notes"), (ii) a $750.0 million senior secured institutional term loan with a 2018 maturity (the "Senior Secured Term Loan B") and (iii) a $500.0 million senior secured revolving credit facility also maturing in 2018 (the "2013 Revolving Credit Facility"). A portion of the net proceeds from the 2020 Senior Secured Notes and the Senior Secured Term Loan B was used to fully repay the outstanding borrowings under the PFA. The 2013 Revolving Credit Facility permits loans to be extended up to a maximum limit of $500.0 million and permits letters of credit to be issued up to a maximum sublimit of $300.0 million, subject to a $500.0 million overall facility limit. As of February 23, 2016, we had borrowings of $50.0 million outstanding under the 2013 Revolving Credit Facility.

In October 2014, we entered into a $500.0 million revolving credit facility for pre-delivery, delivery and post-delivery financing of an eighth drillship, the *Pacific Zonda,* and for other general corporate purposes (the "2014 Revolving Credit Facility"). On October 26, 2015, we repaid all amounts outstanding under the 2014 Revolving Credit Facility, and in connection with our rescission of the construction contract for the *Pacific Zonda* , the 2014 Revolving Credit Facility was terminated as of October 30, 2015.

Capital Expenditures

During the three most recent fiscal years, our Company's capital expenditures were $2.2 billion . We funded these capital expenditures with net proceeds of the debt and equity financings discussed above and operating cash flows. For more information on our capital requirements, see Item 5.B, "Liquidity and Capital Resources."

B. BUSINESS OVERVIEW

Our primary business is to contract our fleet of high-specification rigs to drill wells for our clients. We are focused on the high-specification segment of the floating rig market. The term "high-specification," as used in the floating rig drilling industry to denote a particular segment of the market, can vary and continues to evolve with technological improvements. We generally consider high-specification requirements to include rigs capable of drilling in water depths of more than 7,500 feet or projects requiring advanced operating capabilities, such as high hook-loads (>1,000 tons), large accommodations (200+ beds), increased mud storage and pumping capacity, and high deck-load and space capabilities.

Our drillships are highly mobile and our fleet operates in a global market segment for the deepwater and ultra-deepwater exploration and production industry. Currently, our contracted drillships are operating in the deepwater regions of the U.S. Gulf of Mexico and Nigeria, which are among the most active deepwater basins in the world.

The recent significant and sustained decline in oil prices has led many of our existing and potential clients to delay or cancel various exploration and development programs, which has resulted in an extremely slow pace of drilling contract awards. We expect the pace of executing drilling contracts for the global floater fleet to remain stagnant in the near to mid term, resulting in excess capacity, lower dayrates and continued idle time for many rigs.

Our Fleet

Our fleet consists of seven high-specification drillships, four of which were providing offshore drilling services to clients under firm contract as of February 23, 2016. The status of our fleet as of February 23, 2016 was as follows:

- The *Pacific Bora* entered service in Nigeria on August 26, 2011 under a three-year contract with a subsidiary of Chevron, which has been extended through August 2016.
- The *Pacific Scirocco* entered service in Nigeria on December 31, 2011 and is operating under a contract with a subsidiary of Total through January 2017.
- The *Pacific Santa Ana* entered service in the U.S. Gulf of Mexico on May 4, 2012 and is operating under a five-year contract with a subsidiary of Chevron through May 2017.

- The *Pacific Sharav* entered service in the U.S. Gulf of Mexico on August 27, 2014 and is operating under a five-year contract with a subsidiary of Chevron through September 2019.

- The *Pacific Mistral* completed its three-year contract with Petrobras in Brazil on February 5, 2015 and is currently idle in Aruba while actively seeking a contract.

- The *Pacific Khamsin* completed its two-year contract with a subsidiary of Chevron in December 2015 and is currently idle in Tenerife while actively seeking a contract.

- The *Pacific Meltem* is currently idle in Aruba while actively seeking a contract.

On January 25, 2013, we entered into a contract with SHI for the construction of an eighth drillship, the *Pacific Zonda* , with a purchase price of approximately $517.5 million and original delivery date of March 31, 2015 (the "Construction Contract"). On October 29, 2015, we exercised our right to rescind the Construction Contract due to SHI's failure to timely deliver the vessel in accordance with the specifications of the Construction Contract. See Note 12 to the Company's Consolidated Financial Statements for a discussion of related arbitration proceedings.

During the years ended December 31, 2015 , 2014 and 2013 , the percentage of revenues earned by geographic area, based on drilling location, is as follows:

	Years Ended December 31,		
	2015	2014	2013
Nigeria	60.3%	60.2%	52.1%
Gulf of Mexico	38.1%	24.5%	26.1%
Brazil	1.6%	15.3%	21.8%

Our Business Strategies and Company Strengths

Our principal business objective is to be the preferred provider of high-specification, floating rig drilling services to the oil and natural gas industry. We plan to achieve this objective by focusing on safety, operational excellence, cost management and continuing to develop strategic relationships with high-quality clients.

- *Enhanced focus on safety and operational excellence* . In the current market with decreased demand for offshore drilling services, excelling in safety and operational ability is a key factor for success. Our management team is focused on providing quality drilling services for our existing clients by minimizing downtime and maximizing rig operational efficiency. We believe that we can develop a competitive advantage through our exceptional operating performance.
- *Efficiently manage costs while maintaining optionality and marketability* . We have implemented company-wide cost-savings initiatives and are continuously decreasing our rig operating expenses while effectively maintaining our ability to restart idle rigs within a three month time frame. The significant reduction in our operating costs has positioned us to be successful through the current market downturn.
- *Continued development of strategic relationships with high-quality clients* . Our future revenue is dependent upon major international and national oil companies as well as independent exploration and production companies resuming their exploration and development programs. Our existing and potential clients tend to take long-term approaches to the development of their projects, and we believe that our strong operational performance and efficient cost management will make us a preferred long-term partner.

We have a number of strengths that help us achieve our business strategies, including our high-specification, technologically advanced fleet, which represents a uniformity of assets that supports a competitive cost structure and optimal revenue capture. Our fleet is comprised of some of the newest and most technologically advanced drillships in the world. Each of our high-specification drillships is designed to operate in water depths of up to 12,000 feet. Furthermore, our ultra-deepwater drillships are self-propelled, dynamically positioned and suitable for drilling in remote locations. Our drillships are expected to achieve faster drilling and shorter transportation times between locations relative to older units in the market. The uniformity of our assets enables efficient and streamlined labor, maintenance, supply chain and operating support systems, which we believe will allow us to develop and maintain a competitive cost structure and maximize our revenue capture. Additionally, our drillships' consistent technical specifications and equipment make spare parts and maintenance processes interchangeable, which reduces the capital requirements associated with keeping spare parts in stock, lowering maintenance and supply chain costs.

Risks

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

Readers should carefully consider the following risks, those other risks described in Item 3, "Risk Factors" and the other information in this annual report:

- The demand for our services depends on the level of activity in the offshore oil and natural gas industry, which is significantly affected by oil and natural gas prices and other factors beyond our control.
- The price of oil may remain low for an extended period of time, or may decrease further, leading to lower capital expenditures by our clients over multiple years and rendering some previously anticipated deepwater projects uneconomic.
- Our current backlog of contract drilling revenue may not be fully realized.
- We may not be able to secure future drilling contracts or extensions to existing drilling contracts with new or existing clients on commercially favorable terms or at all or utilize the IMA to secure future drilling opportunities with Chevron.
- An oversupply of rigs competing with our rigs has depressed the demand and contract prices for ultra-deepwater rigs, which could adversely affect our financial position, results of operations or cash flows.
- We have a limited asset base and currently rely on two client accounts. The loss of any client or significant downtime on any drillship could adversely affect our financial position, results of operations or cash flows.

Clients

A significant number of the most active participants in the ultra-deepwater segment of the offshore exploration and production industry are either national oil companies, major oil and gas companies or well-capitalized large independent oil and gas companies.

During the years ended December 31, 2015 , 2014 and 2013 , the percentage revenues earned from our clients was as follows:

	Years Ended December 31,		
	2015	2014	2013
Chevron	81.2%	67.4%	55.6%
Total	17.2%	17.3%	22.6%
Petrobras	1.6%	15.3%	21.8%

Contract Backlog

Our contract backlog includes firm commitments only, which are represented by signed drilling contracts. As of February 23, 2016, our contract backlog was approximately $1.3 billion and was attributable to revenues we expect to generate on the *Pacific Bora* , the *Pacific Scirocco* , the *Pacific Santa Ana* and the *Pacific Sharav* under drilling contracts with Chevron and Total. We calculate our contract backlog by multiplying the contractual dayrate by the minimum number of days committed under the contracts (excluding options to extend), assuming full utilization, and also including mobilization fees, upgrade reimbursements and other revenue sources, such as the standby rate during upgrades, as stipulated in the applicable contract.

The actual amounts of revenues earned and the actual periods during which revenues are earned may differ from the amounts and periods shown in the table below due to various factors. Our contracts customarily provide for termination at the election of the client with an "early termination payment" to be paid to us if a contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances, such as destruction of a drilling rig, our bankruptcy, sustained unacceptable performance by us or delivery of a rig beyond certain grace and/or liquidated damages periods, an early termination payment is not required to be paid. Accordingly, the actual amount of revenues earned may be substantially lower than the backlog reported.

The firm commitments that comprise our $1.3 billion contract backlog as of February 23, 2016, are as follows:

Rig	Contracted Location	Client	Contract Backlog [a]	Contractual Dayrate [a][b]	Average Contract Backlog Revenue Per Day [a]	Contract Commencement	Expected Contract Duration
Pacific Bora	Nigeria	Chevron	$ 111,321	$ 586	$ 602	August 26, 2011	5 years
Pacific Scirocco	Nigeria	Total	$ 162,311	$ 499	$ 499	December 31, 2011	5 years and 8 days
Pacific Santa Ana	U.S. Gulf of Mexico	Chevron	$ 242,134	$ 490	$ 552	March 21, 2012	5 years and 38 days
Pacific Sharav	U.S. Gulf of Mexico	Chevron	$ 783,005	$ 558	$ 611	August 27, 2014	5 years

(a) In thousands. Based on signed drilling contracts and signed commitments as further described above.
(b) Based on current contractual dayrate amounts, subject to any applicable escalation provisions.

Drilling Contracts

We typically provide drilling services on a "dayrate" contract basis. Under dayrate contracts, the drilling contractor provides a drilling rig and rig crews and charges the client a fixed amount per day regardless of the number of days needed to drill the well. The client bears substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well. In addition, dayrate contracts usually provide for a lump sum amount for mobilizing the rig to the well location and a reduced dayrate when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond the contractor's control. A dayrate drilling contract generally covers either the drilling of a single well or group of wells or has a stated term. These contracts may generally be terminated by the client in the event the drilling unit is damaged, destroyed or lost or if drilling operations are suspended for an extended period of time as a result of a breakdown of equipment, "force majeure" events beyond the control of either party or upon the occurrence of other specified conditions. In addition, drilling contracts with certain clients may be cancelable, without cause, with little or no prior notice but are usually subject to early termination payments. In some instances, the dayrate contract term may be extended by the client exercising options for the drilling of additional wells or for an additional length of time at fixed or mutually agreed terms, including dayrates.

Competition

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

We are primarily focused on the ultra-deepwater market, but may also compete to provide services at shallower depths than ultra-deepwater. Our competition ranges from large international companies offering a wide range of drilling and other oilfield services to smaller, locally owned companies.

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

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

Seasonality

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

Insurance

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

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

Governmental Regulation/Environmental Issues

Our operations are subject to stringent and comprehensive federal, state, local and foreign or international laws and regulations including those governing the discharge of oil and other contaminants into the environment or otherwise relating to environmental protection.

Applicable laws in the United States with which we must comply include the OPA, OCSLA, CERCLA, Federal Water Pollution Control Act (commonly referred to as the Clean Water Act, "CWA") and MARPOL, as each has been amended from time to time. Numerous governmental agencies, which in the United States include, among others, the DOI, BOEM, BSEE, U.S. Coast Guard and U.S. Environmental Protection Agency ("EPA"), issue regulations to implement and enforce environmental laws, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. Moreover, it is possible that changes in these environmental laws and regulations or any enforcement policies that impose additional or more restrictive requirements or claims for damages to persons, property, natural resources or the environment could result in substantial costs and liabilities to us. We believe that we are in substantial compliance with currently applicable environmental laws and regulations.

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

Our operations are also subject to the provisions of the Environmental Guidelines and Standards for the Petroleum Industry of Nigeria ("EGASPIN" or the "Guidelines") which establish a uniform monitoring and control program in relation to discharges arising from oil exploration and development in Nigeria.

The Nigerian Oil and Gas Industry Content Development Act, 2010 (the "Local Content Act") was enacted to provide for the development, implementation and monitoring of Nigerian content in the oil and gas industry and places particular emphasis on the promotion of Nigerian content among companies bidding for contracts in the oil and gas industry rather than the equity distribution of the relevant companies. The Local Content Act requires contractors within the oil and gas industry to comply with the minimum Nigerian Content specified for each particular project item, service or product specification as set out in Schedule A of the Local Content Act (the "Schedule"). The Schedule provides the parameters and minimum level/percentages to be utilized in determining and measuring Nigerian Content in the composite human, material resources and services applied by operators and contractors in any project in the industry. The most relevant categories under the Schedule for us fall under the headings of "Well and Drilling Services/Petroleum Technology" and "Exploration, Subsurface, Petroleum

Engineering and Seismic." The activities listed therein include: "Producing Drilling Services" and "Drilling Rigs Semi-submersibles/Jack ups/others" which both apply to us. For offshore drilling services within the above referenced categories the minimum required Nigerian Content for the provision of such services provided in the Schedule is stated in terms of "Manhours" (i.e. human resources); and is 85% and 55%, respectively. In the event there is insufficient Nigerian capacity to satisfy the minimum percentages prescribed in the Schedule, the Minister may authorize the continued importation of the relevant item or personnel for a maximum period of three years from the commencement of the Local Content Act. This implies that the Minister may grant a waiver for up to a maximum of three years from the commencement of the Local Content Act (i.e. by 2013). Subject to any amendments to the Local Content Act, and/or guidelines issued by the Nigerian Content Monitoring Board ("NCMB") clarifying certain provisions of the Local Content Act, all entities must comply with the provisions of the Local Content Act.

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

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

The Local Content Act also requires that our Nigerian subsidiary place 100% of its insurance policies with local Nigerian insurers and that local capacity must have been exhausted before any insurance risk is placed with foreign insurers and any offshore placement of insurance must be with prior approval of the National Insurance Commission.

C. ORGANIZATIONAL STRUCTURE

For a full listing of our subsidiaries, see Exhibit 8.1. All subsidiaries are, indirectly or directly, wholly-owned by us, except for Pacific International Drilling West Africa Limited ("PIDWAL") and Pacific Drillship Nigeria Limited ("PDNL"). See "Joint Venture, Agency and Sponsorship Relationships" below for additional information.

As of February 23, 2016, Quantum Pacific Group owned 150.0 million shares, or approximately 71.0% of our total outstanding common shares. The common shares owned by the Quantum Pacific Group are held by Quantum Pacific (Gibraltar) Limited, a wholly-owned subsidiary of Quantum Pacific International Limited, the indirect ultimate owner of which is a discretionary trust in which Mr. Idan Ofer is the primary beneficiary.

Joint Venture, Agency and Sponsorship Relationships

In some areas of the world, local customs and practice or governmental requirements necessitate the formation of joint ventures with local participation. Local laws or customs in some areas of the world also effectively mandate establishment of a relationship with a local agent or sponsor. When appropriate in these areas, we will enter into agency or sponsorship agreements.

We are party to a Nigerian joint venture, PIDWAL, with Derotech Offshore Services Limited ("Derotech"), a privately-held Nigerian registered limited liability company. Derotech owns 51% of PIDWAL and PIDWAL has a 50% ownership interest in two of our rig holding subsidiaries, Pacific Bora Ltd. and Pacific Scirocco Ltd. PIDWAL's interest in the rig holding subsidiaries is held through a holding company of PIDWAL, PDNL. Derotech will not accrue the economic benefits of its interest in PIDWAL unless and until it satisfies certain outstanding obligations to us and a certain pledge is cancelled by us. Likewise PIDWAL will not accrue the economic benefits of its interest in PDNL unless and until it satisfies certain outstanding obligations to us and a certain pledge is cancelled by us. Derotech also performs marketing services for PIDWAL and an affiliate of Derotech acts as one of PIDWAL's logistics agents.

D. PROPERTY, PLANT AND EQUIPMENT

Our Fleet

The following table sets forth certain information regarding our fleet of high-specification drillships as of February 23, 2016:

Rig Name	Delivered	Water Depth(in feet)	Drilling Depth(in feet)	Customer
Pacific Bora [(a)]	2010	10,000	37,500	Chevron
Pacific Scirocco	2011	12,000	40,000	Total
Pacific Santa Ana	2011	12,000	40,000	Chevron
Pacific Sharav	2014	12,000	40,000	Chevron
Pacific Mistral	2011	12,000	37,500	Available
Pacific Khamsin	2013	12,000	40,000	Available
Pacific Meltem	2014	12,000	40,000	Available

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

The indebtedness under our 2020 Senior Secured Notes, the Senior Secured Term Loan B, the 2013 Revolving Credit Facility and certain future obligations are collateralized by a first preferred mortgage over the *Pacific Bora* , the *Pacific Scirocco* , the *Pacific Mistral* and the *Pacific Santa Ana* . The indebtedness under our 2017 Senior Secured Notes is secured by a first-priority security interest (subject to exceptions) in the *Pacific Khamsin* . The indebtedness under our SSCF is secured by a first-priority security interest (subject to exceptions) in the *Pacific Sharav* and the *Pacific Meltem* . See Item 5, "Liquidity and Capital Resources—Description of Indebtedness" and Note 5 to the Company's Consolidated Financial Statements in this annual report for a more detailed description of the terms of our debt financings.

Properties

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

There are no written comments provided by the staff of the SEC regarding our periodic reports that remain unresolved as of the date of the filing of this Form 20-F with the SEC.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with Item 3, "Selected Financial Data" and the accompanying financial statements and related notes included elsewhere in this annual report. In addition, the following discussion and analysis should be read in conjunction with the financial statements in Item 18, "Financial Statements".

A. OPERATING RESULTS

Overview

Throughout 2015, oil prices exhibited great volatility and declined significantly. This sustained decline led many of our existing and potential clients to delay or cancel various exploration and development programs, which resulted in an extremely slow pace of drilling contract execution. We expect the pace of executing drilling contracts for the global floater fleet to remain stagnant in the near to mid-term, resulting in excess capacity, lower dayrates and continued idle time for many rigs.

Despite the downturn in the offshore drilling industry in 2015, our revenues for the year ended December 31, 2015 were in line with the year ended December 31, 2014, primarily as result of revenues earned on firm contracts entered into before the steep decline in oil prices. Additionally, due to Company-wide cost savings measures implemented in the early part of 2015, our direct rig related operating expenses for the year ended December 31, 2015 were in line with the year ended December 31, 2014, despite approximately 20% more rig months in 2015 compared to 2014.

Operationally, our fleet of drillships achieved an average revenue efficiency of 94.7% for the year ended December 31, 2015, compared to 93.1% during the year ended December 31, 2014.

Our historical results of operations reflect the period of operations from our fleet from the date each drillship was placed into service; however, our future results of operations may not be comparable to the historical results of operations for the periods presented.

Factors Affecting our Results of Operations

The primary factors that have affected our historical operating results and are expected to impact our future operating results include:

- market conditions, including the volatility of oil prices;
- our clients' reduced capital expenditure budgets;
- the number of drillships in our fleet;
- dayrates earned by our drillships;
- utilization rates of drillships industry-wide;
- operating expenses of our drillships;
- administrative expenses;
- interest and other financial items; and
- tax expenses.

Our revenues are derived primarily from the operation of our drillships at fixed daily rates, which depend principally upon the number and availability of our drillships, the dayrates received and the number of days utilized. We recognize revenues from drilling contracts as services are performed upon contract commencement.

Additionally, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. Revenues earned and incremental costs incurred directly related to contract preparation and mobilization are deferred and recognized over the primary term of the drilling contract.

Amortization of deferred revenue is recorded on a straight-line basis over the primary drilling contract term, which is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract. Reimbursements received for capital expenditures are deferred and recognized over the primary contract term of the drilling project. The actual cost incurred for capital expenditure is depreciated over the estimated useful life of the asset. We may also receive fees upon completion of a drilling contract that are conditional based on the occurrence of an event, such as demobilization of a rig. These conditional fees and related expenses are reported in income upon completion of the drilling contract. If receipt of such fees is not conditional, they are recognized as revenue over the primary term of the drilling contract.

Our expenses consist primarily of operating expenses, depreciation, administrative expenses, interest and other financial expenses and tax expenses. Operating expenses include the remuneration of offshore crews and onshore supervision staff, as well as expenses for onshore support offices, repairs and maintenance.

Depreciation expense is based on the historical cost of our drillships and other property and equipment and recorded on a straight-line basis over the estimated useful lives of each class of assets. The estimated useful lives of our drillships and their related equipment ranges from 15 to 35 years. We begin recording depreciation expense once all activities necessary to prepare the asset for its intended use are complete, which is either the date of contract commencement or the date the drillship is placed into service.

General and administrative expenses include the costs of management and administration of our Company, such as the labor costs of our corporate employees and remuneration of our directors.

Interest expense primarily depends on our overall level of indebtedness and interest rates. Interest is capitalized based on the costs of new borrowings attributable to qualifying new construction or at the weighted-average cost of debt outstanding during the period of construction. We capitalize interest costs for qualifying new construction from the point borrowing costs are incurred for the qualifying new construction and cease when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete, which is either the date of contract commencement or the date the drillship is placed into service.

Our tax expenses reflect current and deferred tax expenses. In general, our income tax expense results primarily from the taxable income on our drillship operations.

Results of Operations

Year ended December 31, 2015 compared to Year ended December 31, 2014

The following table provides a comparison of our consolidated results of operations for the years ended December 31, 2015 and 2014 :

	Years Ended December 31,			
	2015	2014	Change	% Change
	(in thousands, except percentages)			
Revenues				
Contract drilling	$ 1,085,063	$ 1,085,794	$ (731)	—%
Costs and expenses				
Operating expenses	(431,261)	(459,617)	28,356	6%
General and administrative expenses	(55,511)	(57,662)	2,151	4%
Depreciation expense	(243,457)	(199,337)	(44,120)	22%
Loss from construction contract rescission	(40,155)	—	(40,155)	100%
Operating income	314,679	369,178	(54,499)	15%
Other expense				
Interest expense	(156,361)	(130,130)	(26,231)	20%
Other expense	(3,217)	(5,171)	1,954	38%
Income before income taxes	155,101	233,877	(78,776)	34%
Income tax expense	(28,871)	(45,620)	16,749	37%
Net income	$ 126,230	$ 188,257	$ (62,027)	33%

Revenues. Revenues for the year ended December 31, 2015 were in line with the year ended December 31, 2014 because of an increase from higher revenue efficiency and higher average contractual dayrates in 2015 offset by a decrease in the amortization of deferred revenue.

During the year ended December 31, 2015 , our operating fleet of drillships achieved an average revenue efficiency of 94.7%, compared to 93.1% during the year ended December 31, 2014 . Average contractual dayrates for the years ended December 31, 2015 and 2014 were $556,000 and $518,000, respectively.

During the year ended December 31, 2015 , amortization of deferred revenue decreased to $86.3 million from $109.2 million during the year ended December 31, 2014 . The decrease in the amortization of deferred revenue was primarily due to completion of the primary contract term for the *Pacific Bora* in August 2014 and for the *Pacific Mistral* in February 2015, partially offset by a full year of deferred revenue recognition in 2015 for the *Pacific Sharav* . Contract drilling revenue for the years ended December 31, 2015 and 2014 also included reimbursable revenues of $28.8 million and $28.7 million , respectively.

Operating expenses. The following table summarizes operating expenses:

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Direct rig related operating expenses, net	$ 345,504	$ 346,475
Reimbursable costs	27,286	26,022
Shore-based and other support costs	32,520	35,947
Amortization of deferred costs	25,951	51,173
Total	$ 431,261	$ 459,617

Direct rig related operating expenses for the year ended December 31, 2015 were in line with the year ended December 31, 2014 despite approximately 20% more rig months in 2015 compared to 2014 due to our cost savings measures.

Reimbursable costs are not included under the scope of the drilling contract's initial dayrate, but are subject to reimbursement from our clients. Reimbursable costs can be highly variable between periods. Because the reimbursement of these costs by our clients is recorded as additional revenue, they do not generally negatively affect our margins.

The decrease in amortization of deferred costs was primarily due to completion of the primary contract term for the *Pacific Bora* in August 2014 and for the *Pacific Mistral* in February 2015, partially offset by the additional deferred costs for the *Pacific Sharav* .

Direct rig related operating expenses and shore-based and other support costs divided by the number of operating rig days were as follows:

	Years Ended December 31,	
	2015	2014
	(in thousands, amounts per operating rig per day)	
Direct rig related operating expenses, net	$ 149.1	$ 177.6
Shore-based and other support costs	14.0	18.4
Total	$ 163.1	$ 196.0

The decrease in direct rig related operating expenses per operating rig per day for the year ended December 31, 2015 was attributable to cost saving measures implemented on both operating and smart stacked drillships.

The decrease in shore-based and other support costs per operating rig per day for the year ended December 31, 2015 was due to a significant reduction in Brazil office overhead, leveraging our shore-based resources to service a larger fleet, as well as the implementation of cost savings measures.

General and administrative expenses . The decrease in general and administrative expenses for the year ended December 31, 2015 was due to our cost savings measures.

Depreciation expense . The increase in depreciation expense for the year ended December 31, 2015 related to the depreciation expense incurred on the *Pacific Sharav* and the *Pacific Meltem* , after being placed into service on August 27, 2014 and August 25, 2015 respectively.

Loss on construction contract rescission . We recognized a $40.2 million loss in 2015 in connection with the rescission of the Construction Contract for the *Pacific Zonda* . See Note 4 to the Company's Consolidated Financial Statements in this annual report for additional information.

Interest expense . The following table summarizes interest expense:

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Interest	$ (183,800)	$ (185,261)
Realized losses on interest rate swaps	(9,643)	(6,959)
Capitalized interest	37,082	62,090
Interest expense	$ (156,361)	$ (130,130)

The increase in interest expense for the year ended December 31, 2015 was primarily due to a reduction in capitalized interest resulting from placing the *Pacific Sharav* and the *Pacific Meltem* into service.

Other expense . The decrease in other expense was due primarily to lower foreign currency exchange losses.

Income taxes . The decrease in income tax expense was primarily due to a decrease in uncertain tax positions. The decrease was partially offset by an increase in taxes for the full year of operations for the *Pacific Sharav* and changes in our tax structures in certain jurisdictions.

The relationship between our provision for or benefit from income taxes and our pre-tax book income can vary significantly from period to period considering, among other factors, (a) the overall level of pre-tax book income, (b) changes in the blend of income that is taxed based on gross revenues or at high effective tax rates versus pre-tax book income or at low effective tax rates and (c) our rig operating structures. Consequently, our income tax expense does not necessarily change proportionally with our pre-tax book income. Significant decreases in our pre-tax book income typically result in higher effective tax rates, while significant increases in pre-tax book income can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. During the years ended December 31, 2015 and 2014 , our effective tax rate was 18.6% and 19.5% , respectively.

Our effective tax rate for the year ended December 31, 2015 decreased primarily as a result of a decrease in uncertain tax positions. The decrease was partially offset by the negative impact of changes in our tax structures in certain jurisdictions.

Year ended December 31, 2014 compared to Year ended December 31, 2013

The following table provides a comparison of our consolidated results of operations for the years ended December 31, 2014 and 2013 :

	Years Ended December 31,			
	2014	2013	Change	% Change
	(in thousands, except percentages)			
Revenues				
Contract drilling	$ 1,085,794	$ 745,574	$ 340,220	46%
Costs and expenses				
Operating expenses	(459,617)	(337,277)	(122,340)	36%
General and administrative expenses	(57,662)	(48,614)	(9,048)	19%
Depreciation expense	(199,337)	(149,465)	(49,872)	33%
Operating income	369,178	210,218	158,960	76%
Other expense				
Costs on interest rate swap termination	—	(38,184)	38,184	100%
Interest expense	(130,130)	(94,027)	(36,103)	38%
Total interest expense	(130,130)	(132,211)	2,081	2%
Costs on extinguishment of debt	—	(28,428)	28,428	100%
Other expense	(5,171)	(1,554)	(3,617)	233%
Income before income taxes	233,877	48,025	185,852	387%
Income tax expense	(45,620)	(22,523)	(23,097)	103%
Net income	$ 188,257	$ 25,502	$ 162,755	638%

Revenues. The increase in revenues for the year ended December 31, 2014 resulted primarily from a full year of operations from the *Pacific Khamsin* and the inclusion of a partial year of operations from the *Pacific Sharav* , which commenced earning revenues on August 27, 2014.

During the year ended December 31, 2014 , our operating fleet of drillships achieved an average revenue efficiency of 93.1%, compared to 93.5% during the year ended December 31, 2013 . The decrease in revenue efficiency was primarily due to the time the *Pacific Khamsin* and *Pacific Sharav* were in the shakedown period in 2014, which typically has lower operational uptime.

Contract drilling revenue for the years ended December 31, 2014 and 2013 also included amortization of deferred revenue of $109.2 million and $72.5 million and reimbursable revenues of $28.7 million and $20.8 million , respectively. The increase in the amortization of deferred revenue was primarily due to the additional deferred revenue related to the *Pacific Khamsin* and a partial year of additional deferred revenue related to the *Pacific Sharav* . The increase in reimbursable revenues was the result of corresponding increases in reimbursable costs incurred.

Operating expenses. The increase in operating expenses for the year ended December 31, 2014 was primarily due to a full year of operations from the *Pacific Khamsin* and the inclusion of a partial year of operations from the *Pacific Sharav* .

The following table summarizes contract drilling costs:

	Years Ended December 31,	
	2014	2013
	(in thousands)	
Direct rig related operating expenses, net	$ 346,475	$ 251,488
Reimbursable costs	26,022	20,918
Shore-based and other support costs	35,947	25,392
Amortization of deferred costs	51,173	39,479
Total	$ 459,617	$ 337,277

Reimbursable costs are not included under the scope of the drilling contract's initial dayrate, but are subject to reimbursement from our clients. Reimbursable costs can be highly variable between periods. Because the reimbursement of these costs by our clients is recorded as additional revenue, they do not generally negatively affect our margins.

Direct rig related operating expenses and shore-based and other support costs divided by the number of operating rig days were as follows:

	Years Ended December 31,	
	2014	2013
	(in thousands, amounts per operating rig per day)	
Direct rig related operating expenses, net	$ 177.6	$ 170.6
Shore-based and other support costs	18.4	17.2
Total	$ 196.0	$ 187.8

The increase in direct rig related operating expenses per operating rig per day for the year ended December 31, 2014 as compared to the prior year was attributable to customary annual cost escalations.

General and administrative expenses . The increase in general and administrative expenses related to planned employee headcount additions required to support the increase in our fleet of drillships. Additionally, general and administrative expenses for the year ended December 31, 2014 included $1.8 million in lease termination and office relocation expenses associated with our Houston office move.

Depreciation expense . The increase in depreciation expense was primarily due to a full year of depreciation expense incurred on the *Pacific Khamsin* and a partial year of depreciation expense incurred on the *Pacific Sharav* .

Interest expense . The following table summarizes interest expense:

	Years Ended December 31,	
	2014	2013
	(in thousands)	
Costs on interest rate swap termination	$ —	$ (38,184)
Interest	(185,261)	(161,443)
Realized losses on interest rate swaps	(6,959)	(11,105)
Capitalized interest	62,090	78,521
Interest expense	$ (130,130)	$ (132,211)

The increase in interest expense for the year ended December 31, 2014 resulted primarily from increased borrowings under the SSCF and commitment fees under the 2013 Revolving Credit Facility entered into in February 2013 and June 2013, respectively. The costs on interest rate swap termination of $38.2 million for the year ended December 31, 2013 was due to the PFA Refinancing in June 2013. In connection with the PFA Refinancing, we terminated certain interest rate swaps and their related liabilities. As a result, we reclassified $38.2 million of losses on the hedge designated portion of the PFA interest rate

swaps previously recognized in accumulated other comprehensive income to interest expense. The decrease in capitalized interest for the year ended December 31, 2014 as compared to the year ended December 31, 2013 resulted primarily from placing the *Pacific Sharav* into service on August 27, 2014.

Costs of debt extinguishment . The costs of debt extinguishment for the year ended December 31, 2013 were primarily due to the write-off of $27.6 million in unamortized deferred financing costs and prepayment penalties incurred as a result of the PFA Refinancing.

Other expense . The increase in other expense primarily related to currency exchange fluctuations.

Income taxes . The increase in income tax expense was primarily due to a full year of operations for the *Pacific Khamsin* , the commencement of operations of the *Pacific Sharav* on August 27, 2014, and the increased dayrate for the *Pacific Bora* .

The relationship between our provision for or benefit from income taxes and our pre-tax book income can vary significantly from period to period considering, among other factors, (a) the overall level of pre-tax book income, (b) changes in the blend of income that is taxed based on gross revenues or at high effective tax rates versus pre-tax book income or at low effective tax rates, and (c) our rig operating structures. Consequently, our income tax expense does not change proportionally with our pre-tax book income. Significant decreases in our pre-tax book income typically result in higher effective tax rates, while significant increases in pre-tax book income can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. During the years ended December 31, 2014 and 2013 , our effective tax rate was 19.5% and 46.9% , respectively. The tax rate for the year ended December 31, 2013 was negatively impacted by the costs of the interest rate swap termination and extinguishment of debt related to the PFA Refinancing. Without the impact of these costs, the effective tax rate for the year ended December 31, 2013 was 19.6%.

While our effective tax rate for the year ended December 31, 2014 is relatively unchanged compared to the year ended December 31, 2013 (excluding the costs of the interest rate swap termination for the PFA Refinancing and extinguishment of debt related to the PFA Refinancing), several significant offsetting items occurred during 2014 that impacted our effective tax rate. In the fourth quarter of 2014 , the Nigerian tax authorities announced that non-Nigerian companies will be required to compute their tax liability based on actual profits. This is a change from the previous practice of non-Nigerian companies computing their tax liability based on deemed profits, which effectively are a portion of gross revenues. The impact of this change in methodology increased our 2014 Nigerian tax liability. Our 2014 effective tax rate was also negatively impacted by an increased proportion of our income being earned in Nigeria, which is a relatively high tax jurisdiction compared to our other operating locations. The increase in tax expense was offset by an adjustment to net deferred tax assets of our non-Nigerian entities operating in Nigeria.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

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

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

Revenues and operating expenses . Contract drilling revenues are recognized as earned, based on contractual dayrates. In connection with drilling contracts, we may receive fees for preparation and mobilization of equipment and personnel or for capital improvements to rigs. Fees and incremental costs incurred directly related to contract preparation and mobilization along with reimbursements received for capital expenditures are deferred and amortized to revenue over the primary term of the

drilling contract. The cost incurred for reimbursed capital expenditures are depreciated over the estimated useful life of the asset. We may also receive fees upon completion of a drilling contract that are conditional based on the occurrence of an event, such as demobilization of a rig. These conditional fees and related expenses are reported in income upon completion of the drilling contract. If receipt of such fees is not conditional, they are recognized as revenue over the primary term of the drilling contract. Amortization of deferred revenue and deferred mobilization costs are recorded on a straight-line basis over the primary drilling contract term, which is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract.

Property and equipment . As of December 31, 2015, property and equipment was $5.1 billion , which represented 88% of our total assets. The carrying value of our property and equipment consists primarily of our high-specification drillships that are recorded at cost less accumulated depreciation.

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

We estimate useful lives and salvage values by applying judgments and assumptions that reflect both historical experience and expectations regarding future operations and asset performance. We depreciate the cost value assigned to the hull of the drillship to its salvage value on a straight-line basis over the estimated useful life of 35 years. Drilling equipment is primarily depreciated on a straight-line basis over an estimated useful life of 15 years with generally no assigned salvage value. Applying different judgments and assumptions to useful lives and salvage values would likely result in materially different net carrying amounts and depreciation expense for our drillships.

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

During the second and fourth quarters of 2015, we tested for impairment based on impairment indicators noted in the period. We performed a recoverability test and determined that the estimated undiscounted cash flows of our high-specification drillships significantly exceeded their carrying amount. As a result, no impairment loss was recorded.

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

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2 to the Company’s Consolidated Financial Statements in this annual report for a discussion of recent accounting pronouncements and their anticipated impact.

B. LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are from cash flows generated from operating activities and borrowings from various debt financings, each as described in Note 5 to the Company’s Consolidated Financial Statements in this annual report.

We centrally manage our funding and treasury activities in accordance with corporate policies to ensure appropriate levels of liquidity, comply with debt covenants, maintain adequate levels of insurance and balance exposures to market risks. Cash and cash equivalents are held mainly in United States Dollars and Nigerian Naira. Most of our contract drilling revenues are received monthly in arrears and most of our operating costs are paid on a monthly basis.

As of December 31, 2015 , we had $116.0 million of cash and cash equivalents. In addition, as of February 23, 2016, we have access to borrow up to $500.0 million under our 2013 Revolving Credit Facility, less outstanding borrowings of $50.0 million, and subject to restrictions described in Note 5 to the Company's Consolidated Financial Statements in this annual report. The 2013 Revolving Credit Facility matures in June 2018.

Our liquidity requirements include meeting ongoing working capital needs, repaying our outstanding indebtedness and maintaining adequate credit facilities or cash balances to compensate for the effects of fluctuations in operating cash flows. Our liquidity fluctuates depending on a number of factors, including, among others, our revenue efficiency and the timing of accounts receivable collection as well as payments for operating costs and debt repayments. Our ability to meet these liquidity requirements will depend in large part on our future operating and financial performance as well as market conditions, including our ability to enter into new drilling contracts for our vessels.

Primary sources of funds for our short-term liquidity needs are expected to be our cash balances and cash flow generated from operating and financing activities, which includes availability under the 2013 Revolving Credit Facility. We believe that these sources will provide sufficient liquidity over the next twelve months to fund our working capital needs and scheduled payments on our long-term debt. We expect to fund our long-term liquidity requirements through operating and financing activities. For additional information, see Item 3, "Risk Factors—Risks Related to Our Business—Our substantial indebtedness could adversely affect our financial position and business prospects."

On October 26, 2015, we repaid all amounts outstanding under the 2014 Revolving Credit Facility, and, in connection with our rescission of the Construction Contract for the *Pacific Zonda* , the 2014 Revolving Credit Facility was terminated effective as of October 30, 2015.

We may review from time to time possible expansion, joint venture or acquisition opportunities relating to our business, which may include the construction or acquisition of additional rigs or acquisitions of other businesses. The timing, size or success of any additional acquisition, joint venture or construction efforts and the associated potential capital commitments are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Debt or equity financing may not, however, be available to us at that time due to a variety of factors, including, among others, general industry conditions, general macro-economic conditions, perceptions of us and credit rating agency opinions of our outstanding debt.

Share Repurchase Program and Dividends

In 2014, our shareholders approved a share repurchase program for the repurchase of 8.0 million shares of our common stock through May 20, 2016. The Board of Directors then authorized the expenditure of up to $30.0 million for share repurchases. In May 2015, we completed this program by repurchasing 7.3 million shares of our common stock for a total of $30.0 million at an average price of $4.12 per share. At our annual general meeting of shareholders in May 2015, a new share repurchase program was approved for the repurchase up to 10.0 million shares of our common stock through May 2017; however, no shares have been repurchased under this program and our existing credit facilities prohibit us from paying dividends and repurchasing shares through March 31, 2018.

Capital Expenditures

Following our rescission of the Construction Contract for the *Pacific Zonda* , we have no material commitments for capital expenditures related to the construction of a newbuild drillship. We do, however, expect to incur capital expenditures for purchases in the ordinary course of business as described further under purchase obligations in Item 5.F, "Tabular Disclosure of Contractual Obligations."

Sources and Uses of Cash

Year ended December 31, 2015 compared to Year ended December 31, 2014

The following table provides a comparison of our net cash provided by operating activities for the years ended December 31, 2015 and 2014 :

	Years Ended December 31,		
	2015	2014	Change
	(in thousands)		
Cash flow from operating activities:			
Net income	$ 126,230	$ 188,257	$ (62,027)
Depreciation expense	243,457	199,337	44,120
Amortization of deferred revenue	(86,276)	(109,208)	22,932
Amortization of deferred costs	25,951	51,173	(25,222)
Amortization of deferred financing costs	11,278	10,416	862
Amortization of debt discount	1,015	817	198
Write-off of unamortized deferred financing costs	5,965	—	5,965
Loss from construction contract rescission	38,084	—	38,084
Deferred income taxes	9,840	18,661	(8,821)
Share-based compensation expense	12,534	10,484	2,050
Changes in operating assets and liabilities, net	34,068	26,473	7,595
Net cash provided by operating activities	$ 422,146	$ 396,410	$ 25,736

The increase in net cash provided by operating activities was primarily due to collections of fleet revenue at higher contractual dayrates and contributions from the implementation of cost savings measures for the year ended December 31, 2015 .

The following table provides a comparison of our net cash used in investing activities for the years ended December 31, 2015 and 2014 :

	Years Ended December 31,		
	2015	2014	Change
	(in thousands)		
Cash flow from investing activities:			
Capital expenditures	$ (181,458)	$ (1,136,205)	$ 954,747
Net cash used in investing activities	$ (181,458)	$ (1,136,205)	$ 954,747

The decrease in capital expenditures resulted primarily from decreased newbuild drillship construction activities. The payments in 2014 included the final payments for the *Pacific Sharav* and the *Pacific Meltem* , and milestone payments for the *Pacific Zonda* to SHI.

The following table provides a comparison of our net cash provided by (used in) financing activities for the years ended December 31, 2015 and 2014 :

	Years Ended December 31,		
	2015	2014	Change
	(in thousands)		
Cash flow from financing activities:			
Net proceeds (payments) from shares issued under share-based compensation plan	$ (536)	$ 95	$ (631)
Proceeds from long-term debt	315,000	760,000	(445,000)
Payments on long-term debt	(581,083)	(41,833)	(539,250)
Payments for financing costs	(4,070)	(7,569)	3,499
Purchases of treasury shares	(21,760)	(7,227)	(14,533)
Net cash provided by (used in) financing activities	$ (292,449)	$ 703,466	$ (995,915)

The increase in cash used in financing activities for the year ended December 31, 2015 resulted from the repayment of $286.5 million for the 2015 Senior Unsecured Bonds at maturity, higher amortization payments, payments to reduce outstanding debt, lower debt amounts drawn, and higher amounts used to purchase treasury shares.

Year ended December 31, 2014 compared to Year ended December 31, 2013

The following table provides a comparison of our net cash provided by operating activities for the years ended December 31, 2014 and 2013 :

	Years Ended December 31,		
	2014	2013	Change
	(in thousands)		
Cash flow from operating activities:			
Net income	$ 188,257	$ 25,502	$ 162,755
Depreciation expense	199,337	149,465	49,872
Amortization of deferred revenue	(109,208)	(72,515)	(36,693)
Amortization of deferred mobilization costs	51,173	39,479	11,694
Amortization of deferred financing costs	10,416	10,106	310
Amortization of debt discount	817	445	372
Write-off of unamortized deferred financing costs	—	27,644	(27,644)
Costs on interest rate swap termination	—	38,184	(38,184)
Deferred income taxes	18,661	(3,119)	21,780
Share-based compensation expense	10,484	9,315	1,169
Changes in operating assets and liabilities, net	26,473	6,081	20,392
Net cash provided by operating activities	$ 396,410	$ 230,587	$ 165,823

The increase in net cash provided by operating activities for the year ended December 31, 2014 was primarily due to a full year of operations from the *Pacific Khamsin* , which commenced operations on December 17, 2013 and a partial year of operations from the *Pacific Sharav* , which commenced operations on August 27, 2014.

The following table provides a comparison of our net cash used in investing activities for the years ended December 31, 2014 and 2013 :

	Years Ended December 31,		
	2014	2013	Change
	(in thousands)		
Cash flow from investing activities:			
Capital expenditures	$ (1,136,205)	$ (876,142)	$ (260,063)
Decrease in restricted cash	—	172,184	(172,184)
Net cash used in investing activities	$ (1,136,205)	$ (703,958)	$ (432,247)

The increase in capital expenditures for the year ended December 31, 2014 resulted primarily from higher payments for our drillships under construction, including the final payments to SHI for the *Pacific Sharav* and the *Pacific Meltem* at delivery and progress payments to SHI for the *Pacific Zonda* . The change in restricted cash is the result of the PFA Refinancing on June 3, 2013, which released the restrictions on certain of our cash accounts.

The following table provides a comparison of our net cash provided by financing activities for the years ended December 31, 2014 and 2013 :

	Years Ended December 31,		
	2014	2013	Change
	(in thousands)		
Cash flow from financing activities:			
Net proceeds (payments) from shares issued under share-based compensation plan	$ 95	$ —	$ 95
Proceeds from long-term debt	760,000	1,656,250	(896,250)
Payments on long-term debt	(41,833)	(1,480,000)	1,438,167
Payments for costs on interest rate swap termination	—	(41,993)	41,993
Payments for financing costs	(7,569)	(62,684)	55,115
Purchases of treasury shares	(7,227)	—	(7,227)
Net cash provided by financing activities	$ 703,466	$ 71,573	$ 631,893

The increase in cash from financing activities for the year ended December 31, 2014 resulted primarily from the $360.0 million and $400.0 million SSCF drawdowns for the final payments of the *Pacific Sharav* and the *Pacific Meltem* , respectively. The increase was partially offset by payments of $41.8 million on long-term debt in 2014 .

During the year ended December 31, 2013 , proceeds from long-term debt primarily resulted from drawdowns of $140.0 million under the SSCF, borrowings of $750.0 million under the 2020 Senior Secured Notes and net proceeds of $746.3 million from the Senior Secured Term Loan B. During the year ended December 31, 2013 , we made $109.4 million in principal repayments on the PFA and repaid the $1,347.0 million remaining debt in connection with the PFA Refinancing in June 2013. Additionally, in connection with the PFA Refinancing, we paid $42.0 million to terminate four interest rate swaps and their related liabilities. During the year ended December 31, 2013 , deferred financing costs of $62.7 million were incurred to enter into the Senior Secured Credit Facility Agreement, the 2020 Senior Secured Notes, the Senior Secured Term Loan B and the 2013 Revolving Credit Facility.

Description of Indebtedness

7.25% Senior Secured Notes due 2017 . In November 2012, Pacific Drilling V Limited, our indirect, wholly-owned subsidiary, completed a private placement to eligible purchasers of $500.0 million in aggregate principal amount of 7.25% senior secured U.S. dollar denominated notes due 2017 to fund the final construction costs related to the *Pacific Khamsin* . The 2017 Senior Secured Notes were sold at 99.483% of par, bear interest at 7.25% per annum, which is payable semiannually on June 1 and December 1, and mature on December 1, 2017.

Senior Secured Credit Facility Agreement. On February 19, 2013, Pacific Sharav S.à r.l. and Pacific Drilling VII Limited, and we, as guarantor, entered into a senior secured credit facility agreement with a group of lenders to finance the construction, operation and other costs associated with the *Pacific Sharav* and the *Pacific Meltem* . On November 5, 2015, we entered into Amendment No. 5 to the SSCF to, among other items, amend certain of the financial covenants. A copy of Amendment No. 5 is filed herewith as Exhibit 4.35 and incorporated herein by reference.

5.375% Senior Secured Notes due 2020 . On June 3, 2013, we completed a private placement to eligible purchasers of $750.0 million in aggregate principal amount of 5.375% Senior Secured Notes due 2020. The 2020 Senior Secured Notes were sold at par, bear interest at 5.375% per annum, which is payable semiannually on June 1, and December 1, and mature on June 1, 2020.

Senior Secured Term Loan B due 2018 . On June 3, 2013, we entered into a $750.0 million senior secured term loan. The maturity date for the Senior Secured Term Loan B is June 3, 2018.

2013 Revolving Credit Facility . On June 3, 2013, we entered into the 2013 Revolving Credit Facility, which as amended, permits loans to be extended up to a maximum limit of $500.0 million and permits letters of credit to be issued up to a maximum sublimit of $300.0 million, subject to a $500.0 million overall facility limit. On November 5, 2015, we entered into the Fifth Amendment to the 2013 Revolving Credit Facility to, among other items, amend certain financial covenants and increase the cash borrowing availability. A copy of the Fifth Amendment is attached hereto as Exhibit 4.36 and incorporated herein by reference.

2014 Revolving Credit Facility . On October 26, 2015, we repaid all amounts outstanding under the 2014 Revolving Credit Facility, and, in connection with our rescission of the Construction Contract for the *Pacific Zonda* , the 2014 Revolving Credit Facility was terminated effective as of October 30, 2015.

See Note 5 to the Company's Consolidated Financial Statements for additional information.

Customs bonds

As of December 31, 2015 , we were contingently liable under certain customs bonds totaling approximately $227.9 million issued as security in the normal course of our business. See Note 12 to the Company's Consolidated Financial Statements.

Derivative Instruments and Hedging Activities

We may enter into derivative instruments from time to time to manage our exposure to fluctuations in interest rates and to meet our debt covenant requirements. We do not enter into derivative transactions for speculative purposes; however, for accounting purposes, certain transactions may not meet the criteria for hedge accounting. See Note 10 to the Company's Consolidated Financial Statements.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

We do not undertake any significant expenditure on research and development. Additionally, we have no significant interests in patents or licenses.

D. TREND INFORMATION

Historically, operating results in the offshore contract drilling industry have been cyclical and directly related to the demand for and the available supply of drilling rigs, which are influenced by various factors. However, since factors that impact offshore exploration and development spending are beyond our control, and rig demand dynamics can shift quickly, it is difficult for us to predict future industry conditions, demand trends or operating results.

Drilling Rig Supply

Across the industry, there have been no orders placed since April 2014 to build additional high-specification semi-submersibles or drillships, and within the last year, there have been several delays in delivery dates and canceled orders for new drillships. We estimate there are approximately 43 high-specification rigs delivered or scheduled for delivery from January 1, 2016 until the end of 2018, at least 16 of which have not yet been announced as being under contract for clients. Additionally, as a result of significantly reduced contracting activity, 20-25 rigs in the ultra-deepwater drilling industry sector have been removed from the actively marketed fleet through cold stacking or scrapping. This trend along with additional delays in delivery dates and cancellations of existing orders for high-specification rigs could continue as the offshore drilling market remains weak. The supply of high-specification units through the end of 2018 can be estimated as a range between 115 and 130. Beyond this time frame, the supply is uncertain and any projections have diminished predictive value.

Drilling Rig Demand

Demand for our drillships is a function of the worldwide levels of offshore exploration and development spending by oil and gas companies, which is influenced by a number of factors. The type of projects that modern drillships undertake are

generally located in deeper water, more remote locations and are more capital intensive and longer lasting than projects using older or less capable drilling rigs. Long-term expectations about future oil prices have historically been the key driver for deepwater and high-specification exploration and development spending. Although dayrates and utilization for modern drillships have in the past been less sensitive to short-term oil price movements than those of older or less capable drilling rigs, the recent sustained declines in oil prices have significantly impacted the number of projects available for modern drillships.

Since the fourth quarter of 2014, oil prices have exhibited great volatility, declining significantly. The current prices are at a level that has rendered many deepwater projects uneconomic and may continue to do so through 2016 and into 2017. The duration of weakness in long-term oil prices remains uncertain.

Overall, 2015 saw an extremely slow pace for high-specification contracting activity compared to prior years. Approximately 30 rig years were contracted for the ultra-deepwater fleet industry-wide in 2015 compared to the 2012-2014 average of approximately 120 rig years contracted per year. Additionally, more than 40 drilling contracts were canceled in 2015 for various reasons, many of them without early termination payments.

Supply and Demand Balance

Since the end of 2014, capital expenditure budgets have significantly declined for many exploration and production companies, and the current utilization of modern drillships industry-wide is below 80%. We expect the utilization rate for ultra-deepwater drillships to continue to decrease throughout 2016.

We estimate that from January 1 through the end of 2016, approximately 34 - 38 high-specification rigs without currently confirmed client contracts will be available to commence operations. Additionally, multiple older, lower-specification ultra-deepwater and mid-water drillships and semisubmersibles have recently completed contracts without follow-on contracts. The mismatch of supply and demand has exerted considerable pressure on the market and resulted in very few signed drilling contracts and significantly lower dayrates than in past years for those rigs with contracts. While recent scrapping and cold stacking of older assets has lowered the total rig supply, supply of drilling rigs continues to exceed demand. The industry will need to see a steady increase in oil prices and continue to remove additional rigs from supply in order to rebalance the global fleet.

For more information on this and other risks to our business and our industry, please read “Risk Factors”.

E. OFF-BALANCE SHEET ARRANGEMENTS

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

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below sets forth our contractual obligations as of December 31, 2015 :

Contractual Obligations	2016	2017-2018	2019-2020	Thereafter	Total
			(in thousands)		
Long-term debt [a]	$ 89,583	$ 1,437,917	$ 1,360,833	$ —	$ 2,888,333
Interest on long-term debt [b]	158,693	239,880	72,022	—	470,595
Operating leases	2,327	4,442	4,204	8,102	19,075
Purchase obligations [c]	66,396	—	—	—	66,396
Total contractual obligations [d]	$ 316,999	$ 1,682,239	$ 1,437,059	$ 8,102	$ 3,444,399

(a) Includes current maturities of long-term debt. Amounts are based on principal balances, excluding debt discounts.
(b) Interest payments are based on our existing outstanding borrowings as of December 31, 2015 . Amounts assume no refinancing of existing long-term debt and no prepayments. For fixed rate debt, interest has been calculated using stated rates. For variable rate LIBOR based debt, interest has been calculated using current LIBOR as of December 31, 2015 and includes the impact of our outstanding interest rate swaps.
(c) Purchase obligations are agreements to purchase goods and services that are enforceable and legally binding, that specify all significant terms, including the quantities to be purchased, price provisions and the approximate timing of the transactions, which includes our purchase orders for goods and services entered into in the normal course of business.
(d) Contractual obligations do not include approximately $27.4 million of liabilities from unrecognized tax benefits related to uncertain tax positions, inclusive of interest and penalties, included on our consolidated balance sheet as of

December 31, 2015 . We are unable to specify with certainty the future periods in which we may be obligated to settle such amounts.

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

G. SAFE HARBOR

See “Forward-Looking Statements” in this annual report for additional information.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Senior Management

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

Name	Age	Position
Christian J. Beckett	47	Chief Executive Officer
Paul T. Reese	46	Executive Vice President, Chief Financial Officer
Cees Van Diemen	62	Executive Vice President, Chief Operating Officer
Michael D. Acuff	45	Senior Vice President, Sales & Business Development
Lisa Manget Buchanan	55	Senior Vice President, General Counsel and Secretary
Richard E. Tatum	38	Vice President, Controller

Christian J. Beckett . Mr. Beckett has served as our Chief Executive Officer since April 2008 and as a member of our Board of Directors since March 11, 2011. Mr. Beckett has over 20 years of experience in the energy industry. Prior to joining us, he led the Strategic Business Development and Planning group at Transocean Ltd. from 2004 to 2008. Mr. Beckett served at McKinsey & Company, Inc. from 2001 to 2004, where he provided strategic and operating advice to global energy companies and governments, and from 1990 to 2001 he worked at Schlumberger Limited (“Schlumberger”) in a series of international management roles with increasing responsibilities. Mr. Beckett sits on the executive committee of the International Association of Drilling Contractors.

Mr. Beckett holds a Bachelor of Science in Exploration Geophysics from University College London and a Masters of Business Administration from Rice University.

Paul T. Reese . Mr. Reese joined Pacific Drilling in October 2008 and was appointed our Executive Vice President and Chief Financial Officer in February 2015. He was named Chief Financial Officer in February 2014, and previously served as our Vice President, Controller. Mr. Reese has been a finance professional in the oilfield services and E&P space for over 20 years. Prior to joining Pacific Drilling, he was Controller for the global Exploration and Development divisions at BHP Billiton Petroleum. From 1995 to 2007, Mr. Reese served in various financial management roles at Transocean Ltd., including Finance Director for the North and South America Business Unit, Assistant Vice-President for Audit and Advisory Services and Finance Manager for the Asia & Australia and South America Regions, with international posts in Asia and Central and South America. Prior to joining Transocean Ltd., Mr. Reese was an auditor in the Houston offices of Arthur Andersen LLP.

Mr. Reese holds a Bachelor of Arts in Economics and Managerial Studies and a Masters of Accounting from Rice University.

Cees Van Diemen . Mr. Van Diemen joined Pacific Drilling in 2009. He was appointed our Executive Vice President in February 2015, and has served as our Chief Operating Officer since August 2013. Prior to that, Mr. Van Diemen was our Vice President of Operations. Mr. Van Diemen has over 35 years of experience in the mobile offshore drilling industry and began his career offshore with Sedneth (now Transocean Ltd.) in 1977. His extensive industry experience includes 25 years at Noble Drilling Corporation, and its predecessor Neddrill, where he held various management positions of increasing responsibility working with jack-ups, semi-submersibles and drillships, with international posts in Europe, North and South America and West Africa.

Mr. Van Diemen concluded his national service duty as a first lieutenant in the army, and holds a Bachelor of Science in Automotive Engineering from the University of Apeldoorn in the Netherlands.

Michael Acuff. Mr. Acuff was appointed Senior Vice President of Sales and Business Development in June 2014, and is responsible for management and administration of our sales, contract acquisition and corporate planning activities. Mr. Acuff has more than 15 years of industry experience and most recently was Senior Vice President of Contracts and Marketing at Diamond Offshore Drilling, Inc., where he worked from 2010 to 2013. From 1999 to 2010, Mr. Acuff held various management positions of increasing responsibility in Marketing, Corporate Planning, Operations and Human Resources with Transocean Ltd. Prior to joining Transocean Ltd., Mr. Acuff served in the U.S. Army from 1993 to 1997 as Battery Executive Officer, Battalion Personnel Officer and Platoon Leader.

Mr. Acuff holds a Bachelor of Science in Civil Engineering from the University of Tennessee and an MBA in Finance from Rice University.

Lisa Manget Buchanan. Ms. Buchanan joined Pacific Drilling in August 2015 as Senior Vice President, General Counsel and Secretary. Ms. Buchanan has over 30 years of legal experience, most recently serving as Executive Vice President, General Counsel and Secretary and Chief Administrative Officer at Cal Dive International, Inc. from June 2006 to July 2015. From 1987 to 2006, she was an attorney at the law firm of Jones Walker LLP, first as an associate and then, commencing January 1994, as a partner.

Ms. Buchanan holds a Bachelor of Science degree in commerce from the University of Virginia and a Juris Doctorate from Louisiana State University Law Center.

Richard E. Tatum. Mr. Tatum was appointed as our Vice President Controller in March 2014 and serves as our Principal Accounting Officer. Mr. Tatum joined Pacific Drilling in October 2010, and prior to his appointment as Vice President Controller, served as our Director of Financial Reporting. Mr. Tatum has over 15 years of experience in offshore drilling and public accounting. Prior to joining Pacific Drilling, Mr. Tatum served at Frontier Drilling from 2009 until its merger with Noble Drilling Corporation in 2010. Mr. Tatum began his career as an auditor with Grant Thornton LLP where he held a variety of roles with increasing responsibilities, his most recent position being a Manager in Grant Thornton's National Professional Standards Group.

Mr. Tatum received his Bachelor of Business Administration and Master in Professional Accounting degrees from the University of Texas at Austin and is a CPA.

Board of Directors

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

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

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

Name	Age	Position
Ron Moskovitz	53	Chairman
Christian J. Beckett	47	Executive Director, Chief Executive Officer
Laurence N. Charney	68	Director
Jeremy Asher	57	Director
Sami Iskander	50	Director
Robert Schwed	66	Director
Paul Wolff	68	Director
Cyril Ducau	37	Director
Elias Sakellis	39	Director

Ron Moskovitz . Mr. Moskovitz was appointed as a director of the Company in March 2011, and serves as our Chairman of the Board, Chairman of our Nominating Committee and member of our Compensation Committee. Mr. Moskovitz is the Chief Executive Officer of Quantum Pacific (UK) LLP, a member of the Quantum Pacific Group, and serves as Chairman of Israel Corp., Israel's largest holding company with its core holdings focused on industries that meet basic human, industrial and economic needs (e.g., fertilizers and specialty chemicals, energy, shipping and transportation) and as a director of Kenon Holdings Ltd. and Israel Chemicals Ltd. From July 2008 until December 2012, Mr. Moskovitz served as Chief Executive Officer of Quantum Pacific Advisory Limited. From July 2002 until November 2007, Mr. Moskovitz served as Senior Vice President and Chief Financial Officer of Amdocs Limited, and from 1998 until July 2002, he served as Vice President of Finance at Amdocs. Between 1994 and 1998, Mr. Moskovitz held various senior financial positions at Tower Semiconductor Ltd. and served on its board of directors from 2007 to September 2011.

Mr. Moskovitz is a CPA in Israel and holds a BA in Accounting and Economics from Haifa University and a Master of Business Administration from Tel Aviv University.

Laurence N. Charney . Mr. Charney was appointed as a director of the Company in April 2011, and serves as Chairman of our Audit Committee and a member of our Compensation Committee. Mr. Charney retired from Ernst & Young LLP ("Ernst & Young") in June 2007, where, over the course of his more than 35-year career, he served as Partner, Practice Leader and Senior Advisor. Since his retirement from Ernst & Young, Mr. Charney has served as a business strategist and financial advisor to boards, senior management and investors of early stage ventures, private businesses and small to mid-cap public corporations across the consumer products, energy, real estate, high-tech/software, media/entertainment, and non-profit sectors. His most recent affiliations have included board tenures with Marvel Entertainment, Inc. and Iconix Brand Group Inc. He has served on the board of TG Therapeutics, Inc. since April 2012 and Kenon Holdings Ltd. since May 2014. He also serves as an audit quality executive with Frankel, Loughran, Starr and Vallone LLP.

Mr. Charney, a CPA, is a graduate of Hofstra University with a Bachelors Degree in Business Administration (Accounting), and he also completed an Executive Masters program at Columbia University. Mr. Charney maintains active membership with the American Institute of Certified Public Accountants and New York State Society of Certified Public Accountants.

Jeremy Asher . Mr. Asher was appointed as a director of the Company in April 2011, and serves as Chairman of our Compensation Committee and a member of our Audit Committee and Nominating Committee. Mr. Asher is currently Chairman of Agile Energy Limited, a privately held energy investment company, and Chairman of Tower Resources plc, an oil & gas exploration company. During the past five years, he has served as a director of Gulf Keystone Petroleum Ltd, an oil & gas exploration and production company; and a director of Oil Refineries Limited, an independent refiner and petrochemicals producer. Until 2008 he served as a director of Process Systems Enterprise Limited, a developer of process simulation software. Since 2001, Mr. Asher has also served as a director and financial investor in various other enterprises.

From 1998 until 2001, Mr. Asher served as the Chief Executive Officer of PA Consulting Group, where he oversaw PA's globalization and growth from 2,500 to nearly 4,000 employees, and negotiated and managed the integration of PA's acquisition of Hagler Bailly, Inc. Between 1990 and 1997 he acquired, developed and sold the 275,000 bbl/d Beta oil refinery at Wilhelmshaven in Germany. Prior to that, in the late 1980's, Mr. Asher ran the global oil products trading business of what is now Glencore AG and, prior to that, spent several years as a consultant at what is now Oliver Wyman.

Mr. Asher is a graduate of the London School of Economics and holds a Master of Business Administration from Harvard Business School. He is also a member of the London Business School's Global Advisory Council and serves as a member of the Engineering Advisory Board of Imperial Innovations plc, the commercial arm of Imperial College.

Sami Iskander . Mr. Iskander was appointed as a director of the Company in September 2013 and serves as a member of our Nominating Committee. Since February 2016, Mr. Iskander has served as Executive Vice President Upstream Joint Ventures for Shell Upstream International. Prior to that, Mr. Iskander was the Chief Operating Officer at BG Group plc, and served as a board member of BG Energy Holdings Limited and BG International Limited since September 2009. He was appointed to the BG Group Executive Committee in July 2009, having previously served BG Group in the role of Executive Vice President, Operations and Senior Vice President, Operations and Developments for BG Advance. Prior to joining BG Group in 2008, Mr. Iskander spent his career with Schlumberger serving in a number of key leadership roles.

Mr. Iskander holds a BS in Mechanical Engineering from American University in Cairo, Egypt.

Robert Schwed . Mr. Schwed was appointed as a director of the Company in May 2013 and serves as a member of our Audit Committee. From 2002 until his retirement in 2015, Mr. Schwed was a partner in the Corporate Practice Group of the international law firm Wilmer Cutler Pickering Hale and Dorr LLP. He has over 40 years of experience working with private equity firms and their portfolio companies in corporate finance transactions. From 1982 until 2002, Mr. Schwed was a partner of Reboul MacMurray, a New York law firm specializing in private equity and venture capital matters. Since 2009, Mr. Schwed has served as an Adjunct Professor at the George Washington University School of Law.

Mr. Schwed holds a Bachelor of Arts in Economics from Williams College and a Juris Doctorate from Harvard Law School.

Paul Wolff . Mr. Wolff was appointed as a director of the Company in April 2011 and serves as a member of our Audit Committee. Since 2006, Mr. Wolff has served as an independent director and private investor in various financial and industrial companies. From 1971 to 2006, he worked in the banking sector in which he held various responsibilities in corporate and private banking, including as a Managing Director of Mees Pierson, where he headed the Trust Business and was Head of Private Banking and Asset Management.

Mr. Wolff has a degree in Commercial Engineering from University of Louvain and a Masters of Business Administration from INSEAD Fontainebleau, and he completed Harvard's Advanced Management Program.

Cyril Ducau . Mr. Ducau was appointed as a director of the Company in April 2011. Mr. Ducau joined the Quantum Pacific Group in 2008 and is currently a Managing Director of Finance and Business Development of Quantum Pacific Ventures Limited. Mr. Ducau was appointed to the board of directors of Quantum Pacific Shipping Services Pte. Ltd. in December 2012, and also serves as a director of Ansonia Holdings B.V., Jelany Corporation N.V. and Kenon Holdings Ltd. He was previously Head of Business Development of Quantum Pacific Advisory Limited in London. Prior to joining the Quantum Pacific Group, Mr. Ducau was Vice President in the investment banking division of Morgan Stanley & Co. International Ltd. in London and during his tenure there from 2000 to 2008, he held various positions in the Capital Markets, Leveraged Finance and Mergers and Acquisitions teams. Prior to that, Mr. Ducau gained experience in consultancy working for Arthur D. Little in Munich, and investment management with Credit Agricole UI Private Equity in Paris.

Mr. Ducau graduated from ESCP Europe Business School (Paris, Oxford, Berlin) and holds a Master of Science in business administration and a Diplom Kaufmann.

Elias Sakellis . Mr. Sakellis was appointed as a director of the Company in June 2012 and serves as a member of our Nominating Committee. Mr. Sakellis joined Quantum Pacific Advisory Limited in May 2012 as Managing Director. He was appointed Managing Director of Business Development of Quantum Pacific (UK) LLP in January 2013 and director of Kenon Holdings Ltd. Prior to joining Quantum Pacific (UK) LLP, Mr. Sakellis worked at Goldman, Sachs & Co. in London from 2000 to 2012, where he held various positions, including Executive Director of Leveraged Finance & Restructuring in the Investment Banking Division, Executive Director and Business Unit Manager in the Investment Banking Division, and Financial Analyst and Associate in the Equities Division. Prior to joining Goldman, Sachs & Co., Mr. Sakellis gained experience in the banking sector by working as an analyst for Lehman Brothers in London from 1999 to 2000.

Mr. Sakellis is a graduate of Imperial College London with a Master of Science in Finance and a Master of Engineering in Mechanical Engineering. He also holds a Master of Business Administration from INSEAD.

B. COMPENSATION

Senior Management

Members of our senior management receive compensation for the services they provide. The aggregate cash compensation paid to all members of senior management as a group was approximately $4.6 million for the fiscal year ended December 31, 2015. In addition, under the Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan (the "2011 Stock Plan") as described in more detail under "—Equity Compensation Plans" below, in 2015 we granted an aggregate of 2.0 million options to purchase our common shares to members of our senior management team at exercise prices ranging from $2.17 per share to $3.64 per share, and 0.9 million restricted share units with grant date values ranging from $2.17 per share to $3.64 per share.

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

Directors

During the year ended December 31, 2015, we paid an aggregate of approximately $0.4 million in directors' fees to the independent members of the Board of Directors, excluding those members of the Board of Directors affiliated with the Quantum Pacific Group, and awarded 21,978 restricted stock units with a grant date value of $3.89 per share. The restricted stock units vest 100% on the first anniversary of the date of the grant. We also paid an aggregate of approximately $0.2 million in directors' fees to the non-independent members of the Board of Directors affiliated with Quantum Pacific Group. We pay these directors' fees directly to Quantum Pacific Group. Members of our Board of Directors who are also our employees or employees of our subsidiaries do not receive any additional compensation for their service on our Board of Directors. We believe that our director fee structure is customary and reasonable for companies of our kind and consistent with that of our peers and similarly situated companies in the industry in which we operate. These fees may be increased from time to time by a resolution of the general meeting of shareholders.

Equity Compensation Plans

The 2011 Stock Plan provides for the granting of stock options, stock appreciation rights, restricted shares, restricted share units and other equity-based or equity-related awards to directors, officers, employees and consultants. Subject to adjustment as provided in the 2011 Stock Plan, 15.9 million common shares of Pacific Drilling S.A. are reserved and authorized for issuance pursuant to the terms of the 2011 Stock Plan. The Compensation Committee of our Board of Directors determines the terms and conditions of awards made to participants under the 2011 Stock Plan.

Under the 2011 Stock Plan, as of December 31, 2015, a total of 6.4 million options and 2.5 million restricted share units are outstanding, of which 5.3 million options and 1.2 million restricted share units were granted to members of senior management. The exercise prices of the stock options range from $2.17 to $10.80 per share. The options expiration dates range from March 31, 2021 to August 31, 2025. The restricted share units were granted at grant date values ranging from $2.17 to $10.80 per share. We also have outstanding awards of 101,542 options and 199,925 restricted stock units under the 2011 Stock Plan to certain independent members of our Board of Directors. The exercise prices of the stock options range from $10.12 to $10.88 per share. The options expiration dates range from March 31, 2022 to March 31, 2024. The restricted share units were granted at a range of $3.89 to $10.88 per share. The options and restricted share units granted generally vest 25% annually over four years from the date of grant, and until they vest, do not have voting rights or participate in the earnings of the Company.

Benefit Plans and Programs

Pacific Drilling sponsors a defined contribution retirement plan covering substantially all U.S. employees (the "U.S. Savings Plan") and an international savings plan (the "International Savings Plan"). Under the U.S. Savings Plan, we match 100% of employee contributions up to 3% and 50% of the next 2% of eligible compensation per participant. Under the International Savings Plan, we match up to 3% of base compensation (limited to a contribution of $15,000 per participant). During the years ended December 31, 2015, 2014 and 2013, our total employer contributions to both plans amounted to $7.0 million, $6.9 million and $4.5 million, respectively.

We have established an annual bonus plan for key employees whose decisions, activities and performance have a significant impact on business results. Target bonus levels are determined on an individual basis and take into account

individual performance, competitive pay practices and external market conditions. Achievement of bonus payment is based on the achievement of our financial target and individual goals.

Severance Agreements

Effective January 1, 2016, we have entered into severance and change of control agreements with each of the Company's senior management listed in Item 6, "Directors and Senior Management" (the "Severance Agreements"). Under the terms of the Severance Agreements, if at any time prior to a change of control of the Company (as defined in the Severance Agreements), the Company terminates the officer's employment other than for cause (as defined in the Severance Agreements) or the officer terminates his or her employment for good reason (as defined in the Severance Agreements), the officer will be entitled to the following:

- a lump sum payment equal to the sum of: (i) an amount equal to six months, one year or two years (depending on the officer's position) of the officer's annual base salary in effect for the year of the date of termination, (ii) an amount equal to a pro-rated portion of the target bonus established for the officer for the year in which the termination occurs calculated through the date of termination, and (iii) an amount equal to the Company contributions that would be made for 12 months of benefits; and

- automatic acceleration of the vesting of any stock options, restricted stock or restricted stock units that were granted to the officer that are scheduled to vest within one year following the date of termination.

If a change of control of the Company occurs and the Company terminates the officer's employment other than for cause, or the officer terminates his or her employment for good reason, during the eighteen-month period following the date of the change of control, the officer will be entitled to the following:

- a lump sum payment of (i) an amount equal to one, two or 2.99 times (depending on the officer's position) the sum of: (A) the officer's base salary in effect for the year of the date of termination, and (B) the target bonus established for the officer for the year in which the termination occurs, and (ii) an amount equal to the contributions that would be made for 12 or 24 months (depending on the officer's position) of benefits; and

- automatic acceleration of the vesting of all unvested stock options, restricted stock or restricted stock units that were granted to the officer.

The Severance Agreements also include standard non-competition and non-solicitation language for a period of six months or one year (depending on the officer's position) following termination of employment, as well as customary confidentiality and non-disparagement covenants. The initial term of the Severance Agreements will end on December 31, 2017, subject to automatic two-year renewal terms, unless either party gives notice to terminate the agreement ninety days prior to the end of the applicable term.

Indemnity Agreements

Effective January 1, 2016, we have entered into indemnity agreements with each of the Company's directors and senior management, subject, in the case of the agreements for the directors, to our obtaining shareholder approval for such indemnity agreements at the Company's 2016 annual general meeting of shareholders. The indemnity agreements supplement the indemnification rights for the directors and officers under the Company's Articles, and provide, among other things, for mandatory indemnification against liabilities as well as mandatory advancement and reimbursement of all reasonable expenses that may be incurred by the indemnitees in various legal proceedings arising out of their service as directors and officers to the fullest extent authorized by the General Corporation Law of the State of Delaware and as permitted by Luxembourg law, including any amendments thereto. The indemnity agreements also set out the process for determining entitlement to indemnification, the conditions to advancement of expenses, the procedures for enforcement of indemnification rights, the limitations on indemnification and requirements relating to the notice and defense of claims for which indemnification is sought.

C. BOARD PRACTICES

See Item 10, "Memorandum and Articles of Association—Voting Rights—Appointment and Removal of Directors" for a detailed description regarding the appointment and removal of our Board of Directors.

On May 11, 2015, at our annual general meeting of shareholders, each of our then current directors was re-appointed for an additional one-year term through the 2016 annual general meeting ("2016 AGM").

There are no service contracts between us and any of our directors providing for benefits upon termination of their service, other than the Severance Agreement for Mr. Beckett.

Committees of the Board of Directors

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

Audit Committee

The members of our Audit Committee are Messrs. Charney (as Chairman), Asher, Schwed and Wolff, each of whom our Board of Directors has determined is financially literate. Our Board of Directors has determined that each of the members of our Audit Committee is "independent" under the standards of the NYSE and SEC rules. In addition, our Board of Directors has determined that Mr. Charney is an Audit Committee financial expert.

The Audit Committee's primary responsibilities are to assist the Board of Directors' oversight of: our accounting practices; the integrity of our financial statements; our compliance with legal and regulatory requirements; the qualifications, selection, independence and performance of our independent registered public accounting firm; and the internal audit function. The Audit Committee has adopted a charter defining the committee's primary duties in a manner consistent with the rules of the SEC and the NYSE.

Compensation Committee

The members of our Compensation Committee are Messrs. Asher (as Chairman), Charney and Moskovitz. The purpose of this committee is to oversee the discharge of the responsibilities of our Board of Directors relating to compensation of our executive officers. Our Compensation Committee also administers our incentive compensation and benefit plans. The Compensation Committee has adopted a charter defining the committee's primary duties in a manner consistent with the rules of the SEC and the NYSE.

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

Nominating Committee

Our Board of Directors has established a Nominating Committee. The members of our Nominating Committee are Messrs. Moskovitz (as Chairman), Asher, Iskander, and Sakellis.

The purpose of the Nominating Committee is to assist the Board of Directors in identifying individuals qualified to become members of the Board of Directors and to provide advice to the Board of Directors regarding its composition and committees. The Committee has adopted a charter defining the committee's primary duties in a manner consistent with the rules of the SEC and the NYSE.

Corporate Governance

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

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

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

All decisions to be taken by our Board of Directors are subject to a quorum and vote of a majority of the directors. A Chairman of the Board is elected from the members of the Board. The Chairman has a casting vote in the event of a tie vote. Our Chairman of the Board is Ron Moskovitz, who was re-elected at our Annual Meeting of Shareholders in 2015 for a one-year term expiring at the 2016 AGM.

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

As a foreign private issuer we are exempt from certain requirements of the NYSE that are applicable to U.S. listed companies. For a listing and further discussion of how our corporate governance practices differ from those required of U.S. companies on the NYSE, see Item 16G or visit the corporate governance section of our website at www.pacificdrilling.com.

D. EMPLOYEES

Employees

As of December 31, 2015, we and our subsidiaries had a total of 947 employees and 241 subcontractors. These employees consisted of:

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

As of December 31, 2015, approximately 549 of our employees and our subcontractors were located in the United States and 512 were located in Nigeria. The remainder of our employees were in various other locations around the world.

As of December 31, 2014, we and our subsidiaries had a total of 1,193 employees and 413 subcontractors. These employees consisted of:

- 36 employees and subcontractors in construction management;
- 1326 employees and subcontractors in engineering and operations; and
- 244 employees and subcontractors in finance, strategy and business development, sales and marketing and other administrative functions.

As of December 31, 2014, approximately 565 of our employees and our subcontractors were located in the United States, 186 were located in South Korea, 616 were located in Nigeria, and 222 were located in Brazil. The remainder of our employees were in various other locations around the world.

As of December 31, 2013, we and our subsidiaries had a total of 942 employees and 359 subcontractors. These employees consisted of:

- 137 employees and subcontractors in construction management;
- 942 employees and subcontractors in engineering and operations; and
- 222 employees and subcontractors in finance, strategy and business development, sales and marketing and other administrative functions.

As of December 31, 2013, approximately 333 of our employees and our subcontractors were located in the United States, 118 were located in South Korea, 578 were located in Nigeria and 208 were located in Brazil. The remainder of our employees were in various other locations around the world.

We believe that our relations with employees are good. Some of our employees in Nigeria are currently represented by unions and covered by collective bargaining agreements.

E. SHARE OWNERSHIP

The table below shows the number and percentage of our outstanding common shares beneficially owned by each of our directors and members of senior management and all of our directors and officers as a group as of February 23, 2016, including share options and restricted stock units awarded to them under the 2011 Stock Plan that are exercisable or vest within 60 days. See Item 6, "Compensation—Equity Compensation Plans" for a description of the 2011 Stock Plan.

	Beneficial Interest in Common Shares	
Officer or Director	**Number of shares (in thousands)**	**Percentage**
Christian J. Beckett	2,660	1.3%
Paul T. Reese	*	*
Cees Van Diemen	*	*
Michael D. Acuff	*	*
Lisa Manget Buchanan	*	*
Richard E. Tatum	*	*
Ron Moskovitz	—	—
Laurence N. Charney	*	*
Jeremy Asher	*	*
Sami Iskander	*	*
Robert Schwed	*	*
Paul Wolff	*	*
Cyril Ducau	—	—
Elias Sakellis	—	—
All officers and directors as a group [(a)]	3,952	1.9%

* Less than 1%.

(a) Includes 3.4 million of common shares issuable upon exercise of options that are exercisable within 60 days and 0.4 million restricted share units that vest within 60 days held by our senior management and directors as of February 23, 2016. The exercise prices of the stock options range from $2.17 to $10.80 per share.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth information as of February 23, 2016 for each shareholder whom we know to beneficially own more than five percent of our outstanding common shares:

	Common Shares Held	
Identity of Person or Group	**Number of Shares** (in thousands)	**Percentage**
Quantum Pacific (Gibraltar) Limited [1]	150,000	71.0%
Adage Capital Partners, L.P.	14,604 [2]	6.9%

(1) Quantum Pacific (Gibraltar) Limited is a Gibraltar company and wholly-owned subsidiary of Quantum Pacific International Limited, the indirect ultimate owner of which is a discretionary trust in which Mr. Idan Ofer is the primary beneficiary. The address of Quantum Pacific (Gibraltar) Limited is 57/63 Line Wall Road, Gibraltar.

(2) Based solely on a Schedule 13G/A filed with the Securities and Exchange Commission ("SEC") on February 16, 2016, Adage Capital Partners, L.P. has shared voting power and shared dispositive power over 14,603,683 shares of our common shares. The address of Adage Capital Partners, L.P. is 200 Clarendon Street, 52nd Floor, Boston, MA 02116.

As of February 23, 2016, we had only one shareholder of record in the United States, Cede & Co. (nominee of The Depository Trust Company) in whose name all shareholdings in the United States are recorded. This single shareholder of record in the United States represented approximately 28.2% of the total outstanding common shares. The number of beneficial owners of our common shares in the United States is significantly larger than the number of record holders of our common shares in the United States.

B. RELATED PARTY TRANSACTIONS

Not applicable.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18, "Financial Statements" within this annual report.

Legal Proceedings

It is to be expected that we and our subsidiaries will routinely be involved in litigation and disputes arising in the ordinary course of our business.

On April 16, 2013, Transocean Offshore Deepwater Drilling, Inc. ("Transocean") filed a complaint against us in the United States District Court for the Southern District of Texas alleging infringement of their dual activity patents, supplemented by an Amended Complaint filed on May 13, 2013. In its Amended Complaint, Transocean seeks relief in the form of a permanent injunction, compensatory damages, enhanced damages, court costs and fees. On May 31, 2013, we filed our Answer to the Amended Complaint and our Counterclaims seeking Declaratory Judgments that we do not infringe the asserted Transocean patents and that such patents are invalid and unenforceable. The Court issued its claim construction order on May 27, 2015, and the trial is currently scheduled for August 8, 2016. We do not believe that the ultimate liability, if any, resulting from this litigation will have a material adverse effect on our financial position, results of operations or cash flows.

On October 29, 2015, we exercised our right to rescind the Construction Contract for the drillship the *Pacific Zonda* due to SHI's failure to timely deliver the drillship in accordance with the contractual specifications. SHI rejected our rescission, and on November 25, 2015, formally commenced arbitration proceedings against us in London (as specified in the Construction Contract) and notified us of its appointed arbitrator. SHI claims that we wrongfully rejected their tendered delivery of the drillship and seeks the final installment of the purchase price under the Construction Contract. We responded on November 27, 2015 with notice of our appointed arbitrator. The two arbitrators have selected a third arbitrator, thus completing the tribunal. On November 30, 2015, we made demand under the third party refund guarantee accompanying the Construction Contract for the amount of our advance payments made under the Construction Contract, plus interest. Any payment under the refund

guarantee is suspended until an award under the arbitration is obtained. Pursuant to a mutually agreed scheduling order, SHI filed its claims submission on January 29, 2016. We responded with our defense and counterclaim on February 26, 2016 and, in addition to seeking repayment of our advance payments made under the Construction Contract, our counterclaim also seeks the return of our purchased equipment, or the value of such equipment, and damages for our wasted expenditures. We do not expect a resolution on this matter within the next 12 months, and we do not believe that the ultimate liability, if any, resulting from this arbitration will have a material adverse effect on our financial position, results of operations or cash flows.

Distribution Policy

Our decision to pay dividends or make distributions is dependent upon numerous factors, including committed and projected capital expenditures, targeted growth and performance metrics, and restrictions imposed under our existing debt agreements and any future debt financing agreements. The current terms of the 2013 Revolving Credit Facility and SSCF, as amended, do not permit the payment of dividends or distributions to our shareholders. Please refer to Note 5 to the Company's Consolidated Financial Statements in this annual report for a more detailed description of the terms of our debt financings.

Additionally, pursuant to Luxembourg law, dividends may only be lawfully declared and paid if our net profits and distributable reserves are sufficient. Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve subsequently falls below the 10% threshold, at least 5% of net profits again must be allocated toward the reserve to the extent the legal reserve is below the 10% threshold. The legal reserve is not available for distribution. In the event that we do not have sufficient net profits and distributable reserves, Luxembourg law may nevertheless permit us to make distributions of share capital or share premium to holders of our common shares. There can be no assurance that we will make dividend payments or distributions.

Share Repurchase Program

At our annual general meeting of shareholders in May 2015, a share repurchase program was approved for the repurchase up to 10.0 million shares of our common stock through May 2017. Under our credit facilities, we are prohibited from repurchasing shares through March 31, 2018. See Note 7 to the Company's Consolidated Financial Statements for additional information.

B. SIGNIFICANT CHANGES

None.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our common shares commenced trading on the Norwegian OTC List on April 5, 2011 under the symbol "PDSA." Our common shares commenced trading on the NYSE on November 11, 2011 under the symbol "PACD." The NYSE listing is intended to be our primary listing and the Norwegian OTC listing is intended to be our secondary listing. On February 23, 2016, the closing price of our common shares on the NYSE was $0.36 per share.

On January 13, 2016, we were notified by the NYSE that we did not satisfy the NYSE's continued listing criteria, because the average closing price of our common shares was less than $1.00 per share over a consecutive 30 trading-day period. We have six months to cure this deficiency in order to avoid having our common shares delisted from the NYSE.

The following table sets forth, for each full financial year, high and low intraday sale prices of our common shares:

	Price Per Common Share			
	NYSE		NOTC	
	High (US$)	Low (US$)	High (NOK)	Low (NOK)
Fiscal Year Ended December 31,				
2015	5.61	0.84	n/a	n/a
2014	11.51	4.23	66.50	59.50
2013	12.25	8.89	67.60	49.00
2012	11.47	7.77	63.00	46.00

The following table sets forth, for each full financial quarter for the two most recent fiscal years, high and low intraday sale prices of our common shares:

	Price Per Common Share			
	NYSE		NOTC	
	High (US$)	Low (US$)	High (NOK)	Low (NOK)
Fiscal Year Ended December 31, 2015				
Fourth quarter	1.78	0.84	n/a	n/a
Third quarter	2.85	1.14	n/a	n/a
Second quarter	5.61	2.72	n/a	n/a
First quarter	4.70	3.12	n/a	n/a
Fiscal Year Ended December 31, 2014				
Fourth quarter	8.27	4.23	n/a	n/a
Third quarter	10.35	8.24	n/a	n/a
Second quarter	10.95	9.27	61.00	61.00
First quarter	11.51	9.59	66.50	59.50

The following table sets forth, for each of the six most recent months, high and low intraday sale prices of our common shares:

	Price Per Common Share			
	NYSE		NOTC [(b)]	
	High (US$)	Low (US$)	High (NOK)	Low (NOK)
February 2016 (a)	0.43	0.30	n/a	n/a
January 2016	0.91	0.30	n/a	n/a
December 2015	1.37	0.84	n/a	n/a
November 2015	1.78	1.22	n/a	n/a
October 2015	1.76	1.14	n/a	n/a
September 2015	1.98	1.14	n/a	n/a

(a) February 1, 2016 through February 23, 2016.
(b) No trading occurred on the NOTC for the six most recent months.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our common shares currently trade on the NYSE and the Norwegian OTC under the symbols “PACD” and “PDSA,” respectively.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Our Consolidated Articles of Association, dated as of March 6, 2014, are filed as Exhibit 1.1 to this Annual Report.

General

We are a Luxembourg public limited liability company (*société anonyme*). Our legal name is “Pacific Drilling S.A.” We were incorporated on March 11, 2011.

Pacific Drilling S.A. is registered with the Luxembourg Registry of Trade and Companies under the number B159658. Our registered office is located at 8-10, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg.

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

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

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

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

Description of Share Capital

The following is a summary of our share capital and the rights of the holders of our common shares that are material to an investment in our common shares. These rights are set forth in our Articles or are provided by applicable Luxembourg law,

and these rights may differ from those typically provided to shareholders of U.S. companies under the corporation laws of the various states of the United States. This summary does not contain all information that may be important to readers.

We are authorized to issue up to 5.0 billion common shares, par value of $0.01 per share. As of February 23, 2016, an aggregate of 211.2 million common shares were issued and outstanding. Each of our outstanding common shares entitles its holder to one vote at any general meeting of shareholders.

To our knowledge, as of February 23, 2016, there were no shareholders' arrangements or agreements the implementation or performance of which could, at a later date, result in a change in the control of us in favor of a third person other than the current controlling shareholder, an entity controlled by the Quantum Pacific Group.

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

Form and Transfer of Shares

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

Issuance of Shares

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

Pursuant to Article 5.3 of our Articles, our Board of Directors is authorized, for a period of five years from the publication of our incorporation deed in June 2011, to issue additional shares once or more up to 5.0 billion, having the same rights as the existing shares and to limit or withdraw the shareholders' preferential subscription rights on such increase. Our Board of Directors plans to seek shareholder approval to renew this authorization for an additional five-year period at an extraordinary general meeting of shareholders to be held in the second quarter of 2016.

Our Articles provide that no fractional shares may be issued. Our common shares have no conversion rights, and there are no redemption or sinking fund provisions applicable to our common shares. We cannot subscribe for our own shares.

Capital Reduction

Our Articles provide that the issued share capital may be reduced, subject to the approval by the shareholders at a general meeting.

General Meeting of Shareholders

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

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

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

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

Voting Rights

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

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

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

Extraordinary General Meetings of Shareholders. Extraordinary general meetings of shareholders are convened to resolve in particular upon an amendment to our Articles and certain other limited matters. An extraordinary general meeting of shareholders convened for the purpose of (a) an increase or decrease of the issued share capital, (b) a limitation or exclusion of preemptive rights, (c) approving a legal merger or de-merger of the Company, (d) dissolution of the Company or (e) an amendment of our Articles must have a quorum of at least 50% of our issued share capital, and such actions require approval of at least two-thirds of the votes validly cast at such extraordinary general meeting of shareholders. If such quorum is not reached, the extraordinary general meeting of shareholders may be reconvened, pursuant to appropriate notification procedures, at a later date with no quorum requirement applying. Abstentions are not considered "votes."

Appointment and Removal of Directors. Members of our Board of Directors may be elected by simple majority of the votes validly cast at any general meeting of shareholders. Under our Articles, all directors can be elected for a period of up to six years with such possible extension as provided therein. Currently each director is serving a one-year term set to expire in May 2016. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders. If the office of a director becomes vacant, our Articles provide that the other directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed at the next general meeting of shareholders.

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

Amendment to Our Articles of Association

Luxembourg law requires an extraordinary general meeting of shareholders be convened in order to amend our Articles. The agenda of the extraordinary general meeting of shareholders must indicate the proposed amendments to our Articles.

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

Merger and Division

Any merger must be approved by an extraordinary general meeting of shareholders of the Luxembourg company to be held before a notary. Similarly, the de-merger of a Luxembourg company is generally subject to the approval by an extraordinary general meeting of shareholders.

Liquidation

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

No Appraisal Rights

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

Distributions

Subject to Luxembourg law, each share is entitled to participate equally in distributions if and when declared by the shareholders out of funds legally available for such purposes. Pursuant to our Articles, our shareholders may, at a general meeting, approve distributions, and our Board of Directors may declare interim distributions, to the extent permitted by Luxembourg law. Declared and unpaid distributions held by us for the account of the shareholders shall not bear interest. Under Luxembourg law, claims for unpaid distributions will lapse in our favor five years after the date such distribution has been declared.

Annual Accounts

Each year our Board of Directors must prepare annual accounts of Pacific Drilling S.A., including an inventory of our assets and liabilities, and a balance sheet and a profit and loss account. Our Board of Directors must also prepare a consolidated

management report each year on the consolidated financial statements of the Company. The annual accounts, the consolidated financial statements of the Company, the consolidated management report and the auditor's reports must be available for inspection by shareholders at our registered office at least 15 calendar days prior to the date of the annual general meeting of shareholders.

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

Information Rights

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

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

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

Transfer Agent and Registrar

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

C. MATERIAL CONTRACTS

We have no material contracts other than those entered into in the ordinary course of business and those described in our description of indebtedness. See Item 5, "Liquidity and Capital Resources—Description of Indebtedness" and Note 5 to the Company's Consolidated Financial Statements in this annual report for a more detailed description of the terms of our debt financings.

D. EXCHANGE CONTROLS

There are no legislative or other legal provisions currently in force in Luxembourg or arising under our Articles that restrict the payment of dividends or distributions to holders of Pacific Drilling S.A. shares not resident in Luxembourg, except for regulations restricting the remittance of dividends, distributions and other payments in compliance with United Nations and European Union sanctions. There are no limitations, either under the laws of Luxembourg or in our Articles, on the right of non-Luxembourg nationals to hold or vote Pacific Drilling S.A. shares.

E. TAXATION

Material Luxembourg Tax Considerations for U.S. Holders of Common Shares

The following is a summary discussion of certain Luxembourg tax considerations that may be applicable to U.S. Holders as a result of owning or disposing of our common shares. This does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any of our common shares, and does not purport to include tax considerations that arise from rules of general application or that are generally assumed to be known to holders. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules.

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

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

For purposes of this summary, a "U.S. Holder" means any investor in our common shares who is a United States resident within the meaning of Article 4 of the double tax treaty of 3 April 1996 concluded between Luxembourg and the United States (the "Treaty") and entitled to all the benefits of the Treaty pursuant to Article 24 of the Treaty.

Tax Regime Applicable to Realized Capital Gains

U.S. Holders

U.S. Holders will be subject to the following Luxembourg tax treatment in relation to capital gains in the cases described below (among others):

- An individual who is a U.S. Holder of common shares (and who does not have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the common shares are attributable) will not be subject to Luxembourg taxation on capital gains arising upon disposal of such common shares pursuant to Article 14 (5) of the Treaty.

- A corporate U.S. Holder, which has a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which our common shares are attributable, will be required to recognize capital gains (or losses as the case may be) on the sale of such common shares, which will be subject to Luxembourg corporate income tax and municipal business tax. However, gains realized on the sale of the common shares may benefit from the exemption provided for by Article 166 of the Luxembourg Income Tax and the Grand-Ducal Decree of December 21, 2001 (as amended) provided that at the time of the disposal of the common shares (a) the corporate U.S. Holder (acting through its permanent representative or fixed place of business in Luxembourg) of common shares holds a stake representing at least 10% of our total share capital or a cost price of at least 6,000,000 Euros ("€") and (b) such qualifying shareholding has been held for an uninterrupted period of at least 12 months or the corporate U.S. Holder (acting through its permanent representative or fixed place of business in Luxembourg) undertakes to continue to own such qualifying shareholding until such time as the corporate U.S. Holder (acting through its permanent representative or fixed place of business in Luxembourg) has held our common shares for an uninterrupted period of at least 12 months. In certain circumstances, the exemption may not apply in part or in full; for example; the capital gains exemption (for gains arising on an alienation of the common shares) does not apply to the amount of previously tax deducted expenses and write-offs related to these common shares.

- A corporate U.S. Holder, which has no permanent establishment in Luxembourg to which the common shares are attributable, will not be subject to Luxembourg taxation on capital gains arising upon disposal of such common shares pursuant to Article 14 (5) of the Treaty.

Tax Regime Applicable to Distributions

Luxembourg Withholding Tax

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

Exemption from Luxembourg Withholding Tax

Dividends and similar distributions paid to U.S. Holders may be exempt from Luxembourg dividend withholding tax if: (1) the U.S. Holder is a qualifying corporate entity holding a stake representing at least 10% of our total share capital or which acquired the common shares for at least €1,200,000 (or its equivalent amount in a foreign currency); and (2) the U.S. Holder has either held this qualifying stake in our capital for an uninterrupted period of at least 12 months at the time of the payment of

the dividend or undertakes to continue to own such qualifying shareholding until such time as it has held the common shares for an uninterrupted period of at least 12 months. Based on the above, the U.S. Holder will be a qualifying corporate entity for the exemption if it is fully subject to a tax in the United States that corresponds to Luxembourg corporate income tax.

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

Reduction of Luxembourg Withholding Tax

U.S. corporate Holders may claim application of a reduced Luxembourg dividend withholding tax at a rate of 5% under the conditions provided for by Article 10 (2) (a) (i) of the Treaty, i.e., shareholding of at least 10% of the voting stock of the distributing company without minimum holding period in relation to these shares.

Net Wealth Tax

U.S. Holders

Luxembourg net wealth tax will not be levied on a U.S. Holder with respect to the common shares unless the common shares are attributable to an enterprise or part thereof that is carried on through a permanent establishment, a fixed place of business or a permanent representative in Luxembourg, in which case an exemption may apply based on Paragraph 60 of the Law of October 16, 1934 on the valuation of assets (Bewertungsgesetz),

Registration Tax/Stamp Duty

No registration tax or stamp duty will be payable by a U.S. Holder of common shares in Luxembourg solely upon the disposal of common shares by sale or exchange.

Estate and Gift Taxes

No estate or inheritance tax is levied on the transfer of common shares upon the death of a U.S. Holder of common shares in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes, and no gift tax is levied upon a gift of common shares if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

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

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

The following is a discussion of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of our common shares. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed Treasury Regulations thereunder, judicial authority and administrative interpretations, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. There can be no assurance that the Internal Revenue Service ("IRS") will take a similar view of such consequences, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of the purchase, ownership and disposition of the common shares. This discussion is limited to beneficial owners that hold our common shares as "capital assets" (generally, property held for investment).

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

- dealers in securities or currencies;
- insurance companies;
- regulated investment companies and real estate investment trusts;

- tax-exempt organizations;
- brokers or dealers in securities or currencies and traders in securities that elect to mark to market;
- certain financial institutions;
- partnerships or other pass-through entities and holders of interests therein;
- holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;
- individual retirement accounts and other tax deferred accounts;
- holders that acquired our common shares in compensatory transactions;
- holders that hold our common shares as part of a hedge, straddle or conversion or other integrated transaction; or
- holders that own, directly, indirectly, or constructively, 10% or more of the total combined voting power of the Company.

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

You are a "U.S. Holder" if you are a beneficial owner of our common shares and you are, for U.S. federal income tax purposes:

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

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

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

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

U.S. Holders

Passive Foreign Investment Company Rules

A U.S. Holder generally will be subject to a special, adverse tax regime that would differ in certain respects from the tax treatment described below if we are, at any time during the U.S. Holder's holding period with respect to our common shares, a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. A U.S. Holder of a PFIC is also subject to special reporting requirements.

In general, we will be a PFIC for any taxable year if either (i) at least 75% of our gross income for the taxable year is "passive income" or (ii) at least 50% of the average value of all our assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, certain rents and royalties, annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income. Based on our operations described herein, all or a substantial portion of our income from offshore contract drilling services should be treated as services income and not as passive income, and thus all or a

substantial portion of the assets that we own and operate in connection with the production of that income should not constitute passive assets, for purposes of determining whether we are a PFIC. However, this involves a facts and circumstances analysis and it is possible that the IRS would not agree with this conclusion.

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

Taxation of Dividends

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

Dividends (including amounts withheld on account of foreign taxes) paid with respect to our common shares generally will be includible in the gross income of a U.S. Holder as ordinary income on the day on which the dividends are received by the U.S. Holder. A non-corporate U.S. Holder would be entitled to a preferential rate of U.S. federal income taxation (with the applicable rate based on the income and filing status of the U.S. Holder) with respect to any dividends paid on our common shares only if we are a "qualified foreign corporation." We will be treated as a qualified foreign corporation if the common shares are readily tradable on an established securities market or if we are eligible for the benefits of a comprehensive income tax treaty with the United States. As our common shares are traded on an established securities market, we are a qualified foreign corporation and therefore non-corporate U.S. Holders will be eligible for a preferential tax rate if the holders meet certain holding period and other requirements. A preferential tax rate will not apply to amounts that the U.S. Holder takes into account as "investment income," which may be offset by investment expense. Dividends on our common shares will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code. You are encouraged to consult your independent tax advisor regarding qualification for a preferential rate on dividend income and the rules related to investment income.

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

Taxation of Capital Gains

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

Reporting Requirements Regarding Foreign Financial Accounts

Certain U.S. Holders who are individuals and who hold "specified foreign financial assets" (as defined in section 6038D of the Code) with values in excess of certain dollar thresholds, as prescribed by applicable U.S. Treasury Regulations, are

required to report such assets on IRS Form 8938 with their U.S. federal income tax returns. Specified foreign financial assets include stock of a non-U.S. corporation (such as our common shares) that is not held in an account maintained by a "financial institution" (as defined in section 1471(d)(5) of the Code). An individual who fails to timely furnish the required information may be subject to a penalty. Additionally, in the event a U.S. Holder does not file the required information, the statute of limitations may not close until three years after such information is filed. Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. Investors are urged to consult their tax advisor regarding these reporting requirements and any other reporting requirements that may be applicable to their particular circumstances.

Additional Medicare Tax on Net Investment Income

An additional 3.8% Medicare tax is imposed on the "net investment income" of certain United States citizens and resident aliens and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" generally includes dividends and certain net gain from the disposition of property, less certain deductions. Investors are encouraged to consult their independent tax advisors with respect to this additional tax.

Non-U.S. Holders

Dividends

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

Taxation of Capital Gains

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

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and if required by an applicable income tax treaty, is also attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States), in which case, the Non-U.S. Holder will generally be subject to regular graduated rates in the same manner as a U.S. Holder, and if the Non-U.S. Holder is a corporation, may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments;

- the Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of the sale, exchange or other taxable disposition and meets certain other requirements, in which case the gain generally will be subject to a flat 30% tax that may be offset by U.S. source capital losses (even though the Non-U.S. Holder is not considered a resident of the United States); or

- the Non-U.S. Holder is subject to backup withholding, as discussed below.

Backup Withholding and Information Reporting

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

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

You are encouraged to consult with your own independent tax advisor regarding the application of the U.S. federal income tax laws to your particular circumstances, as well as any additional tax consequences resulting from an

investment in our common shares, including the applicability and effect of the tax laws of any state, local or non-U.S. jurisdiction, including estate, gift and inheritance tax laws.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are required to file annual and special reports and other information with the SEC. You may read and copy any documents filed by the Company at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at www.sec.gov, which contains reports and other information regarding registrants that file electronically with the SEC. In addition, we post these documents on our website at www.pacificdrilling.com in the Investor Relations section.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk . We are exposed to changes in interest rates through our variable rate long-term debt. We use interest rate swaps to manage our exposure to interest rate risks. Interest rate swaps are used to convert floating rate debt obligations to a fixed rate in order to achieve an overall desired position of fixed and floating rate debt. As of December 31, 2015 , our net exposure to floating interest rate fluctuations on our outstanding debt was $374.4 million, based on floating rate debt of $1,486.9 million less the $1,112.5 million notional principal of our floating to fixed interest rate swaps. A 1% increase or decrease to the overall variable interest rate charged to us would thus increase or decrease our interest expense by approximately $3.7 million on an annual basis as of December 31, 2015 . As of December 31, 2014 , our net exposure to floating interest rate fluctuations on our outstanding debt was $335.4 million, based on floating rate debt of $1,447.9 million less the $1,112.5 million notional principal of our floating to fixed interest rate swaps. Our net exposure to floating interest rate fluctuations excludes the 2013 Revolving Credit Facility and the 2014 Revolving Credit Facility, as no amounts were borrowed under the facilities subject to floating interest rates as of December 31, 2014 . A 1% increase or decrease to the overall variable interest rate charged to us would thus increase or decrease our interest expense by approximately $3.4 million on an annual basis as of December 31, 2014 .

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

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITORY SHARES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report have been designed and are effective at the reasonable assurance level so that the information required to be disclosed by us in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and forms and have been accumulated and communicated to our management, including executive and financial officers, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices), and actions taken to correct deficiencies as identified.

There are inherent limitations to the effectiveness of internal control over financial reporting, however well designed, including the possibility of human error and the possible circumvention or overriding of controls. The design of an internal control system is also based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that an internal control will be effective under all potential future conditions. As a result, even an effective system of internal controls can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria for internal control over financial reporting described in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operating effectiveness of its internal control over financial reporting.

Management reviewed the results of its assessment with the Audit Committee of our Board of Directors. Based on this assessment, management has concluded that, as of December 31, 2015, our internal control over financial reporting was effective.

Our independent auditors, KPMG LLP, a registered public accounting firm, are appointed by the Audit Committee of our Board of Directors. KPMG LLP has audited and reported on the consolidated financial statements of Pacific Drilling S.A. and subsidiaries, and our internal control over financial reporting. The reports of the independent auditors are contained in this annual report.

(c) Attestation Report of the Registered Public Accounting Firm

The Report of KPMG LLP included in Item 18, "Financial Statements" of this annual report is incorporated herein by reference.

(d) Changes in Internal Control over Financial Reporting

There were no changes in these internal controls during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Charney, Chairman of the Audit Committee, is an independent Director and is an audit committee financial expert as defined by the SEC. See Item 6.A, "Directors and Senior Management" for a description of Mr. Charney's relevant experience.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics applicable to our employees, directors and officers that meets the standards of the NYSE. In addition, our Board of Directors has adopted a Financial Code of Ethics for our Chief Executive Officer, Chief Financial Officer, Controller and other senior financial officers. Any changes to, or waiver from, the Financial Code of Ethics will be made only by the Board of Directors, or a committee thereof, and appropriate disclosure will be made promptly in accordance with the rules and regulations of the SEC and the NYSE.

We have posted a copy of our Financial Code of Ethics on our website at www.pacificdrilling.com in the Investor Relations section.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by KPMG LLP, an independent registered accounting firm and our principal external auditors, for the periods indicated.

	Years ended December 31,	
	2015	2014
	(In thousands)	
Audit fees [(a)]	$ 1,527	$ 1,671
Audit-related fees [(b)]	—	—
Tax fees [(c)]	211	—
All other fees [(d)]	—	—
Total	$ 1,738	$ 1,671

(a) Audit fees represent professional services rendered for the audit of our annual consolidated financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements.
(b) Audit-related fees consist of assurance and related services rendered by the principal accountant related to the performance of the audit or review of our consolidated financial statements, which have not been reported under audit fees above.
(c) Tax fees represent fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.
(d) All other fees include services other than audit fees, audit-related fees and tax fees set forth above.

Audit Committee's Pre-Approval Policies and Procedures

The Audit Committee's primary responsibilities are to assist the Board of Directors' oversight of: our accounting practices; the integrity of our financial statements; our compliance with legal and regulatory requirements; the qualifications, selection, independence and performance of our independent auditors; and the internal audit function. The Audit Committee has adopted in its charter a policy of pre-approval of audit and permissible non-audit services provided by the Company's independent auditors.

Under the policy, the Audit Committee pre-approves all audit services to be provided to the Company, whether provided by the principal auditors or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the independent auditors; provided, however, that de minimis non-audit services may instead be approved in accordance with applicable rules and regulations. All services provided by the principal external auditors for the years ended December 31, 2015, 2014 and 2013 were approved by the Audit Committee pursuant to the pre-approval policy.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Month in the year ended December 31, 2015	Total number of shares purchased [a]	Average price paid per share ($) [a]	Total number of shares purchased as part of publicly announced plans or programs [b][c]	Maximum number of shares that may yet be purchased under the plans or programs [b][c]
January	1,362,571	3.66	1,362,571	4,968,118
February	1,590,280	3.68	1,590,280	3,377,838
March	1,335,748	3.78	1,335,748	2,042,090
April	1,118,782	4.45	1,118,782	923,308
May	182,524	4.88	182,524	10,000,000
June	—	—	—	10,000,000
July	—	—	—	10,000,000
August	—	—	—	10,000,000
September	—	—	—	10,000,000
October	—	—	—	10,000,000
November	—	—	—	10,000,000
December	—	—	—	10,000,000
Total	5,589,905	$ 3.88	5,589,905	10,000,000

(a) In 2015, all shares purchased were made by open-market transactions on the NYSE.

(b) On November 24, 2014, our shareholders approved a share repurchase program for the repurchase of up to 8.0 million shares of our common stock through May 20, 2016. In May 2015, we completed our initial share repurchase program by repurchasing 7.3 million shares of our common stock for a total of $30.0 million at an average price of $4.12 per share.

(c) On May 11, 2015, our shareholders approved a second share repurchase program for the repurchase up to 10.0 million shares of our common stock through May 2017. However, we are currently prohibited under our credit facilities from paying dividends and repurchasing shares. As such, no shares were repurchased under this program as of December 31, 2015 .

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" as defined in Rule 405 of the Securities Act of 1933, as amended, and Rule 3b-4 of the Exchange Act and the rules of the NYSE. Under the NYSE rules, a "foreign private issuer" is subject to less stringent corporate governance requirements than a domestic issuer. Subject to certain exceptions, the rules of the NYSE permit a "foreign private issuer" to follow its home country practice in lieu of the listing requirements of the NYSE. In addition, we have a shareholder that controls a majority of our outstanding common shares. As a result, we are considered a "controlled company" within the meaning of the NYSE corporate governance standards.

Based on the foregoing we may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that all independent directors meet in executive session at least once a year, (3) the requirement that the nominating/corporate governance committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities, (4) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities and (5) the requirement of an annual performance evaluation of the nominating, corporate governance and compensation committees. As permitted by these exemptions, as well as by our Articles and the laws of Luxembourg, we currently have a compensation committee with one or more non-independent directors serving as committee members.

ITEM 16H. MINE SAFETY DISCLOSURE

Not Applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18 below.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements listed below are filed as part of this annual report on Form 20-F:

Pacific Drilling S.A.

Consolidated Financial Statements

ITEM 19. EXHIBITS

Exhibit Number	Description
1.1*	Consolidated Articles of Association of Pacific Drilling S.A., dated March 6, 2014.
2.1	Registration Rights Agreement between Pacific Drilling S.A. and Quantum Pacific (Gibraltar) Limited, dated November 16, 2011 (incorporated by reference to Exhibit 2(a)(1) to our Annual Report on Form 20-F filed March 27, 2012, File No. 001-35345).
2.2	Bond Agreement, dated February 23, 2012, between Pacific Drilling S.A. and Norsk Tillitsmann ASA (incorporated by reference to Exhibit 2(b)(1) to our Annual Report on Form 20-F filed March 27, 2012, File No. 001-35345).
2.3	Indenture, dated as of November 28, 2012, among Pacific Drilling V Limited, as issuer, Pacific Drilling S.A., as parent guarantor, and each issuer subsidiary guarantor from time to time party thereto, as guarantors, and Deutsche Bank Trust Company Americas, as Trustee and Collateral Agent (incorporated by reference to Exhibit 99.1 to our Report on Form 6-K, filed December 5, 2012, File No. 001-35345).
2.4	Form of Note (incorporated by reference to Exhibit 99.2 to our Report on Form 6-K, filed December 5, 2012, File No. 001-35345).
2.5	Indenture, dated as of June 3, 2013, among Pacific Drilling S.A., the guarantors party thereto and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 99.1 to the Report on Form 6-K, filed June 7, 2013, File No. 001-35345).
4.1	Intercreditor Agreement, dated as of June 3, 2013, by and among Citibank, N.A., as Pari Passu Collateral Agent for the Pari Passu Secured Parties, Citibank, N.A., as administrative agent for the Revolving Credit Agreement Secured Parties, Citibank, N.A., as administrative agent for the Term Loan Secured Parties, Deutsche Bank Trust Company Americas, as trustee under the Indenture, Pacific Drilling S.A. and each other Grantor and other party signatory thereto or that has executed a Joinder Consent Agreement (incorporated by reference to Exhibit 99.5 to the Report on Form 6-K, filed June 7, 2013, File No. 001-35345).
4.2	Term Loan Agreement, dated as of June 3, 2013, among Pacific Drilling S.A., as Borrower, Various Lenders and Citibank, N.A., as Administrative Agent, Citigroup Global Markets, Inc., Goldman Sachs Lending Partners LLC, Deutsche Bank Securities Inc. and Barclays Bank PLC, as Joint Lead Arrangers, Joint Bookrunners and Joint Syndication Agents and ABN AMRO Securities (USA) LLC, Credit Agricole Securities (USA) Inc., ING Financial Markets LLC, Nordea Bank Danmark A/S, Pareto Securities AS, RS Platou Markets AS, Scotia Capital (USA) Inc., Skandinaviska Enskilda Banken AB (Publ.), Standard Chartered Bank and NIBC Bank N.V., as Co-Documentation Agents and Co-Syndication Agents (incorporated by reference to Exhibit 99.3 to the Report on Form 6-K, filed June 7, 2013, File No. 001-35345).
4.3	Credit Agreement, dated as of June 3, 2013, among Pacific Drilling S.A., as Borrower, Various Lenders and Citibank, N.A., as Administrative Agent and Issuing Lender, Citigroup Global Markets Inc., Goldman Sachs Bank USA and Deutsche Bank Securities Inc., as Joint Lead Arrangers and Joint Bookrunners, Barclays Bank PLC, as Joint Bookrunners and Citigroup Global Markets Inc., as Syndication Agent (incorporated by reference to Exhibit 99.4 to the Report on Form 6-K, filed June 7, 2013, File No. 001-35345).
4.4	First Amendment to Credit Agreement, dated as of October 30, 2013, by and among Pacific Drilling S.A., as Borrower, the lenders party thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 99.3 to the Report on Form 6-K, filed November 7, 2013, File No. 001-35345).
4.5	Second Amendment and Limited Waiver to Credit Agreement, dated as of March 28, 2014, by and among Pacific Drilling S.A., as Borrower, the lenders party thereto, and Citibank, N.A., as Administrative Agent, and solely for purposes of Section III thereof, Pacific Santa Ana(Gibraltar) Limited and Pacific Santa Ana S.à r.l. (incorporated by reference to Exhibit 99.2 to the Report on Form 6-K, filed April 3, 2014, File No. 001-35345).
4.6	Third Amendment to Credit Agreement, dated as of July 30, 2014, by and among Pacific Drilling S.A., as Borrower, the lenders party thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 99.1 to the Report on Form 6-K, filed July 31, 2014, File No. 001-35345).
4.7	Fourth Amendment to Credit Agreement, dated as of March 2, 2015, by and among Pacific Drilling S.A., as Borrower, the lenders party thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 99.2 to the Report on Form 6-K, filed March 16, 2015, File No. 001-35345).
4.8*	Fifth Amendment to Credit Agreement. dated as of November 5, 2015, by and among Pacific Drilling S.A., as Borrower, the lenders party thereto, and Citibank, N.A., as Administrative Agent.
4.9	Amendment No. 1 to Senior Secured Credit Facility Agreement, dated as of September 13, 2013 (incorporated by reference to Exhibit 99.1 to the Report on Form 6-K, filed November 7, 2013, File No. 001-35345).
4.10	Amended and Restated Senior Secured Credit Facility Agreement, dated as of September 13, 2013, among Pacific Sharav S.à r.l. and Pacific Drilling VII Limited, as Borrowers, Pacific Drilling S.A., as Guarantor, and the arrangers, lenders, agents and banks named therein (incorporated by reference to Exhibit 99.2 to the Report on Form 6-K, filed November 7, 2013, File No. 001-35345).

Exhibit Number	Description
4.11	Amendment No. 2 to Senior Secured Credit Facility Agreement, dated as of March 27, 2014, among Pacific Sharav S.à r.l. and Pacific Drilling VII Limited, as Borrowers, Pacific Drilling S.A., as Guarantor, and the arrangers, lenders, agents and banks named therein (incorporated by reference to Exhibit 99.1 to the Report on Form 6-K, filed April 3, 2014, File No. 001-35345).
4.12	Amendment No. 3 to Senior Secured Credit Facility Agreement, dated as of August 14, 2014, among Pacific Sharav S.à r.l. and Pacific Drilling VII Limited, as Borrowers, Pacific Drilling S.A., as Guarantor, and the arrangers, lenders, agents and banks named therein (incorporated by reference to Exhibit 99.1 to the Report on Form 6-K, filed August 15, 2014, File No. 001-35345).
4.13	Amendment No. 4 to Senior Secured Credit Facility Agreement, dated as of March 2, 2015, among Pacific Sharav S.à r.l. and Pacific Drilling VII Limited, as Borrowers, Pacific Drilling S.A., as Guarantor, and the arrangers, lenders, agents and banks named therein (incorporated by reference to Exhibit 99.1 to the Report on Form 6-K, filed March 16, 2015, File No. 001-35345).
4.14*	Amendment No. 5 to Senior Secured Credit Facility Agreement, dated as of November 5, 2015, among Pacific Sharav S.à r.l. and Pacific Drilling VII Limited, as Borrowers, Pacific Drilling S.A., as Guarantor, and the arrangers, lenders, agents and banks named therein.
4.15	Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form S-8, filed March 6, 2014, File No. 333-194380).
4.16	Form of Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan Notice of Substitution of Stock Options and Stock Option Grant and Stock Option Agreement (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form S-8, filed March 30, 2012, File No. 333-180485).
4.17	Form of Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan Notice of Stock Option Grant and Stock Option Agreement (incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-8, filed March 30, 2012, File No. 333-180485).
4.18	Form of Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan Notice of Restricted Stock Unit Grant and Restricted Stock Unit Agreement (incorporated by reference to Exhibit 4.5 to our Registration Statement on Form S-8, filed March 30, 2012, File No. 333-180485).
4.19	Form of Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan Notice of Restricted Stock Unit Grant (Director Award) and Restricted Stock Unit Agreement (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form S-8, filed March 6, 2014, File No. 333-194380).
4.20	Form of Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan Notice of Restricted Stock Unit Grant (Executive Award) and Restricted Stock Unit Agreement (incorporated by reference to Exhibit 4.7 to our Registration Statement on Form S-8, filed March 6, 2014, File No. 333-194380).
4.21	Form of Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan Notice of Stock Option Grant (Executive Award) (incorporated by reference to Exhibit 4.9 to our Registration Statement on Form S-8, filed March 30, 2012, File No. 333-194380).
8.1*	Subsidiaries of Pacific Drilling S.A.
12.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
12.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
13.1**	Certificate of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
13.2**	Certificate of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
15.1*	Consent of Independent Registered Public Accounting Firm.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Furnished herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

PACIFIC DRILLING S.A.

By: /s/ Christian J. Beckett
Name: Christian J. Beckett
Title: Chief Executive Officer

Date: March 1, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Pacific Drilling S.A.:

We have audited the accompanying consolidated balance sheets of Pacific Drilling S.A. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pacific Drilling S.A. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Houston, Texas
March 1, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Pacific Drilling S.A.:

We have audited Pacific Drilling S.A. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting in Item 15b of Form 20-F. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pacific Drilling S.A. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated March 1, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Houston, Texas
March 1, 2016

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Consolidated Statements of Income
(in thousands, except per share amounts)

	Years Ended December 31,		
	2015	2014	2013
Revenues			
Contract drilling	$ 1,085,063	$ 1,085,794	$ 745,574
Costs and expenses			
Operating expenses	(431,261)	(459,617)	(337,277)
General and administrative expenses	(55,511)	(57,662)	(48,614)
Depreciation expense	(243,457)	(199,337)	(149,465)
	(730,229)	(716,616)	(535,356)
Loss from construction contract rescission	(40,155)	—	—
Operating income	314,679	369,178	210,218
Other expense			
Costs on interest rate swap termination	—	—	(38,184)
Interest expense	(156,361)	(130,130)	(94,027)
Total interest expense	(156,361)	(130,130)	(132,211)
Costs on extinguishment of debt	—	—	(28,428)
Other expense	(3,217)	(5,171)	(1,554)
Income before income taxes	155,101	233,877	48,025
Income tax expense	(28,871)	(45,620)	(22,523)
Net income	$ 126,230	$ 188,257	$ 25,502
Earnings per common share, basic (Note 9)	$ 0.60	$ 0.87	$ 0.12
Weighted-average number of common shares, basic (Note 9)	211,454	217,223	216,964
Earnings per common share, diluted (Note 9)	$ 0.60	$ 0.87	$ 0.12
Weighted-average number of common shares, diluted (Note 9)	211,557	217,376	217,421

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(in thousands)

	Years Ended December 31,		
	2015	2014	2013
Net income	$ 126,230	$ 188,257	$ 25,502
Other comprehensive income (loss):			
Unrecognized gain (loss) on derivative instruments	(14,889)	(19,385)	2,139
Reclassification adjustment for loss on derivative instruments realized in net income (Note 10)	10,440	7,737	47,720
Reclassification adjustment for loss on derivative instruments realized in property and equipment (Note 10)	1,164	—	—
Total other comprehensive income (loss)	(3,285)	(11,648)	49,859
Total comprehensive income	$ 122,945	$ 176,609	$ 75,361

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands, except par value)

	December 31, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	$ 116,033	$ 167,794
Accounts receivable	168,050	231,027
Materials and supplies	98,243	95,660
Deferred financing costs, current	14,636	14,665
Deferred costs, current	10,582	25,199
Prepaid expenses and other current assets	12,467	17,056
Total current assets	420,011	551,401
Property and equipment, net	5,143,556	5,431,823
Deferred financing costs	29,583	45,978
Long-term receivable	202,575	—
Other assets	36,753	48,099
Total assets	$ 5,832,478	$ 6,077,301
Liabilities and shareholders' equity:		
Accounts payable	$ 44,167	$ 40,577
Accrued expenses	44,221	45,963
Long-term debt, current	89,583	369,000
Accrued interest	16,442	24,534
Derivative liabilities, current	7,483	8,648
Deferred revenue, current	49,227	84,104
Total current liabilities	251,123	572,826
Long-term debt, net of current maturities	2,795,845	2,781,242
Deferred revenue	60,639	108,812
Other long-term liabilities	32,816	35,549
Total long-term liabilities	2,889,300	2,925,603
Commitments and contingencies		
Shareholders' equity:		
Common shares, $0.01 par value per share, 5,000,000 shares authorized, 232,770 shares issued and 211,207 and 215,784 shares outstanding as of December 31, 2015 and December 31, 2014, respectively	2,185	2,175
Additional paid-in capital	2,381,420	2,369,432
Treasury shares, at cost	(30,000)	(8,240)
Accumulated other comprehensive loss	(23,490)	(20,205)
Retained earnings	361,940	235,710
Total shareholders' equity	2,692,055	2,578,872
Total liabilities and shareholders' equity	$ 5,832,478	$ 6,077,301

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
(in thousands)

	Common Shares		Additional Paid-In Capital	Treasury Shares		Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount			
Balance at January 1, 2013	216,902	$ 2,169	$ 2,349,544	7,198	$ —	$ (58,416)	$ 21,951	$ 2,315,248
Shares issued under share-based compensation plan	133	1	(1)	(133)	—	—	—	—
Share-based compensation	—	—	9,315	—	—	—	—	9,315
Other comprehensive income	—	—	—	—	—	49,859	—	49,859
Net income	—	—	—	—	—	—	25,502	25,502
Balance at December 31, 2013	217,035	2,170	2,358,858	7,065	—	(8,557)	47,453	2,399,924
Shares issued under share-based compensation plan	418	5	90	(418)	—	—	—	95
Issuance of common shares to treasury	—	—	—	8,670	—	—	—	—
Shares repurchased	(1,669)	—	—	1,669	(8,240)	—	—	(8,240)
Share-based compensation	—	—	10,484	—	—	—	—	10,484
Other comprehensive loss	—	—	—	—	—	(11,648)	—	(11,648)
Net income	—	—	—	—	—	—	188,257	188,257
Balance at December 31, 2014	215,784	2,175	2,369,432	16,986	(8,240)	(20,205)	235,710	2,578,872
Shares issued under share-based compensation plan	1,013	10	(546)	(1,013)	—	—	—	(536)
Shares repurchased	(5,590)	—	—	5,590	(21,760)	—	—	(21,760)
Share-based compensation	—	—	12,534	—	—	—	—	12,534
Other comprehensive loss	—	—	—	—	—	(3,285)	—	(3,285)
Net income	—	—	—	—	—	—	126,230	126,230
Balance at December 31, 2015	211,207	$ 2,185	$ 2,381,420	21,563	$ (30,000)	$ (23,490)	$ 361,940	$ 2,692,055

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2015	2014	2013
Cash flow from operating activities:			
Net income	$ 126,230	$ 188,257	$ 25,502
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	243,457	199,337	149,465
Amortization of deferred revenue	(86,276)	(109,208)	(72,515)
Amortization of deferred costs	25,951	51,173	39,479
Amortization of deferred financing costs	11,278	10,416	10,106
Amortization of debt discount	1,015	817	445
Write-off of unamortized deferred financing costs	5,965	—	27,644
Costs on interest rate swap termination	—	—	38,184
Loss from construction contract rescission	38,084	—	—
Deferred income taxes	9,840	18,661	(3,119)
Share-based compensation expense	12,534	10,484	9,315
Changes in operating assets and liabilities:			
Accounts receivable	62,977	(24,949)	(53,779)
Materials and supplies	(2,583)	(29,951)	(16,083)
Prepaid expenses and other assets	(10,840)	(56,493)	(30,840)
Accounts payable and accrued expenses	(18,712)	20,865	12,301
Deferred revenue	3,226	117,001	94,482
Net cash provided by operating activities	422,146	396,410	230,587
Cash flow from investing activities:			
Capital expenditures	(181,458)	(1,136,205)	(876,142)
Decrease in restricted cash	—	—	172,184
Net cash used in investing activities	(181,458)	(1,136,205)	(703,958)
Cash flow from financing activities:			
Net proceeds (payments) from shares issued under share-based compensation plan	(536)	95	—
Proceeds from long-term debt	315,000	760,000	1,656,250
Payments on long-term debt	(581,083)	(41,833)	(1,480,000)
Payments for costs on interest rate swap termination	—	—	(41,993)
Payments for financing costs	(4,070)	(7,569)	(62,684)
Purchases of treasury shares	(21,760)	(7,227)	—
Net cash provided by (used in) financing activities	(292,449)	703,466	71,573
Decrease in cash and cash equivalents	(51,761)	(36,329)	(401,798)
Cash and cash equivalents, beginning of period	167,794	204,123	605,921
Cash and cash equivalents, end of period	$ 116,033	$ 167,794	$ 204,123

See accompanying notes to consolidated financial statements.

PACIFIC DRILLING S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1—Nature of Business

Pacific Drilling S.A. and its subsidiaries ("Pacific Drilling," the "Company," "we," "us" or "our") is an international offshore drilling contractor committed to being the preferred provider of offshore drilling services to the oil and natural gas industry through the use of high-specification floating rigs. Our primary business is to contract our high-specification rigs, related equipment and work crews, primarily on a dayrate basis, to drill wells for our clients. As of December 31, 2015 , we had a fleet of seven drillships.

Note 2—Significant Accounting Policies

Principles of Consolidation —The consolidated financial statements include the accounts of Pacific Drilling S.A., consolidated subsidiaries that we control by ownership of a majority voting interest and entities that meet the criteria for variable interest entities for which we are deemed to be the primary beneficiary for accounting purposes. We eliminate all intercompany transactions and balances in consolidation.

We are party to a Nigerian joint venture, Pacific International Drilling West Africa Limited ("PIDWAL"), with Derotech Offshore Services Limited ("Derotech"), a privately-held Nigerian registered limited liability company. Derotech owns 51% of PIDWAL and PIDWAL has a 50% ownership interest in two of our rig holding subsidiaries, Pacific Bora Ltd. and Pacific Scirocco Ltd. PIDWAL's interest in the rig holding subsidiaries is held through a holding company of PIDWAL, Pacific Drillship Nigeria Limited ("PDNL"). Derotech will not accrue the economic benefits of its interest in PIDWAL unless and until it satisfies certain outstanding obligations to us and a certain pledge is cancelled by us. Likewise PIDWAL will not accrue the economic benefits of its interest in PDNL unless and until it satisfies certain outstanding obligations to us and a certain pledge is cancelled by us. PIDWAL and PDNL are variable interest entities for which we are the primary beneficiary. Accordingly, we consolidated all interests of PIDWAL and PDNL and no portion of their operating results is allocated to the noncontrolling interest. See Note 15—Variable Interest Entities.

In addition to the joint venture agreement, we are a party to marketing and logistic services agreements with Derotech and an affiliated company of Derotech. During the years ended December 31, 2015 , 2014 and 2013 , we incurred fees of $13.9 million , $16.6 million and $9.4 million , respectively, under such agreements.

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

Revenues and Operating Expenses —Contract drilling revenues are recognized as earned, based on contractual dayrates. In connection with drilling contracts, we may receive fees for preparation and mobilization of equipment and personnel or for capital improvements to rigs. Fees and incremental costs incurred directly related to contract preparation and mobilization along with reimbursements received for capital expenditures are deferred and amortized to revenue over the primary term of the drilling contract. The cost incurred for reimbursed capital expenditures are depreciated over the estimated useful life of the asset. We may also receive fees upon completion of a drilling contract that are conditional based on the occurrence of an event, such as demobilization of a rig. These conditional fees and related expenses are reported in income upon completion of the drilling contract. If receipt of such fees is not conditional, they are recognized as revenue over the primary term of the drilling contract. Amortization of deferred revenue and deferred mobilization costs are recorded on a straight-line basis over the primary drilling contract term, which is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract.

Cash and Cash Equivalents —Cash equivalents are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Accounts Receivable —We record trade accounts receivable at the amount we invoice our clients. We provide an allowance for doubtful accounts, as necessary, based on a review of outstanding receivables, historical collection information

and existing economic conditions. We do not generally require collateral or other security for receivables. As of December 31, 2015 and 2014, we had no allowance for doubtful accounts.

Materials and Supplies —Materials and supplies held for consumption are carried at average cost, net of allowances for excess or obsolete materials and supplies of $8.0 million and $4.0 million as of December 31, 2015 and 2014 , respectively.

Property and Equipment —High-specification drillships are recorded at cost of construction, including any major capital improvements, less accumulated depreciation and if applicable, impairment. Other property and equipment is recorded at cost and consists of purchased software systems, furniture, fixtures and other equipment. Ongoing maintenance, routine repairs and minor replacements are expensed as incurred.

Interest is capitalized based on the costs of new borrowings attributable to qualifying new construction or at the weighted-average cost of debt outstanding during the period of construction. We capitalize interest costs for qualifying new construction from the point borrowing costs are incurred for the qualifying new construction and cease when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

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

	Years
Drillships and related equipment	15-35
Other property and equipment	2-7

We review property and equipment for impairment when events or changes in circumstances indicate that the carrying amounts of our assets held and used may not be recoverable. Potential impairment indicators include steep declines in commodity prices and related market conditions, actual or expected declines in rig utilization, increases in idle time, cancellations of contracts or credit concerns of clients. We assess impairment using estimated undiscounted cash flows for the property and equipment being evaluated by applying assumptions regarding future operations, market conditions, dayrates, utilization and idle time. An impairment loss is recorded in the period if the carrying amount of the asset is not recoverable. During 2015 , 2014 and 2013 , there were no long-lived asset impairments.

Deferred Financing Costs —Deferred financing costs associated with long-term debt are carried at cost and are amortized to interest expense using the effective interest rate method over the term of the applicable long-term debt.

Foreign Currency Transactions —The consolidated financial statements are stated in U.S. dollars. We have designated the U.S. dollar as the functional currency for our foreign subsidiaries in international locations because we contract with clients, purchase equipment and finance capital using the U.S. dollar. Transactions in other currencies have been translated into U.S. dollars at the rate of exchange on the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the transaction date is included as an exchange gain or loss. Monetary assets and liabilities denominated in currencies other than U.S. dollars are reported at the rates of exchange prevailing at the end of the reporting period. During 2015 , 2014 and 2013 , foreign exchange losses were $3.6 million , $5.3 million and $2.1 million , respectively, and recorded in other expense within our consolidated statements of income.

Earnings per Share —Basic earnings per common share (“EPS”) is computed by dividing the net income by the weighted-average number of common shares outstanding for the period. Basic and diluted EPS are retrospectively adjusted for the effects of stock dividends or stock splits. Diluted EPS reflects the potential dilution from securities that could share in the earnings of the Company. Anti-dilutive securities are excluded from diluted EPS.

Fair Value Measurements —We estimate fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that are categorized using a three-level hierarchy as follows: (1) unadjusted quoted prices for identical assets or liabilities in active markets (“Level 1”), (2) direct or indirect observable inputs, including quoted prices or other market data, for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (“Level 2”) and (3) unobservable inputs that require significant judgment for which there is little or no market data (“Level 3”). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

Share-Based Compensation —The grant date fair value of share-based awards granted to employees is recognized as an employee compensation expense over the requisite service period on a straight-line basis. The amount of compensation expense recognized is adjusted to reflect the number of awards for which the related vesting conditions are expected to be met. The amount of compensation expense ultimately recognized is based on the number of awards that do meet the vesting conditions at the vesting date.

Derivatives —We apply cash flow hedge accounting to interest rate swaps that are designated as hedges of the variability of future cash flows. The derivative financial instruments are recorded in our consolidated balance sheet at fair value as either assets or liabilities. Changes in the fair value of derivatives designated as cash flow hedges, to the extent the hedge is effective, are recognized in accumulated other comprehensive income until the hedged item is recognized in earnings.

Hedge effectiveness is measured on an ongoing basis to ensure the validity of the hedges based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings. Hedge accounting is discontinued prospectively if it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item.

For interest rate hedges related to interest capitalized in the construction of fixed assets, other comprehensive income is released to earnings as the asset is depreciated over its useful life. For all other interest rate hedges, other comprehensive income is released to earnings as interest expense is accrued on the underlying debt.

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

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

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

Recently Issued Accounting Standards

Revenue Recognition — On May 28, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This standard will replace most existing revenue recognition guidance under GAAP when it becomes effective. The standard will be effective for annual periods and interim periods beginning after December 15, 2017. We plan to adopt the new standard on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. We have not yet selected a transition method, nor have we determined the effect the standard may have on our consolidated financial statements and related disclosures.

Debt Issuance Costs — On April 7, 2015, FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs* , which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. Early adoption is permitted. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. We plan to adopt the standard on a retrospective basis effective January 1, 2016 and expect that it will result in the netting of our deferred financing costs against long-term debt balances on the consolidated balance sheets for the periods presented and related disclosure. There will be no impact to the manner in which deferred financing costs are amortized in our consolidated financial statements.

Deferred Taxes — On November 20, 2015, FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* , which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on

the balance sheet. The new guidance does not change the existing requirement that only permits offsetting within a tax jurisdiction. The standard will be effective for annual and interim periods beginning after December 15, 2016, and may be applied prospectively or retrospectively. Early adoption is permitted. We have not yet adopted nor selected a transition method and are currently evaluating the impact it may have on our consolidated financial statements.

Leases — On February 25, 2016, FASB issued ASU 2016-02, *Leases* , which requires the balance sheet recognition of lease assets and lease liabilities by lessees for virtually all of their leases. Lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The standard will be effective for our annual and interim periods beginning January 1, 2019. Early adoption is permitted. We have not yet evaluated the standard nor determined our implementation method upon adoption or what impact it will have on our consolidated financial statements.

Note 3—Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2015	2014
	(in thousands)	
Drillships and related equipment	$ 5,856,564	$ 5,907,226
Other property and equipment	14,938	10,353
Property and equipment, cost	5,871,502	5,917,579
Accumulated depreciation	(727,946)	(485,756)
Property and equipment, net	$ 5,143,556	$ 5,431,823

During the years ended December 31, 2015 , 2014 and 2013 , we capitalized interest costs of $37.1 million , $62.1 million and $78.5 million , respectively.

Note 4—Loss from Construction Contract Rescission

On January 25, 2013, we entered into a contract with Samsung Heavy Industries Co., Ltd. (“SHI”) for the construction of an eighth drillship, the *Pacific Zonda* , which provided for a purchase price of approximately $517.5 million and an original delivery date of March 31, 2015 (the “Construction Contract”). On October 29, 2015, we exercised our right to rescind the Construction Contract due to SHI’s failure to timely deliver the drillship in accordance with the contractual specifications. The carrying value of the newbuild at the date of rescission was $315.7 million , consisting of (i) advance payments in the aggregate of $181.1 million paid by us to SHI, (ii) purchased equipment, (iii) internally capitalized construction costs and (iv) capitalized interest.

On November 25, 2015, SHI formally commenced arbitration proceedings against us in accordance with the Construction Contract. On November 30, 2015, we made demand under the third party refund guarantee accompanying the Construction Contract for the amount of our advance payments made under the Construction Contract, plus interest. Any payment under the refund guarantee is suspended until an award under the arbitration is obtained. We do not expect a resolution of this matter within the next 12 months.

Based on our assessment of the facts and circumstances of the rescission, we believe the recovery of the advance payments and accrued interest is probable. As such, we have reclassified $181.1 million from property and equipment, plus accrued interest of $21.4 million , to a receivable from SHI, which is presented as a long-term receivable on our consolidated balance sheets. As of December 31, 2015, we owned $75.0 million in purchased equipment for the *Pacific Zonda* recorded in property and equipment. Of this amount, a majority of the purchased equipment remains onboard the *Pacific Zonda* subject to return to us by SHI.

Subsequent to our rescission of the Construction Contract, we incurred $2.0 million in crew costs directly associated with the *Pacific Zonda* . The resulting net loss recognized was $40.2 million , which is included in “loss from construction contract rescission” in our consolidated statements of income.

Note 5—Debt

Debt consists of the following:

	December 31,	
	2015	2014
	(in thousands)	
Due within one year:		
2015 Senior Unsecured Bonds	$ —	$ 286,500
2018 Senior Secured Term Loan B	7,500	7,500
Senior Secured Credit Facility	82,083	75,000
Total current debt	89,583	369,000
Long-term debt:		
2017 Senior Secured Bonds	498,887	498,369
2018 Senior Secured Term Loan B	721,958	728,706
2013 Revolving Credit Facility	50,000	—
Senior Secured Credit Facility	775,000	804,167
2020 Senior Secured Notes	750,000	750,000
Total long-term debt	2,795,845	2,781,242
Total debt	$ 2,885,428	$ 3,150,242

2015 Senior Unsecured Bonds

On February 23, 2015 , we repaid in full the $286.5 million outstanding principal and accrued interest on our 8.25% senior unsecured U.S. dollar denominated bonds due 2015.

2017 Senior Secured Notes

In November 2012, Pacific Drilling V Limited ("PDV"), an indirect, wholly-owned subsidiary of the Company, and the Company, as guarantor, completed a private placement of $500.0 million in aggregate principal amount of 7.25% senior secured notes due 2017 (the "2017 Senior Secured Notes"). The 2017 Senior Secured Notes bear interest at 7.25% per annum, payable semiannually on June 1 and December 1, and mature on December 1, 2017 .

The 2017 Senior Secured Notes are secured by a first-priority security interest (subject to certain exceptions) in the *Pacific Khamsin* , and substantially all of the other assets of PDV, including an assignment of earnings and insurance proceeds related to the *Pacific Khamsin* .

On or after December 1, 2015, PDV may redeem the 2017 Senior Secured Notes at the redemption prices plus accrued and unpaid interests specified in the indenture for the Notes.

The 2017 Senior Secured Notes contain provisions that limit, with certain exceptions, the ability of PDV, the Company and the Company's other restricted subsidiaries to (i) pay dividends, make distributions, purchase or redeem the Company's capital stock or subordinated indebtedness of PDV or any guarantor or make other restricted payments (subject to certain exceptions), (ii) incur or guarantee additional indebtedness or issue preferred stock, (iii) create or incur liens, (iv) create unrestricted subsidiaries, (v) enter into transactions with affiliates, (vi) enter into new lines of business, (vii) transfer or sell the *Pacific Khamsin* and other related assets and (viii) merge or demerge. These covenants are subject to exceptions and qualifications set forth in the indenture for the Notes.

As of December 31, 2015 , we were in compliance with all 2017 Senior Secured Notes covenants.

Senior Secured Credit Facility Agreement

In February 2013, Pacific Sharav S.à r.l. and Pacific Drilling VII Limited (collectively, the "SSCF Borrowers") and the Company, as guarantor, entered into a senior secured credit facility agreement, as amended and restated (the "SSCF"), to finance the construction, operation and other costs associated with the *Pacific Sharav* and the *Pacific Meltem* (the "SSCF Vessels"). The SSCF is primarily secured on a first priority basis by liens on the SSCF Vessels, and by an assignment of

earnings and insurance proceeds relating thereto.

In the second quarter of 2015, we completed the final drawdown under this facility, bringing the outstanding balance to $985.0 million . We do not have any undrawn capacity on this facility as of December 31, 2015 .

Following the final drawdown, the SSCF consisted of two principal tranches: (i) a Commercial Tranche of $492.5 million provided by a syndicate of commercial banks and (ii) a Garanti — Instituttet for Eksportkreditt ("GIEK") Tranche of $492.5 million guaranteed by GIEK, comprised of two sub-tranches: (x) an Eksportkreditt Norge AS ("EKN") sub-tranche of $246.3 million and (y) a bank sub-tranche of $246.3 million .

In November 2015, we entered into Amendment No. 5 to the SSCF to, among other items, amend certain of the financial covenants. Subsequent to Amendment No.5, borrowings under (A) the Commercial Tranche bear interest at LIBOR plus a margin of 3.75% , (B) the EKN sub-tranche bear interest, at our option, at (i) LIBOR plus a margin of 1.5% (which margin may be reset on May 31, 2019) or (ii) at a Commercial Interest Reference Rate of 2.37% and (C) the bank sub-tranche bear interest at LIBOR plus a margin of 1.5% . Borrowings under both sub-tranches are also subject to a guarantee fee of 2% per annum. Interest is payable quarterly.

The Commercial Tranche matures on May 31, 2019 . Loans made with respect to each vessel under the GIEK Tranche mature 12 years following the delivery of the applicable vessel. The GIEK Tranche contains a put option exercisable if the Commercial Tranche is not refinanced or renewed on or before February 28, 2019. If the GIEK Tranche put option is exercised, each SSCF Borrower must prepay, in full, the portion of all outstanding loans that relate to the GIEK Tranche, on or before May 31, 2019, without any premium, penalty or fees of any kind. Amortization payments under the SSCF are calculated on a 12 year repayment schedule and must be made every six months following the delivery of the relevant vessel.

The SSCF requires compliance with certain affirmative and negative covenants that are customary for such financings. These include the following financial covenants:

- Consolidated Tangible Net Worth: maintain at least $1.0 billion consolidated tangible net worth.
- Maximum Leverage Ratio: maintain a net debt to EBITDA ratio no greater than 4.75 to 1.00 as of December 31, 2015 and increasing incrementally to 6.00 to 1.00 during the period from July 1, 2016 through December 31, 2017, and 4.00 to 1.00, thereafter.
- Total Debt to Capitalization Ratio: maintain a ratio of not greater than 3.0 to 5.0 of total debt to total capitalization.
- Total Debt: maintain less than $3.0 billion in total debt.
- Minimum Liquidity: maintain no less than $50.0 million in cash and cash equivalents.
- Net Debt to Applicable Rigs ratio: maintain a net debt per rig ratio of not greater than $425.0 million through June 30, 2016 and decreasing incrementally to $360.0 million during the period from October 1, 2017 through December 31, 2017.

In addition, the SSCF contains restrictions on the ability of the Company to pay dividends or make distributions to its shareholders or transact with business affiliates. The SSCF also limits the ability of the SSCF Borrowers to incur additional indebtedness or liens, sell assets, make certain investments or transact with affiliates, among others.

Borrowings under the SSCF may be prepaid in whole or in part at any time, without any premium or penalty other than customary interest rate breakage payments, as applicable. The SSCF contains events of default that are usual and customary for a financing of this type, size and purpose. Upon the occurrence of an event of default, borrowings under the SSCF are subject to acceleration.

As of December 31, 2015 , we were in compliance with all SSCF covenants.

2020 Senior Secured Notes

On June 3, 2013, we completed a $750.0 million private placement of 5.375% senior secured notes due 2020 (the "2020 Senior Secured Notes").

The 2020 Senior Secured Notes bear interest at 5.375% per annum, payable semiannually on June 1 and December 1, and mature on June 1, 2020.

The 2020 Senior Secured Notes are guaranteed by each of our subsidiaries that own the *Pacific Bora* , the *Pacific Mistral* , the *Pacific Scirocco* and the *Pacific Santa Ana* (the "Shared Collateral Vessels"), each of our subsidiaries that owns or previously owned equity or similar interests in a Shared Collateral Vessel-owning subsidiary, and certain other of our subsidiaries that are parties to charters in respect of the Shared Collateral Vessels, and will be guaranteed by certain other future subsidiaries. The indenture for the 2020 Senior Secured Notes allows for the issuance of up to $100.0 million of additional notes provided no default is continuing and we are otherwise in compliance with all applicable covenants.

The 2020 Senior Secured Notes are secured, on an equal and ratable, first priority basis, with the obligations under the Senior Secured Term Loan B, the 2013 Revolving Credit Facility and certain future obligations (together with the 2020 Senior Secured Notes, the "Pari Passu Obligations"), subject to payment priorities in favor of lenders under the 2013 Revolving Credit Facility pursuant to the terms of an intercreditor agreement (the "Intercreditor Agreement"), by liens on the Shared Collateral Vessels, a pledge of the equity of the entities that own the Shared Collateral Vessels, assignments of earnings and insurance proceeds with respect to the Shared Collateral Vessels, and certain other assets of the subsidiary guarantors (collectively, the "Shared Collateral").

Beginning on June 1, 2016 the Company may redeem the 2020 Senior Secured Notes at a redemption price of 104.031% of the principal amount, and at declining redemption prices thereafter as specified in the indenture. Prior to June 1, 2016, the Company may redeem all or any portion of the notes at a redemption price equal to 100% of the principal amount of the outstanding notes plus accrued and unpaid interest, plus a "make-whole" premium.

In addition, prior to June 1, 2016, the Company may redeem up to 35% of the aggregate original principal amount of the notes with the net cash proceeds from certain equity offerings at a redemption price of 105.375% of the principal amount of the outstanding notes plus accrued and unpaid interest.

The Company may also, prior to June 1, 2016, redeem up to 10% of the original aggregate principal amount of the notes in any 12-month period at a redemption price equal to 103% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indenture for the 2020 Senior Secured Notes contains covenants that, among other things, limits the Company's and its restricted subsidiaries' ability to (i) pay dividends, make distributions, purchase or redeem the Company's capital stock or its or its subsidiary guarantors' subordinated indebtedness or make other restricted payments, (ii) incur or guarantee additional indebtedness or issue preferred stock, (iii) create or incur liens, (iv) create unrestricted subsidiaries, (v) enter into transactions with affiliates, (vi) enter into new lines of business and (vii) transfer or sell assets or enter into mergers.

The indenture for the 2020 Senior Secured Notes contains events of default that are usual and customary for a financing of this type, size and purpose. Upon the occurrence of an event of default, the 2020 Senior Secured Notes are subject to acceleration.

As of December 31, 2015 , we were in compliance with all 2020 Senior Secured Notes covenants.

2018 Senior Secured Institutional Term Loan – Term Loan B

On June 3, 2013, we entered into a $750.0 million senior secured institutional term loan maturing 2018 (the "Senior Secured Term Loan B"). The Senior Secured Term Loan B bears interest, at our election, at either (1) LIBOR, which will not be less than a floor of 1% plus a margin of 3.5% per annum, or (2) a rate of interest per annum equal to (i) the prime rate for such day, (ii) the sum of the federal funds rate plus 0.5% or (iii) 1% per annum above the one-month LIBOR, whichever is the highest rate in each case plus a margin of 2.5% per annum. Interest is payable quarterly. The Senior Secured Term Loan B requires quarterly amortization payments of $1.9 million and matures on June 3, 2018 .

The Senior Secured Term Loan B has an accordion feature that would permit additional loans to be extended so long as our total outstanding obligations in connection with the Senior Secured Term Loan B and the 2020 Senior Secured Notes do not exceed $1.7 billion .

The Senior Secured Term Loan B is secured by the Shared Collateral and subject to the terms and provisions of the Intercreditor Agreement.

The Senior Secured Term Loan B requires compliance with certain affirmative and negative covenants that are

customary for such financings. These include restrictions on the Company's and its restricted subsidiaries' ability to (i) pay dividends, make distributions, purchase or redeem the Company's capital stock or its or its subsidiary guarantors' subordinated indebtedness or make other restricted payments, (ii) incur or guarantee additional indebtedness or issue preferred stock, (iii) create or incur liens, (iv) create unrestricted subsidiaries, (v) enter into transactions with affiliates, (vi) enter into new lines of business and (vii) transfer or sell assets or enter into mergers. These covenants are subject to important exceptions and qualifications set forth in the Senior Secured Term Loan B, including the ability to incur certain amounts of secured indebtedness to finance the construction of additional drillships.

The Senior Secured Term Loan B contains events of default that are usual and customary for a financing of this type, size and purpose. Upon the occurrence of an event of default, borrowings under the Senior Secured Term Loan B are subject to acceleration.

As of December 31, 2015 , we were in compliance with all Senior Secured Term Loan B covenants.

2013 Revolving Credit Facility

On June 3, 2013, we entered into a $500.0 million senior secured revolving credit facility maturing 2018, as amended (the "2013 Revolving Credit Facility"). The 2013 Revolving Credit Facility is secured by the Shared Collateral and subject to the provisions of the Intercreditor Agreement.

In November 2015, we entered into the Fifth Amendment to the 2013 Revolving Credit Facility to, among other items, amend certain financial covenants and increase the cash sublimit.

Subsequent to the Fifth Amendment, borrowings under the 2013 Revolving Credit Facility bear interest, at our option, at either (1) LIBOR plus a margin ranging from 3.25% to 3.75% based on our leverage ratio, or (2) a rate of interest per annum equal to (i) the prime rate for such day, (ii) the sum of the federal funds rate plus 0.5% or (iii) 1% per annum above the one-month LIBOR, whichever is the highest rate in each case plus a margin ranging from 2.25% to 2.75% per annum based on our leverage ratio. Undrawn commitments accrued a fee ranging from 1.3% to 1.5% per annum based on our leverage ratio. Interest is payable quarterly.

The 2013 Revolving Credit Facility, as amended, permits loans to be extended up to a maximum sublimit of $500.0 million and permits letters of credit to be issued up to a maximum sublimit of $300.0 million , subject to a $500.0 million overall facility limit. Outstanding but undrawn letters of credit accrue a fee at a rate equal to the margin on LIBOR loans minus 1% . The 2013 Revolving Credit Facility matures on June 3, 2018 .

Borrowings under the 2013 Revolving Credit Facility may be prepaid, and commitments under the 2013 Revolving Credit Facility may be reduced, in whole or in part at any time, without any premium or penalty other than LIBOR breakage payments.

The 2013 Revolving Credit Facility requires compliance with certain affirmative and negative covenants that are customary for such financings. These include the following financial covenants:

- Maximum Leverage Ratio: maintain a net debt to EBITDA ratio no greater than 4.75 to 1.00 as of December 31, 2015 and increasing incrementally to 6.00 to 1.00 during the period from July 1, 2016 through December 31, 2017, and 4.25 to 1.00, thereafter.
- Minimum Liquidity: maintain no less than $100.0 million in cash and cash equivalents (including undrawn capacity for borrowings under the 2013 Revolving Credit Facility).
- Net Debt to Applicable Rigs ratio: maintain a net debt per rig ratio of not greater than $425.0 million through June 30, 2016 and decreasing incrementally to $360.0 million during the period from October 1, 2017 through December 31, 2017.

In addition, the 2013 Revolving Credit Facility contains restrictions on the ability of the Company to pay dividends or make distributions to its shareholders and restrictions on the Company's and its subsidiaries' ability to incur additional indebtedness or liens, sell assets, make investments or engage in transactions with affiliates, among others.

The 2013 Revolving Credit Facility contains events of default that are usual and customary for a financing of this type, size and purpose. Upon the occurrence of an event of default, (i) commitments and letters of credit under the 2013 Revolving Credit Facility could be subject to termination, (ii) borrowings under the 2013 Revolving Credit Facility could be subject to acceleration, and (iii) outstanding letters of credit could be subject to cash collateralization.

As of December 31, 2015 , we were in compliance with all 2013 Revolving Credit Facility covenants.

2014 Revolving Credit Facility

In October 2014, we entered into a $500.0 million revolving credit facility for pre-delivery, delivery and post-delivery financing of the *Pacific Zonda* and for other general corporate purposes (the "2014 Revolving Credit Facility").

On October 26, 2015, we repaid all amounts outstanding under the 2014 Revolving Credit Facility, and in connection with our rescission of the Construction Contract for the *Pacific Zonda* , the 2014 Revolving Credit Facility was terminated as of October 30, 2015.

Maturities of Long-Term Debt

As of December 31, 2015 , the aggregate maturities of our debt, including net unamortized discounts of $2.9 million , was as follows:

	(in thousands)
Years ending December 31,	
2016	$ 89,583
2017	589,584
2018	848,333
2019	610,833
2020	750,000
Thereafter	—
Total	$ 2,888,333

Note 6—Income Taxes

Pacific Drilling S.A., a holding company and Luxembourg resident, is subject to Luxembourg corporate income tax and municipal business tax at a combined rate of 29.2% . Qualifying dividend income and capital gains on the sale of qualifying investments in subsidiaries are exempt from Luxembourg corporate income tax and municipal business tax. Consequently, Pacific Drilling S.A. expects dividends from its subsidiaries and capital gains from sales of investments in its subsidiaries to be exempt from Luxembourg corporate income tax and municipal business tax.

Income taxes have been provided based on the laws and rates in effect in the countries in which our operations are conducted or in which our subsidiaries are considered residents for income tax purposes. Our income tax expense or benefit arises from our mix of pretax earnings or losses, respectively, in the international tax jurisdictions in which we operate. Because the countries in which we operate have different statutory tax rates and tax regimes with respect to one another, there is no expected relationship between the provision for income taxes and our income or loss before income taxes.

Income before income taxes consists of the following:

	Years ended December 31,		
	2015	2014	2013
	(in thousands)		
Luxembourg	$ 94,558	$ 36,783	$ 55,904
United States	4,812	3,631	206
Other Jurisdictions	55,731	193,463	(8,085)
Total	$ 155,101	$ 233,877	$ 48,025

The components of income tax (provision) / benefit consists of the following:

	Years ended December 31,		
	2015	2014	2013
	(in thousands)		
Current income tax expense:			
Luxembourg	$ (1,107)	$ (979)	$ (816)
United States	(2,347)	(6,030)	(1,885)
Other Foreign	(15,577)	(19,950)	(22,941)
Total current	$ (19,031)	$ (26,959)	$ (25,642)
Deferred tax benefit (expense):			
Luxembourg	$ (2,908)	$ (1)	$ (32)
United States	(1,071)	4,281	2,053
Other Foreign	(5,861)	(22,941)	1,098
Total deferred	$ (9,840)	$ (18,661)	$ 3,119
Income tax expense	$ (28,871)	$ (45,620)	$ (22,523)

A reconciliation between the Luxembourg statutory rate of 29.2% for the years ended December 31, 2015 , 2014 and 2013 and our effective tax rate is as follows:

	Years ended December 31,		
	2015	2014	2013
Statutory rate	29.2 %	29.2 %	29.2 %
Effect of tax rates different than the Luxembourg statutory tax rate	(22.5)%	(27.6)%	25.2 %
Change in valuation allowance	10.6 %	10.2 %	(9.0)%
Changes in unrecognized tax benefits	1.9 %	10.1 %	1.9 %
Equity based compensation shortfall	1.4 %	— %	— %
Adjustments related to prior years	(2.0)%	(2.4)%	(0.4)%
Effective tax rate	18.6 %	19.5 %	46.9 %

The components of deferred tax assets and liabilities consists of the following:

	December 31,	
	2015	2014
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 40,422	$ 33,537
Depreciation and amortization	62,702	54,815
Accrued payroll expenses	7,662	9,086
Deferred revenue	8,851	19,107
Other	2,025	1,187
Deferred tax assets	121,662	117,732
Less: valuation allowance	(94,422)	(78,328)
Total deferred tax assets	$ 27,240	$ 39,404
Deferred tax liabilities:		
Depreciation and amortization	$ (3,642)	$ —
Deferred expenses	(12,483)	(21,937)
Other	(1,817)	(1,220)
Total deferred tax liabilities	$ (17,942)	$ (23,157)
Net deferred tax assets	$ 9,298	$ 16,247

As of December 31, 2015 and 2014, the Company had gross deferred tax assets of $40.4 million and $33.5 million , respectively, related to loss carry forwards in various worldwide tax jurisdictions. The majority of the loss carry forwards have no expiration.

A valuation allowance for deferred tax assets is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2015 and 2014, the valuation allowance for deferred tax assets was $94.4 million and $78.3 million , respectively. The increase in our valuation allowance partially resulted from losses incurred in Brazil and Luxembourg, for which we believe it is more likely than not that a tax benefit will not be realized. Additionally, we believe it is more likely than not that a tax benefit will not be realized from the excess of tax basis over book basis for certain of our drillships.

We consider the earnings of certain of our subsidiaries to be indefinitely reinvested. Accordingly, we have not provided for taxes on these unremitted earnings. Should we make distributions from the unremitted earnings of these subsidiaries, we would be subject to taxes payable to various jurisdictions. At December 31, 2015, the amount of indefinitely reinvested earnings was approximately $63.0 million . If all of these indefinitely reinvested earnings were distributed, we would be subject to estimated taxes of approximately $3.2 million as of December 31, 2015.

We recognize tax benefits from an uncertain tax position only if it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the position. The amount recognized is the largest benefit that we believe has greater than a 50% likelihood of being realized upon settlement. As of December 31, 2015, we had $24.9 million of unrecognized tax benefits which was included in other long-term liabilities on our consolidated balance sheet, of which $24.9 million would impact our consolidated effective tax rate if realized. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2015 and 2014 is as follows:

	December 31,	
	2015	2014
	(in thousands)	
Balance, beginning of year	$ 23,248	$ 736
Increases in unrecognized tax benefits as a result of tax positions taken during prior years	1,327	3,473
Decreases in unrecognized tax benefits as a result of tax positions taken during prior years	(9,592)	—
Increases in unrecognized tax benefits as a result of tax positions taken during current year	9,931	19,039
Balance, end of year	$ 24,914	$ 23,248

Accrued interest and penalties totaled $2.5 million and $1.2 million as of December 31, 2015 and 2014, respectively, and were included in other long-term liabilities on our consolidated balance sheets. We recognized expense of $1.2 million , $1.0 million , and $0.2 million associated with interest and penalties during the years ended December 31, 2015, 2014 and 2013, respectively. Interest and penalties are included in income tax expense in our consolidated statements of income.

The Company is subject to taxation in various U.S., foreign, and state jurisdictions in which it conducts business. Tax years as early as 2011 remain subject to examination. As of December 31, 2015 , the Company has ongoing tax audits in Nigeria, the United States, and Brazil.

Note 7—Shareholders' Equity

On November 24, 2014, the Company's shareholders approved a share repurchase program for the repurchase of up to 8.0 million shares through May 20, 2016. Based on this authorization, the Board of Directors authorized the commencement of the program on December 1, 2014 and repurchases of up to $30.0 million under the program.

Shares under our share repurchase program are repurchased at market price on the trade date. Repurchased shares of our common stock are held as treasury shares until they are reissued or retired. Amounts paid to reacquire these shares are shown separately as a deduction from equity on the balance sheet.

During the year ended December 31, 2015 , we repurchased 5.6 million shares under our share repurchase program at an aggregate cost of $21.8 million . During the year ended December 31, 2014 , we repurchased 1.7 million shares under our share repurchase program at an aggregate cost of $8.2 million .

As of December 31, 2015 , the Company's share capital consists of 5.0 billion common shares authorized, $0.01 par value per share, 232.8 million common shares issued and 211.2 million common shares outstanding of which approximately 71.0% is held by Quantum Pacific (Gibraltar) Limited.

Note 8—Share-Based Compensation

We recorded share-based compensation expense and related tax benefit within our consolidated statements of income as follows:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Operating expenses	$ 4,650	$ 3,131	$ 2,087
General and administrative expenses	7,884	7,353	7,228
Share-based compensation expense	12,534	10,484	9,315
Tax benefit [(a)]	(2,690)	(2,154)	(2,113)
Total	$ 9,844	$ 8,330	$ 7,202

(a) The effects of tax benefits from share-based compensation expense are included within income tax expense in our consolidated statements of income.

Stock Options

On March 31, 2011, the Board approved the creation of the Pacific Drilling S.A. 2011 Omnibus Stock Incentive Plan (the "2011 Stock Plan"), which provides for issuance of common stock options, as well as share appreciation rights, restricted shares, restricted share units and other equity based or equity related awards to directors, officers, employees and consultants. The Board also resolved that 7.2 million common shares of Pacific Drilling S.A. be reserved and authorized for issuance pursuant to the terms of the 2011 Stock Plan. On March 4, 2014, the Board approved an amendment to the 2011 Stock Plan increasing the number of common shares reserved and available for issuance from 7.2 million to 15.9 million .

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model utilizing the assumptions noted in the table below. Given the insufficient historical data available regarding the volatility of the Company's traded share price, expected volatility of the Company's share price does not solely provide a reasonable basis for estimating volatility. Instead, the expected volatility utilized in our Black-Scholes valuation model is based on the volatility of the Company's traded share price for the period available following the initial public offering of our shares and the implied volatilities from the expected volatility of a representative group of our publicly listed industry peer group for prior periods. Additionally, given the lack of historical data available, the expected terms of the options is calculated using the simplified method because the historical option exercise experience of the Company does not provide a reasonable basis for estimating expected term. Options granted generally vest 25% annually over four years , have a 10 -year contractual term and will be settled in shares of our stock. The risk free interest rates are determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the options.

During the years ended December 31, 2015 , 2014 and 2013 , the fair value of the options granted was calculated using the following weighted-average assumptions:

	2015 Stock Options	2014 Stock Options	2013 Stock Options
Expected volatility	40.9%	46.3%	47.3%
Expected term (in years)	6.25	6.25	6.25
Expected dividends	—	—	—
Risk-free interest rate	1.7%	1.9%	1.2%

A summary of option activity under the 2011 Stock Plan as of and for the year ended December 31, 2015 is as follows:

	Number of Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)	(per share)	(in years)	(in thousands)
Outstanding — January 1, 2015	5,029	$ 10.00		
Granted	2,729	3.51		
Exercised	—	—		
Cancelled or forfeited	(1,356)	9.21		
Outstanding — December 31, 2015	6,402	$ 7.40	7.7	$ —
Exercisable — December 31, 2015	2,824	$ 9.98	5.7	$ —

The weighted-average grant date fair value of options granted during the years ended December 31, 2015 , 2014 and 2013 was $1.49 , $5.10 and $4.46 , respectively.

During the years ended December 31, 2015 , 2014 and 2013 , there were 0 , 0.1 million and 0 options exercised respectively. As of December 31, 2015 , total compensation costs related to nonvested option awards not yet recognized was $5.3 million and was expected to be recognized over 2.5 years.

Restricted Stock Units

Pursuant to the 2011 Stock Plan, the Company has granted restricted stock units to certain members of our Board of Directors, executives and employees. Restricted stock units granted by the Company will be settled in shares of our stock and generally vest over a period of two to four years. The fair value of restricted stock units is determined using the market value of our shares on the date of grant.

A summary of restricted stock units activity under the 2011 Stock Plan as of and for the year ended December 31, 2015 was as follows:

	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value
	(in thousands)	(per share)
Nonvested—January 1, 2015	1,767	$ 9.99
Granted	2,393	3.64
Vested	(1,199)	8.09
Cancelled or forfeited	(469)	6.95
Nonvested—December 31, 2015	2,492	$ 5.39

The weighted-average grant-date fair value of restricted stock units granted was $10.06 and $9.93 per share for the years ended December 31, 2014 and 2013 , respectively. The total grant-date fair value of the restricted stock units vested was $9.7 million , $4.1 million and $1.7 million for the years ended December 31, 2015 , 2014 and 2013 , respectively.

As of December 31, 2015 , total compensation costs related to nonvested restricted stock units not yet recognized was $8.2 million an d is expected to be recognized over a weighted-average period of 2.6 years.

Note 9—Earnings per Share

The following reflects the income and the share data used in the basic and diluted EPS computations:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands, except per share amounts)		
Numerator:			
Net income, basic and diluted	$ 126,230	$ 188,257	$ 25,502
Denominator:			
Weighted-average number of common shares outstanding, basic	211,454	217,223	216,964
Effect of share-based compensation awards	103	153	457
Weighted-average number of common shares outstanding, diluted	211,557	217,376	217,421
Earnings per share:			
Basic	$ 0.60	$ 0.87	$ 0.12
Diluted	$ 0.60	$ 0.87	$ 0.12

The following table presents the share effects of share-based compensation awards excluded from our computations of diluted EPS as their effect would have been anti-dilutive for the periods presented:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Share-based compensation awards	8,891	6,196	5,817

Note 10—Derivatives

We are currently exposed to market risk from changes in interest rates and foreign exchange rates. From time to time, we may enter into a variety of derivative financial instruments in connection with the management of our exposure to fluctuations in interest rates and foreign exchange rates. We do not enter into derivative transactions for speculative purposes; however, for accounting purposes, certain transactions may not meet the criteria for hedge accounting.

On May 30, 2013, we entered into an interest rate swap as a cash flow hedge against future fluctuations in LIBOR rates with an effective date of June 3, 2013. The interest rate swap has a notional value of $712.5 million , does not amortize and matures on December 3, 2017 . On a quarterly basis, we pay a fixed rate of 1.56% and receive the maximum of 1% or three-month LIBOR.

On June 10, 2013, we entered into an interest rate swap as a cash flow hedge against future fluctuations in LIBOR rates with an effective date of July 1, 2014. The interest rate swap has a notional value of $400.0 million , does not amortize and matures on July 1, 2018 . On a quarterly basis, we pay a fixed rate of 1.66% and receive three-month LIBOR.

On December 17, 2014, we entered into a series of foreign currency forward contracts as a cash flow hedge against future exchange rate fluctuations between the Euro and U.S. Dollar. We are using the forward contracts to hedge Euro payments for forecasted capital expenditures. As of December 31, 2015 , the remaining forward contracts have a notional value of €3.8 million and will be settled in 2016. Upon settlement, we pay U.S. Dollars and receive Euros at forward rates ranging from $1.25 to $1.27 . As a result of partially settling the effective hedge for the year ended 2015 , we incurred a net cash outflow of $1.2 million based on the prevailing Euro exchange rate and reclassified the amount from accumulated other comprehensive income to property and equipment.

The following table provides data about the fair values of derivatives that are designated as hedge instruments:

Derivatives Designated as Hedging Instruments	Balance Sheet Location	December 31, 2015	December 31, 2014
		(in thousands)	
Long-term—Interest rate swaps	Other assets	$ —	$ 5,601
Short-term—Interest rate swaps	Derivative liabilities, current	(5,899)	(8,381)
Long-term—Interest rate swaps	Other long-term liabilities	(238)	—
Short-term—Foreign currency forward contracts	Derivative liabilities, current	(1,584)	(267)
Long-term—Foreign currency forward contracts	Other long-term liabilities	—	(296)
Total		$ (7,721)	$ (3,343)

We have elected not to offset the fair value of derivatives subject to master netting agreements, but to report them on a gross basis on our consolidated balance sheets.

The following table summarizes the cash flow hedge gains and losses:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Other Comprehensive Income ("OCI") for the Years Ended December 31,			Loss Reclassified from Accumulated OCI into Income for the Years Ended December 31,			Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Years ended December 31,		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	(in thousands)								
Interest rate swaps	$ (1,701)	$ (11,085)	$ 49,859	$ 10,440	$ 7,737	$ 47,720	$ —	$ —	$ —
Foreign currency forward contracts	$ (1,584)	$ (563)	$ —	$ —	$ —	$ —	$ (296)	$ —	$ —

As of December 31, 2015 , the estimated amount of net losses associated with derivative instruments that would be reclassified from accumulated comprehensive loss to earnings during the next twelve months was $6.7 million . During the years ended December 31, 2015 , 2014 and 2013 , we reclassified $9.6 million , $7.0 million and $47.1 million to interest expense and $0.8 million , $0.8 million and $0.6 million to depreciation from accumulated other comprehensive income, respectively.

Note 11—Fair Value Measurements

We estimated fair value by using appropriate valuation methodologies and information available to management as of December 31, 2015 and 2014 . Considerable judgment is required in developing these estimates, and accordingly, estimated values may differ from actual results.

The estimated fair value of accounts receivable, accounts payable and accrued expenses approximated their carrying value due to their short-term nature. It is not practicable to estimate the fair value of our receivable from SHI. The estimated fair value of our SSCF debt and 2013 Revolving Credit Facility approximated carrying value because the variable rates approximate current market rates. The following table presents the carrying value and estimated fair value of our other long-term debt instruments:

	December 31, 2015		December 31, 2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
2015 Senior Unsecured Bonds	$ —	$ —	$ 286,500	$ 284,351
2017 Senior Secured Bonds	498,887	250,000	498,369	447,500
2018 Senior Secured Term Loan B	729,458	307,125	736,206	614,551
2020 Senior Secured Notes	750,000	322,500	750,000	600,000

We estimate the fair values of our variable-rate and fixed-rate debt using quoted market prices to the extent available and significant other observable inputs, which represent Level 2 fair value measurements.

The following table presents the carrying value and estimated fair value of our financial instruments recognized at fair value on a recurring basis:

	December 31, 2015			
		Fair Value Measurements Using		
	Carrying Value	Level 1	Level 2	Level 3
	(in thousands)			
Liabilities:				
Interest rate swaps	$ (6,137)	—	$ (6,137)	—
Foreign currency forward contracts	$ (1,584)	—	$ (1,584)	—

	December 31, 2014			
		Fair Value Measurements Using		
	Carrying Value	Level 1	Level 2	Level 3
	(in thousands)			
Assets:				
Interest rate swaps	$ 5,601	—	$ 5,601	—
Liabilities:				
Interest rate swaps	$ (8,381)	—	$ (8,381)	—
Foreign currency forward contracts	$ (563)	—	$ (563)	—

We use an income approach to value assets and liabilities for outstanding interest rate swaps and foreign currency forward contracts. These contracts are valued using a discounted cash flow model that calculates the present value of future cash flows under the terms of the contracts using market information as of the reporting date, such as prevailing interest rates and forward rates. The determination of the fair values above incorporated various factors, including the impact of the counterparty's non-performance risk with respect to our financial assets and our non-performance risk with respect to our financial liabilities.

See Note 10 for further discussion of our use of derivative instruments and their fair values.

Note 12—Commitments and Contingencies

Operating Leases— We lease office space in countries in which we operate. As of December 31, 2015 , the future minimum lease payments under the non-cancelable operating leases with lease terms in excess of one year was as follows:

	(In thousands)
Years Ending December 31,	
2016	$ 2,327
2017	2,259
2018	2,183
2019	2,083
2020	2,121
Thereafter	8,102
Total future minimum lease payments	$ 19,075

During the years ended December 31, 2015 , 2014 and 2013 , rent expense was $3.0 million , $4.5 million and $2.0 million , respectively.

Commitments —As of December 31, 2015 , following our rescission of the Construction Contract for the *Pacific Zonda* , we had no material commitments for capital expenditures related to the construction of a newbuild drillship.

Our liquidity fluctuates depending on a number of factors, including, among others, our revenue efficiency and the timing of accounts receivable collection as well as payments for operating costs and debt repayments. Primary sources of funds for our short-term liquidity needs are expected to be our cash balances and cash flow generated from operating and financing activities, which includes availability under the 2013 Revolving Credit Facility. We believe that these sources will provide sufficient liquidity over the next twelve months to fund our working capital needs and scheduled payments on our long-term debt.

Customs Bonds —As of December 31, 2015 , we were contingently liable under certain customs bonds totaling approximately $227.9 million issued as security in the normal course of our business.

Contingencies —It is to be expected that we and our subsidiaries will routinely be involved in litigation and disputes arising in the ordinary course of our business.

On April 16, 2013, Transocean Offshore Deepwater Drilling, Inc. ("Transocean") filed a complaint against us in the United States District Court for the Southern District of Texas alleging infringement of their dual activity patents, supplemented by an Amended Complaint filed on May 13, 2013. In its Amended Complaint, Transocean seeks relief in the form of a permanent injunction, compensatory damages, enhanced damages, court costs and fees. On May 31, 2013, we filed our Answer to the Amended Complaint and our Counterclaims seeking Declaratory Judgments that we do not infringe the asserted Transocean patents and that such patents are invalid and unenforceable. The Court issued its claim construction order on May 27, 2015, and the trial is currently scheduled for August 8, 2016. We do not believe that the ultimate liability, if any, resulting from this litigation will have a material adverse effect on our financial position, results of operations or cash flows.

On October 29, 2015, we exercised our right to rescind the Construction Contract for the drillship the *Pacific Zonda* due to SHI's failure to timely deliver the drillship in accordance with the contractual specifications. SHI rejected our rescission, and on November 25, 2015, formally commenced arbitration proceedings against us in London (as specified in the Construction Contract) and notified us of its appointed arbitrator. SHI claims that we wrongfully rejected their tendered delivery of the drillship and seeks the final installment of the purchase price under the Construction Contract. We responded on November 27, 2015 with notice of our appointed arbitrator. The two arbitrators have selected a third arbitrator, thus completing the tribunal. On November 30, 2015, we made demand under the third party refund guarantee accompanying the Construction Contract for the amount of our advance payments made under the Construction Contract, plus interest. Any payment under the refund guarantee is suspended until an award under the arbitration is obtained. Pursuant to a mutually agreed scheduling order, SHI filed its claims submission on January 29, 2016. We responded with our defense and counterclaim on February 26, 2016 and, in addition to seeking repayment of our advance payments made under the Construction Contract, our counterclaim also seeks the return of our purchased equipment, or the value of such equipment, and damages for our wasted expenditures. We do not expect a resolution on this matter within the next 12 months, and we do not believe that the ultimate liability, if any, resulting from this arbitration will have a material adverse effect on our financial position, results of operations or cash flows.

Note 13—Concentrations of Credit and Market Risk

Financial instruments that potentially subject the Company to credit risk are primarily cash equivalents and accounts receivable. At times, cash equivalents may be in excess of FDIC insurance limits. With regards to accounts receivable, we have an exposure from our concentration of clients within the oil and natural gas industry. This industry concentration has the potential to impact our exposure to credit and market risks as our clients could be affected by similar changes in economic, industry or other conditions. However, we believe that the credit risk posed by this industry concentration is largely offset by the creditworthiness of our client base. During the years ended December 31, 2015 , 2014 and 2013 , the percentage of revenues earned from our clients was as follows:

	Years Ended December 31,		
	2015	2014	2013
Chevron	81.2%	67.4%	55.6%
Total	17.2%	17.3%	22.6%
Petrobras	1.6%	15.3%	21.8%

Some of our employees in Nigeria are represented by unions. As of December 31, 2015 , approximately 20% of our labor force was covered by collective bargaining agreements, all of which are subject to annual salary negotiation.

Note 14—Segments and Geographic Areas

Our drillships are part of a single, global market for contract drilling services and can be redeployed globally due to changing demands. We consider the operations of each of our drillships to be an operating segment. We evaluate the financial performance of each of our drillships and our overall fleet based on several factors, including revenues from clients and operating profit. The consolidation of our operating segments into one reportable segment is attributable to how we manage our fleet, including the nature of our services provided, type of clients we serve and the ability of our drillships to operate in a single, global market. The accounting policies of our operating segments are the same as those described in the summary of significant accounting policies. See Note 2.

As of December 31, 2015 , the *Pacific Bora* and the *Pacific Scirocco* were located offshore Nigeria, the *Pacific Santa Ana* and the *Pacific Sharav* were located offshore the United States. As of December 31, 2015 , the *Pacific Mistral* and the *Pacific Meltem* were anchored at Aruba, and the *Pacific Khamsin* was demobilizing after recently completing its drilling contract offshore Nigeria.

During the years ended December 31, 2015 , 2014 and 2013 , the percentage of revenues earned by geographic area, based on drilling location, is as follows:

	Years Ended December 31,		
	2015	2014	2013
Nigeria	60.3%	60.2%	52.1%
Gulf of Mexico	38.1%	24.5%	26.1%
Brazil	1.6%	15.3%	21.8%

Note 15—Variable Interest Entities

The carrying amounts associated with our consolidated variable interest entities, after eliminating the effect of intercompany transactions, were as follows:

	December 31,	
	2015	2014
	(in thousands)	
Assets	$ 17,612	$ 18,349
Liabilities	(19,250)	(10,559)
Net carrying amount	$ (1,638)	$ 7,790

PIDWAL is a joint venture formed to provide ultra-deepwater drilling services in Nigeria and to hold equity investment in PDNL. PDNL is a company owned by us and PIDWAL, formed to hold the equity investments in certain of our rig-owning entities operating in Nigeria. We determined that each of these companies met the criteria of a variable interest entity for accounting purposes because its equity at risk was insufficient to permit it to carry on its activities without additional subordinated financial support from us. We also determined that we were the primary beneficiary for accounting purposes since (a) for PIDWAL, we had the power to direct the day-to-day management and operations of the entity, and for PDNL we had the power to secure and direct its equity investment, which are the activities that most significantly impact each entity's economic performance, and (b) we had the obligation to absorb losses or the right to receive a majority of the benefits that could be potentially significant to the variable interest entities. As a result, we consolidate PIDWAL and PDNL in our consolidated financial statements.

During the years ended December 31, 2015 and 2014 , we provided financial support to PIDWAL to enable it to operate as a going concern by funding its working capital via intercompany loans and payables. We also issued corporate guarantees in the amount of $227.9 million in customs bonds issued as credit support for temporary import bonds issued in favor of PIDWAL as of December 31, 2015 .

During the years ended December 31, 2015 and 2014 , we provided financial support to PDNL to fund its equity investment in our rig-owning entities operating in Nigeria via intercompany loans. Both the equity investment and intercompany loans of PDNL are eliminated upon consolidation.

Note 16—Retirement Plans

Pacific Drilling sponsors a defined contribution retirement plan covering substantially all U.S. employees and an international savings plan. During the years ended December 31, 2015 , 2014 and 2013 , our total employer contributions to both plans amounted to $7.0 million , $6.9 million and $4.5 million , respectively.

Note 17—Supplemental Cash Flow Information

During the years ended December 31, 2015 , 2014 and 2013 , we paid $164.5 million , $135.4 million and $87.7 million of interest, net of amounts capitalized, respectively. During the years ended December 31, 2015 , 2014 and 2013 , we paid income taxes of $27.2 million , $31.7 million , and $22.0 million , respectively.

Within our consolidated statements of cash flows, capital expenditures represent expenditures for which cash payments were made during the period. These amounts exclude accrued capital expenditures, which are capital expenditures that were accrued but unpaid. During the years ended December 31, 2015 , 2014 and 2013 , changes in accrued capital expenditures were $9.9 million , $(23.9) million and $17.3 million , respectively.

During the years ended December 31, 2015 , 2014 and 2013 , non-cash amortization of deferred financing costs and accretion of debt discount totaling $3.5 million , $5.1 million and $7.1 million were capitalized to property and equipment, respectively. Accordingly, these amounts are excluded from capital expenditures in our consolidated statements of cash flows for the years ended December 31, 2015 , 2014 and 2013 .

Pacific Drilling S.A.

Public limited liability company (*Société Anonyme*)

Registered office: 8-10 Avenue de la Gare, L-1610 Luxembourg

R.C.S. Luxembourg B 159.658.

The company was incorporated by a deed of Maître Joseph **Elvinger** , notary residing in Luxembourg, on 11 March 2011, published in the Luxembourg Official Gazette (*Mémorial C, Recueil des Sociétés et Associations*) on 17 May 2011,

and whose articles of association have been amended for the last time by a deed of Maître Jean **SECKLER** , notary residing in Junglinster, on 6 March 2014, published in the Luxembourg Official Gazette (*Mémorial C, Recueil des Sociétés et Associations*) on 14 May 2014.

COORDINATED ARTICLES OF ASSOCIATION OF THE COMPANY AS OF 6 MARCH 2014

I. NAME-REGISTERED OFFICE-OBJECT-DURATION

Art.1. Name

The name of the company is " **Pacific Drilling S.A.** " (the **Company**). The Company is a public company limited by shares (*société anonyme*) governed by the laws of the Grand Duchy of Luxembourg, in particular the law of August 10, 1915, on commercial companies, as amended (the **Law**), and these articles of incorporation (the **Articles**).

Art.2. Registered office

2.1. The Company's registered office is established in Luxembourg, Grand Duchy of Luxembourg. It may be transferred within that municipality by a resolution of the board of directors (the **Board**). It may be transferred to any other location in the Grand Duchy of Luxembourg by a resolution of the general meeting of shareholders (the **General Meeting**), acting in accordance with the conditions prescribed for the amendment of the Articles.

2.2. Branches, subsidiaries or other offices may be established in the Grand Duchy of Luxembourg or abroad by a resolution of the Board. If the Board determines that extraordinary political or military developments or events have occurred or are imminent, and that those developments or events may interfere with the normal activities of the Company at its registered office, or with ease of communication between that office and persons abroad, the registered office may be temporarily transferred abroad until the developments or events in

question have completely ceased. Any such temporary measures do not affect the nationality of the Company, which, notwithstanding the temporary transfer of its registered office, will remain a Luxembourg incorporated company.

Art.3. Corporate object

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

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

3.3. The Company may use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks.

3.4. The Company may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favours or relates to its corporate object.

Art.4. Duration

4.1. The Company is formed for an unlimited period.

4.2. The Company is not to be dissolved by reason of the death, suspension of civil rights, incapacity, insolvency, bankruptcy or any similar event affecting one or more shareholders.

II. CAPITAL - SHARES

Art.5. Capital

5.1. The share capital is set at two million three hundred and twenty seven thousand seven hundred United States Dollars (USD 2,327,700) represented by two hundred thirty two million seven hundred seventy thousand (232,770,000) shares in registered form, without nominal value.

5.2. The share capital may be increased or reduced once or more by a resolution of the General Meeting acting in accordance with the conditions prescribed for the amendment of the Articles.

5.3. The Board is authorized, for a period of five (5) years from the date of the publication in the Luxembourg *Mémorial C, Recueil des Sociétés et Associations* of the minutes of the general meeting held on March 30, 2011, without prejudice to any renewals, to:

(i) increase the current share capital once or more up to fifty million United States dollars (USD 50,000,000) (such amount including the current share capital of the Company) by the issue of new shares having the same rights as the existing shares, or without any such issue;

(ii) determine the conditions of any such capital increase including through contributions in cash or in kind, by the incorporation of reserves, issue/share premiums or retained earnings, with or without issue of new shares to current shareholders or third parties (non-shareholders) or following the issue of any instrument convertible into shares or any other instrument carrying an entitlement to, or the right to subscribe for, shares;

(iii) limit or withdraw the shareholders' preferential subscription rights to the new shares, if any, and determine the persons who are authorized to subscribe to the new shares; and

(iv) record each share capital increase by way of a notarial deed and amend the share register accordingly.

5.4. Within the limits of article 5.3 of the Articles, the Board is expressly authorized to increase the Company's share capital by incorporation of reserves, issue / share premiums or retained earnings and to issue the additional shares resulting from such capital increase to a beneficiary under any stock incentive plan as agreed by the Company, such beneficiary being a shareholder of the Company or not, or, to an entity appointed by the Company as an administrator in connection with such plan. The Company reserves the right to place transfer and other restrictions on such shares as determined by the Company pursuant to such stock incentive plan from time to time.

5.5. When the Board has implemented an increase in capital as authorised by article 5.3, article 5 of the present articles of association shall be amended to reflect that increase.

5.6. The Board is expressly authorised to delegate to any natural or legal person to organise the market in subscription rights, accept subscriptions, conversions or exchanges, receive

payment for the price of shares or other financial instruments, to have registered increases of capital carried out as well as the corresponding amendments to article 5 of the present articles of association and to have recorded in said article 5 of the present articles of association the amount by which the authorisation to increase the capital has actually been used and, where appropriate, the amounts of any such increase that are reserved for financial instruments which may carry an entitlement to shares.

Art.6. Shares

6.1. The shares are and will remain in registered form (actions nominatives).

6.2. A register of shares is kept at the registered office and may be examined by any shareholder on request.

6.3. The shares may be entered without serial numbers into fungible securities accounts with financial institutions or other professional depositaries operating a settlement system in relation to transactions on securities, dividends, interest, matured capital or other matured monies of securities or of other financial instruments being handled through the system of such depositary (such systems, professionals or other depositaries being referred to hereinafter as **Depositaries** and each a **Depositary**). The shares held in deposit or in an account with such financial institution or professional depositary shall be recorded in an account opened in the name of the depositor and may be transferred from one account to another, whether such account is held by the same or a different financial institution or depositary. The Board may however impose transfer restrictions for shares that are registered, listed, quoted, dealt in, or have been placed in certain jurisdictions in compliance with the requirements applicable therein. The transfer to the register kept at the Company's registered office may be requested by a shareholder.

6.4. The Company may consider the person in whose name the registered shares are registered in the register(s) of Shareholders as the full owner of such registered shares. The Company shall be completely free from any responsibility in dealing with such registered shares towards third parties and shall be justified in considering any right, interest or claims of such third parties in or upon such registered shares to be non-existent, subject, however, to any right which such third party might have to demand the registration or change in registration of registered shares.

6.5. Where the shares are held with Depositaries through fungible securities accounts within clearing and settlement systems, the exercise of the voting rights in respect of such shares may be subject to the internal rules and procedures of those clearing and settlement systems.

6.6. All communications and notices to be given to a registered shareholder shall be deemed validly made to the latest address communicated by the shareholder to the Company. In the

event that a holder of registered shares does not provide an address to which all notices or announcements from the Company may be sent, the Company may permit a notice to this effect to be entered into the register(s) of Shareholders and such holder's address will be deemed to be at the registered office of the Company or such other address as may be so entered by the Company from time to time, until a different address shall be provided to the Company by such holder. The holder may, at any time, change his address as entered in the register(s) of Shareholders by means of written notification to the Company or the relevant registrar.

6.7. A share transfer of registered shares which are not held through fungible securities accounts is carried out by the entry in the register of shares of a declaration of transfer, duly signed and dated by both the transferor and the transferee or their authorized representatives, following a notification to or acceptance by the Company, in accordance with Article 1690 of the Civil Code. The Company may also accept other documents recording the agreement between the transferor and the transferee as evidence of a share transfer.

6.8. The rights and obligations attached to any share shall pass to any transferee thereof.

6.9. The shares are indivisible and the Company recognizes only one (1) owner per share.

6.10. The Company may redeem its own shares using a method approved by the Board which is in accordance with Luxembourg law and the rules of any stock exchange(s) on which the shares in the Company are listed from time to time.

III. MANAGEMENT – REPRESENTATION

Art.7. Board of directors

7.1. Composition of the board of directors

(i) The Company is managed by the Board, which is composed of at least three (3) members (save as provided for in Article 8). The directors need not be shareholders.

(ii) The Company is also bound towards third parties by the joint or single signature of any person to whom special signatory powers have been delegated, including, for the avoidance of doubt, the signature of any person to whom day-to-day management of the Company has been delegated in accordance with article 7.2(iii).

(iii) Directors may be removed at any time, with or without cause, by a resolution of the General Meeting.

(iv) If a legal entity is appointed as director, it must appoint a permanent representative to perform its duties. The permanent representative is subject to the same rules and incurs the same liabilities as if he had exercised its functions in its own name and on

its own behalf, without prejudice to the joint and several liability of the legal entity which it represents.

(v) Should the permanent representative be unable to perform its duties, the legal entity must immediately appoint another permanent representative.

(vi) If the office of a director becomes vacant, the other directors, acting by a simple majority, may fill the vacancy on a provisional basis until a new director is appointed by the next General Meeting.

7.2. **Powers of the board of directors**

(i) All powers not expressly reserved to the shareholder(s) by the Law or the Articles fall within the competence of the Board, which has full power to carry out and approve all acts and operations consistent with the Company's corporate object.

(ii) The Board may delegate special and limited powers to one or more agents for specific matters and may also establish committees for certain specific purposes. Such committees may include, but are not limited to, an audit committee and a compensation committee.

(iii) The Board is authorised to delegate the day-to-day management, and the power to represent the Company in this respect, to one or more directors, officers, managers or other agents, whether shareholders or not, acting either individually or jointly. If the day-to-day management is delegated to one or more directors, the Board must report to the annual General Meeting any salary, fee and/or any other advantage granted to those director(s) during the relevant financial year.

For the avoidance of doubt, it is noted that the following non-exhaustive list of matters shall not under any circumstances be regarded as coming within the scope of day-to-day management:

- Approval of the accounts of the Company
- Approval of the annual budget of the Company
- Approval of Company policies
- Approval of recommendations made by any Board committee

7.3. **Procedure**

(i) The Board must appoint a chairperson from among its members, and may choose a secretary who need not be a director and who will be responsible for keeping the minutes of the meetings of the Board and of General Meetings.

(ii) The Board meets at the request of the chairperson or the majority of the Board of directors, at the place indicated in the notice, which in principle is in Luxembourg.

(iii) Written notice of any Board meeting is given to all directors at least twenty-four (24) hours in advance, except in the case of an emergency whose nature and circumstances are set forth in the notice.

(iv) No notice is required if all members of the Board are present or represented and state that they know the agenda for the meeting. A director may also waive notice of a meeting, either before or after the meeting. Separate written notices are not required for meetings which are held at times and places indicated in a schedule previously adopted by the Board.

(v) A director may grant another director a power of attorney in order to be represented at any Board meeting.

(vi) The Board may only validly deliberate and act if a majority of its members are present or represented. Board Resolutions are validly adopted if the majority of the members of the Board vote in their favour. The chairman has a casting vote in the event of a tie vote. Board resolutions are recorded in minutes signed by the chairperson, by all directors present or represented at the meeting, or by the secretary (if any).

(vii) Any director may participate in any meeting of the Board by telephone or video conference, or by any other means of communication which allows all those taking part in the meeting to identify, hear and speak to each other. Participation by such means is deemed equivalent to participation in person at a duly convened and held meeting .

(viii) Circular resolutions signed by all the directors (the **Directors' Circular Resolutions**) are valid and binding as if passed at a duly convened and held Board meeting, and bear the date of the last signature.

(ix) A director who has an interest in a transaction carried out other than in the ordinary course of business which conflicts with the interests of the Company must advise the Board accordingly and have the statement recorded in the minutes of the meeting. The director concerned may not take part in the deliberations concerning that transaction. A special report on the relevant transaction is submitted to the shareholders at the next General Meeting, before any vote on the matter.

7.4. **Representation**

(i) The Company is bound towards third parties in all matters by the joint signature of the majority of the Board.

(ii) The Company is also bound towards third parties by the joint or single signature of any person to whom special signatory powers have been delegated.

Art.8. Sole director

8.1. Where the number of shareholders is reduced to one (1), the Company may be managed by a single director until the ordinary General Meeting following the introduction of an additional shareholder. In this case, any reference in the Articles to the Board or the directors should be read as a reference to that sole director, as appropriate.

8.2. Transactions entered into by the Company which conflict with the interest of its sole director must be recorded in minutes. This does not apply to transactions carried out under normal circumstances in the ordinary course of business.

8.3. The Company is bound towards third parties by the signature of the sole director or by the joint or single signature of any person to whom the sole director has delegated special signatory powers.

Art.9. Liability of the directors

9.1. The directors may not be held personally liable by reason of their mandate for any commitment they have validly made in the name of the Company's name, provided those commitments comply with the Articles and the Law.

Art.10. Directors' Remuneration

10.1. The remuneration of the board of directors will be decided by the General Meeting.

10.2. The Company shall, to the fullest extent permitted by Luxembourg law, indemnify any director or officer, as well as any former director or officer, against any damages and/or compensation to be paid and any costs, charges and expenses, reasonably incurred by him in connection with the defense or settlement of any civil, criminal or administrative action, suit or proceeding to which he may be made a party by reason of his being or having been a director or officer of the Company, if (i) he acted honestly and in good faith, and (ii) in the case of criminal or administrative proceedings, he had reasonable grounds for believing that his conduct was lawful. Notwithstanding the foregoing, the current or former director or officer will not be entitled to indemnification in case of an action, suit or proceeding brought against him by the Company or in case he shall be finally adjudged in an action, suit or proceeding to be liable for gross negligence, wilful misconduct, fraud, dishonesty or any other criminal offence.

Furthermore, in case of settlement, the current or former director or officer will only be entitled to indemnification hereunder, provided that (i) the Board shall have determined in good faith that the defendant's actions did not constitute willful and deliberate violations of the law and shall have obtained the relevant legal advice to that effect; and (ii) notice of the

intention of settlement of such action, suit or proceeding is given to the Company at least 10 business days prior to such settlement.

IV. SHAREHOLDER(S)

Art.11. General meetings of shareholders

11.1. **Powers and voting rights**

(i) Resolutions of the shareholders are adopted at a general meeting of shareholders (the **General Meeting**). The General Meeting has full powers to adopt and ratify all acts and operations which are consistent with the company's corporate object.

(ii) Each share gives entitlement to one (1) vote.

11.2. **Notices, quorum, majority and voting proceedings**

(i) General Meetings are held at the time and place specified in the notices.

(ii) The notices for any ordinary General Meeting or extraordinary General Meeting shall contain the agenda, the hour and the place of the meeting and shall be made by notices published twice (2) at least at eight (8) days interval and eight (8) days before the meeting in the Memorial C, Recueil des Sociétés et Associations (Luxembourg Official Gazette) and in a leading newspaper having general circulation in Luxembourg. In case the shares of the Company are listed on a foreign regulated market, the notices shall, in addition, (subject to applicable regulations) either (i) be published once in a leading newspaper having general circulation in the country of such listing at the same time as the first publication in Luxembourg or (ii) follow the market practices in such country regarding publicity of the convening of a general meeting of shareholders.

(iii) If all the shareholders are present or represented and consider themselves duly convened and informed of the agenda, the General Meeting may be held without prior notice.

(iv) A shareholder may grant written power of attorney to another person, shareholder or otherwise, in order to be represented at any General Meeting.

(v) Any shareholder may participate in any General Meeting by telephone or video conference, or by any other means of communication which allows all those taking part in the meeting to identify, hear and speak to each other. Participation by such means is deemed equivalent to participation in person at the meeting.

(vi) Any shareholder may vote by using the forms provided to that effect by the Company. Voting forms contain the date, place and agenda of the meeting and the text of the proposed resolutions. For each resolution, the form must contain three boxes allowing

for a vote for or against that resolution or an abstention. Shareholders must return the voting forms to the registered office. Only voting forms received prior to the General Meeting are taken into account for calculation of the quorum. Forms which indicate neither a voting intention nor an abstention are void.

(vii) Resolutions of the General Meeting are passed by a simple majority vote, regardless of the proportion of share capital represented.

(viii) An extraordinary General Meeting (Extraordinary General Meeting) may only amend the Articles if at least one-half of the share capital is represented and the agenda indicates the proposed amendments to the Articles, including the text of any proposed amendment to the Company's object or form. If this quorum is not reached, a second Extraordinary General Meeting may be convened by means of notices published twice in the Mémorial and two Luxembourg newspapers, at an interval of at fifteen (15) days and fifteen (15) days before the meeting. These notices state the date and agenda of the Extraordinary General Meeting and the results of the previous Extraordinary General Meeting. The second Extraordinary General Meeting deliberates validly regardless of the proportion of capital represented. At both Extraordinary General Meetings, resolutions must be adopted by at least two-thirds of the votes cast.

(ix) Any change in the nationality of the Company and any increase in a shareholder's commitment in the Company require the unanimous consent of the shareholders and bondholders (if any).

Art.12. Procedure

12.1. General Meeting will be presided over by the chairman pro tempore appointed by the General Meeting. The General Meeting will appoint a scrutineer who shall keep the attendance list.

12.2. The board of the General Meeting so constituted shall designate the secretary.

12.3. Irrespective of the agenda, the Board may adjourn any ordinary General Meeting or Extraordinary General Meeting in accordance with the formalities and time limits stipulated for by law.

12.4. Minutes of the General Meetings shall be signed by the members of the board of the meeting. Copies or excerpts of the minutes to be produced in court or elsewhere shall be signed by two (2) directors or by the secretary of the Board or by any assistant secretary."

Art.13. Sole shareholder

13.1. When the number of shareholders is reduced to one (1), the sole shareholder exercises all powers granted by the Law to the General Meeting.

13.2. Any reference to the General Meeting in the Articles is to be read as a reference to the sole shareholder, as appropriate.

13.3. The resolutions of the sole shareholder are recorded in minutes.

V. ANNUAL ACCOUNTS - ALLOCATION OF PROFITS – SUPERVISION

Art.14. Financial year and approval of annual accounts

14.1. The financial year begins on 1 January and ends on 31 December of each year.

14.2 The Board prepares the balance sheet and profit and loss account annually, together with as an inventory stating the value of the Company's assets and liabilities, with an annex summarising its commitments and the debts owed by its officers, directors and statutory auditors to the Company.

14.3 One month before the Annual General Meeting, the Board provides the statutory auditors with a report on and documentary evidence of the Company's operations. The statutory auditors then prepare a report stating their findings and proposals.

14.4 The annual General Meeting is held at the registered office or in any other place within the municipality of the registered office, as specified in the notice, on the second Monday of May of each year at 10.00 a.m. If that day is not a business day in Luxembourg, the annual General Meeting is held on the following business day.

14.5 The annual General Meeting may be held abroad if, in the Board's, absolute and final judgment, exceptional circumstances so require.

Art.15. Auditors

15.1 The Company's operations are supervised by one or more statutory auditors (*commissaires*).

15.2 When so required by law, or when the Company so chooses, the Company's operations are supervised by one or more approved external auditors (*réviseurs d'entreprises agréés*).

15.3 The General Meeting appoints the statutory auditors (*commissaires*) / external auditors (*réviseurs d'entreprises agréés*), and determines their number and remuneration and the term of their mandate, which may not exceed six (6) years but may be renewed.

Art.16. Allocation of profits

16.1 Five per cent (5%) of the Company's annual net profits are allocated to the reserve required by law. This requirement ceases when the legal reserve reaches an amount equal to ten per cent (10%) of the share capital.

16.2 The General Meeting determines the allocation of the balance of the annual net profits. They may decide on the payment of a dividend, to transfer the balance to a reserve account, or to carry it forward in accordance with the applicable legal provisions.

16.3 Interim dividends may be distributed at any time, under the following conditions:

(i) the Board draws up interim accounts;

(ii) the interim accounts show that sufficient profits and other reserves (including share premiums) are available for distribution; it being understood that the amount to be distributed may not exceed the profits made since the end of the last financial year for which the annual accounts have been approved, if any, increased by profits carried forward and distributable reserves, and reduced by losses carried forward and sums to be allocated to the legal or a statutory reserve;

(iii) the decision to distribute interim dividends is made by the Board within two (2) months from the date of the interim accounts.

In their report to the Board, the statutory auditors (*commissaires*) or the approved external auditors (*réviseurs d'entreprises agréés*), as applicable, must verify whether the above conditions have been satisfied.

16.4 The Company may make payment of dividends and any other payments in cash, shares or other securities to a Depositary. Said Depositary shall distribute these funds to his depositors according to the amount of securities or other financial instruments recorded in their name. Such payment by the Company to the Depositary will effect full discharge of the Company's obligations in this regard.

VI. DISSOLUTION – LIQUIDATION

Art.17.

17.1 The Company may be dissolved at any time by a resolution of the General Meeting, acting in accordance with the conditions prescribed for the amendment of the Articles. The General Meeting appoints one or more liquidators, who need not be shareholders, to carry out the liquidation, and determines their number, powers and remuneration. Unless otherwise decided by the General Meeting, the liquidators have full powers to realise the Company's assets and pay its liabilities.

17.2 The surplus after realisation of the assets and payment of the liabilities is distributed to the shareholders in proportion to the shares held by each of them.

VII. GENERAL PROVISION

Art.18.

18.1 Notices and communications may be made or waived and circular resolutions may be evidenced in writing, fax, email or any other means of electronic communication.

18.2 Powers of attorney are granted by any of the means described above. Powers of attorney in connection with Board meetings may also be granted by a director, in accordance with such conditions as may be accepted by the Board.

18.3 Signatures may be in handwritten or electronic form, provided they fulfil all legal requirements for being deemed equivalent to handwritten signatures. Signatures of circular resolutions or resolutions adopted by telephone or video conference are affixed to one original or several counterparts of the same document, all of which taken together constitute one and the same document.

18.4 All matters not expressly governed by these Articles shall be determined in accordance with the applicable law and, subject to any non-waivable provisions of the law, with any agreement entered into by the shareholders from time to time.

FIFTH AMENDMENT TO CREDIT AGREEMENT

FIFTH AMENDMENT TO CREDIT AGREEMENT (this " Fifth Amendment "), dated as of November 5, 2015 by and among PACIFIC DRILLING S.A., a Luxembourg corporation under the form of a *société anonyme* (the " Borrower "), the lenders party hereto (each, a " Lender " and, collectively, the " Lenders "), the Issuing Lenders party hereto, and CITIBANK, N.A., as Administrative Agent (in such capacity, the " Administrative Agent "). Unless otherwise indicated, all capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders from time to time party thereto, and the Administrative Agent are parties to a Credit Agreement, dated as of June 3, 2013, as amended by the First Amendment to Credit Agreement, dated as of October 30, 2013, the Second Amendment and Limited Waiver to Credit Agreement, dated as of March 28, 2014, the Third Amendment to Credit Agreement, dated as of July 30, 2014, and the Fourth Amendment to Credit Agreement, dated as of March 2, 2015 (as amended, restated, supplemented or otherwise modified, the " Credit Agreement ");

WHEREAS, the Borrower has requested the amendment of certain provisions of the Credit Agreement as set forth in this Fifth Amendment, and, subject to the terms and conditions of this Fifth Amendment, the Lenders party hereto (constituting Required Lenders) have agreed to such request as herein provided.

NOW, THEREFORE, it is agreed:

I. AMENDMENTS TO CREDIT AGREEMENT .

1. **New Defined Terms.** The following new definitions are hereby added to Section 1.01 of the Credit Agreement in proper alphabetical order:

" Applicable Rigs " means the Rigs owned by the Borrower and any Subsidiary on the Fifth Amendment Effective Date.

" Compliance Certificate " means a compliance certificate from an Authorized Representative of the Borrower in the form of Exhibit O delivered pursuant to Section 9.01(f).

" Compliance Period Certificate " shall mean the Borrower's delivery to the Administrative Agent of a Compliance Certificate for the fiscal quarter ending March 31, 2018 showing compliance with the Financial Covenants and certifying that no Default or Event of Default has occurred and is continuing.

" Fifth Amendment Effective Date " means November 5, 2015.

" Financial Covenants " shall mean, collectively, the covenants contained in Sections 10.07, 10.08 and 10.19.

" Permitted Dividends " means:

(1) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Borrower held by any current or former officer, director or employee of the Borrower pursuant to any equity subscription agreement, employee stock ownership plan or similar trust, shareholders' agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $5,000,000 in any calendar year (with any portion of such $5,000,000 amount that is unused in any calendar year to be carried forward to successive calendar years and added to such amount);

(2) the purchase, redemption or other acquisition or retirement for value of Capital Stock of the Borrower deemed to occur upon the exercise or conversion of stock options, warrants, rights to acquire Capital Stock or other convertible securities, to the extent such Capital Stock represents a portion of the exercise or conversion price thereof or the purchase, redemption or other acquisition or retirement for value of Capital Stock of the Borrower held by any current or former officers, directors or employees of the Borrower in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy any tax withholding obligation with respect to such exercise or vesting; and

(3) cash payments in lieu of the issuance of fractional shares paid in connection with a reverse stock split of the Borrower.

2. **Amended Defined Terms.** The definition of "Applicable Margin" set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

" Applicable Margin " shall mean the corresponding percentages per annum as set forth below based on the Leverage Ratio:

Beginning on the Fifth Amendment Effective Date and ending at the time a Compliance Period Certificate is delivered:

Table A

Pricing Level	Leverage Ratio	Eurodollar +	Base Rate +	Commitment Fee
I	Less than 4.00 to 1.00	3.25%	2.25%	1.30%
II	Greater than or equal to 4.00 to 1.00	3.75%	2.75%	1.50%

Beginning at the time a Compliance Period Certificate is delivered and thereafter:

Table B

Pricing Level	Leverage Ratio	Eurodollar +	Base Rate +	Commitment Fee
I	Less than 2.50 to 1.00	2.50%	1.50%	0.70%
II	Greater than or equal to 2.50 to 1.00, but less than 3.50 to 1.00	2.75%	1.75%	0.80%
III	Greater than or equal to 3.50 to 1.00, but less than 4.50 to 1.00	3.00%	2.00%	0.90%
IV	Greater than or equal to 4.50 to 1.00	3.25%	2.25%	1.00%

The Applicable Margin shall be determined and adjusted quarterly on the date (each a " Calculation Date ") two (2) Business Days after the day on which the Borrower provides a Compliance Certificate for the most recently ended fiscal quarter of the Borrower and shall be determined by reference to the Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date as reflected in the applicable Compliance Certificate; provided that if the Borrower fails to provide a Compliance Certificate for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Applicable Margin from such Calculation Date shall be based on Pricing Level IV set forth in Table B above, in each case until such time as a Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. The Applicable Margin shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Credit Events then existing or subsequently made or issued.

Notwithstanding the foregoing, in the event that any financial statement or Compliance Certificate delivered pursuant to Section 9.01(a), (b) or (f) is shown to be inaccurate (regardless of whether (i) this Agreement is in effect, (ii) the Commitments are in effect, or (iii) any Loan or Letter of Credit is outstanding when such inaccuracy is discovered or such financial statement or Compliance Certificate was delivered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an " Applicable Period ") than the Applicable Margin applied for such Applicable Period, then (A) the Borrower shall promptly (but in any event within five (5) Business Days thereafter) deliver to the Administrative Agent a corrected Compliance Certificate for such Applicable Period, (B) the Applicable Margin for such Applicable Period shall be determined as if the Leverage Ratio in the corrected Compliance Certificate were applicable for such Applicable Period, and (C) the Borrower shall within such five (5) Business Day period and retroactively be obligated to pay to the Administrative Agent the accrued additional interest and fees owing as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly applied by the Administrative Agent in accordance with Section 13.06. Nothing in this paragraph shall limit the rights of the Administrative Agent and Lenders with respect to Sections 2.07(b) and the final paragraph of Section 11 nor any of their other rights under this Agreement. The Borrower's obligations under this paragraph shall survive the termination of the Total Commitment and the repayment of all other Obligations hereunder."

3. **The Commitments.** Section 2.01(v) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(v) together with the Letters of Credit Outstanding, shall not exceed the Total Commitments (or such lesser amount as is set forth in an applicable Extension Amendment to account for Commitments not extended pursuant to such Extension Amendment)."

4. **Mandatory Repayments.** Section 5.02(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) On any day on which the aggregate outstanding principal amount of Loans (after giving effect to all other repayments thereof on such date) plus the Letters of Credit Outstanding exceeds an amount equal to the Total Commitments (or such lesser amount as is set forth in an applicable Extension Amendment to account for Commitments not extended pursuant to such Extension Amendment), the Borrower shall repay on such date the principal of Loans in an amount equal to such excess."

5. **Pro Forma Compliance as Condition Precedent to All Credit Events.** Section 7 of the Credit Agreement is hereby amended by:

(a) adding a new Section 7.03 as follows:

"7.03 Pro Forma Compliance . Both before and immediately after each Credit Event, the Borrower shall be in pro forma compliance with the Financial Covenants."; and

(b) adding a reference to "and Section 7.03" immediately following the reference to "Section 7.01" in the final paragraph of Section 7 of the Credit Agreement.

6. **Use of Proceeds; Margin Regulations.** Section 8.08 of the Credit Agreement is hereby amended by adding a new clause (d) at the end thereof as follows:

"(d) No part of any Credit Event will be used for any purpose which will violate or be inconsistent with the provisions of Section 10.09."

7. **References to Pro Forma Compliance.** The Credit Agreement is hereby amended by replacing each reference therein to (i) " pro forma compliance with the financial covenants contained in Sections 10.07 and 10.08," (ii) " pro forma compliance with each of the covenants set forth in Sections 10.07 and 10.08" and (iii) " pro forma compliance with the financial covenants set forth in Sections 10.07 and 10.08" with a reference to " pro forma compliance with each of the Financial Covenants."

8. **Compliance Certificate.** Section 9.01(f) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(f) Officer's Certificates . At the time of the delivery of the financial statements provided for in Sections 9.01(a) and (b), a compliance certificate from an Authorized Representative of the Borrower in the form of Exhibit O certifying on behalf of the Borrower that, to the best of such Authorized Representative's knowledge after due inquiry, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof, which certificate shall (i) set forth in reasonable detail the calculations required to establish whether the Borrower and its Subsidiaries were in compliance with the Financial Covenants, at the end of such fiscal quarter or year, as the case may be and (ii) certify that there have been no changes to any of Schedule 8.16 or any equivalent annexes or schedules to any other Security Document, in each case since the Effective Date or, if later, since the date of the most recent certificate delivered pursuant to this Section 9.01(f), or if there have been any such changes, a list in reasonable detail of such changes (but, in each case with respect to this clause (ii), only to the extent that such changes are required to be reported to the Pari Passu Collateral Agent pursuant to the terms of such Security Documents) and whether the Borrower and the other Credit Parties have otherwise taken all actions required to be taken by them pursuant to such Security Documents in connection with any such changes."

9. **Dividends.** Section 10.03 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"10.03 Dividends

The Borrower will not, and will not permit any of its Restricted Subsidiaries to, authorize, declare or pay any Dividends with respect to the Borrower or any of its Restricted Subsidiaries, except that:

(i) any Restricted Subsidiary of the Borrower may pay Dividends to the Borrower or to any other Restricted Subsidiary of the Borrower;

(ii) any non-Wholly-Owned Restricted Subsidiary of the Borrower may pay cash Dividends to its shareholders generally so long as the Borrower or its respective Subsidiary which owns the equity interest in the Subsidiary paying such Dividends receives at least its proportionate share thereof (based upon its relative holding of the equity interest in such Subsidiary paying such Dividends and taking into account the relative preferences, if any, of the various classes of equity interests of such Subsidiary); and

(iii) (A) prior to the date on which the Borrower delivers a Compliance Period Certificate, so long as no Default or Event of Default exists or would result therefrom, the Borrower may pay the Permitted Dividends, and (B) beginning on the date on which the Borrower delivers a Compliance Period Certificate and thereafter, so long as (x) no Default or Event of Default exists or would result therefrom and (y) after giving effect to such Dividend, the Borrower will be in pro forma compliance with each of the Financial Covenants, the Borrower may pay cash Dividends."

10. **Advances, Investments and Loans.** Section 10.05 of the Credit Agreement is hereby amended by adding the following paragraph at the end thereof:

"Notwithstanding the foregoing or anything to the contrary contained herein, from the Fifth Amendment Effective Date and until such time as the Borrower has delivered a Compliance Period Certificate, the Borrower will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any Investment in any Person in connection with such Person's direct or indirect construction or acquisition of any Rig. For the avoidance of doubt, the restriction set forth in the foregoing sentence shall not be a limitation on capital expenditures for improvements on Applicable Rigs."

11. **Maximum Leverage Ratio.** The table set forth in Section 10.07 of the Credit Agreement is hereby amended and restated in its entirety with the following table:

Period	Maximum Ratio
December 31, 2013 through March 31, 2014	5.75 to 1.00
June 30, 2014 through December 31, 2014	5.25 to 1.00
March 31, 2015 through December 31, 2015	4.75 to 1.00
March 31, 2016	5.00 to 1.00
June 30, 2016	5.50 to 1.00
September 30, 2016 through December 31, 2017	6.00 to 1.00
March 31, 2018 and thereafter	4.25 to 1.00

12. **Use of Proceeds.** Section 10.09 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"10.09 Use of Proceeds

The Borrower will not, and will not permit any of its Restricted Subsidiaries to use the proceeds of any Credit Event, whether directly or indirectly, immediately, incidentally or ultimately:

(i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund Indebtedness originally incurred for such purpose; or

(ii) from the Fifth Amendment Effective Date and until such time as the Borrower delivers a Compliance Period Certificate, to (A) make any payment or other contribution for the purposes of the construction or acquisition of any Rig or (B) voluntarily repurchase, redeem, prepay, defease or otherwise acquire or retire for value or repay at maturity (collectively, a " **Redemption** ") any Indebtedness of the Borrower or any of its Subsidiaries (which, for the avoidance of doubt, does not restrict the use of such proceeds for the purposes of (i) curing a breach of Section 13.8(g) of the SSCF in accordance with Section 16.3 of the SSCF or (ii) making any scheduled amortization payments prior to maturity in respect of any Indebtedness of the Borrower or any of its Subsidiaries), other than proceeds from a single Borrowing in an aggregate amount not to exceed $200,000,000 (the " **Additional Collateral Rig Borrowing** ") to be used for a Redemption of the Indebtedness of a Subsidiary of the Borrower outstanding on the Fifth Amendment Effective Date (but in no event, Indebtedness in respect of the SSCF), which is

secured by an Applicable Rig (other than the Collateral Rigs), provided that (a) the Redemption is on terms and conditions reasonably satisfactory to the Administrative Agent in its sole discretion, (b) the Redemption results in the release of Liens granted to secure such Indebtedness and such Applicable Rig being free and clear of all Liens substantially simultaneously with the Additional Collateral Rig Borrowing and (c) such Applicable Rig will be deemed to be a Collateral Rig, and the Borrower will take, or will cause any applicable Subsidiaries to take, all actions required to be taken in respect of Additional Subsidiary Guarantors under Section 9.09 (without giving effect to the final parentheticals in Sections 9.09(c)(I) and (II)) and all such further actions required under Section 9.09(a), including to supplement any schedules hereof, in each case, substantially simultaneously with the Additional Collateral Rig Borrowing.

13. **Consolidated Net Debt to Applicable Rigs.** Section 10 of the Credit Agreement is hereby amended by adding a new Section 10.19 as follows:

"10.19 Consolidated Net Debt to Applicable Rigs

The Borrower will not permit the ratio of Consolidated Net Debt to the number of Applicable Rigs owned by the Borrower and its Subsidiaries as of any time during the periods set forth below, including on the day of any Credit Event, to be greater than the corresponding amount set forth below:

Period	Maximum Ratio
July 1, 2015 through March 31, 2016	$425,000,000
April 1, 2016 through June 30, 2016	$425,000,000
July 1, 2016 through September 30, 2016	$405,000,000
October 1, 2016 through December 31, 2016	$405,000,000
January 1, 2017 through March 31, 2017	$387,500,000
April 1, 2017 through June 30, 2017	$382,500,000
July 1, 2017 through September 30, 2017	$370,000,000
October 1, 2017 through December 31, 2017	$360,000,000

14. **Exhibit O.** Exhibit O attached to the Credit Agreement is hereby amended and replaced in its entirety with Exhibit O attached hereto.

II. REPRESENTATIONS AND WARRANTIES .

In order to induce the Lenders to enter into this Fifth Amendment, the Borrower hereby represents and warrants that:

1. no Default or Event of Default exists as of the Fifth Amendment Effective Date (as defined in Section III of this Fifth Amendment) before or after giving effect to this Fifth Amendment;

2. all of the representations and warranties contained in the Credit Agreement and in each of the other Credit Documents are true and correct in all material respects on the Fifth Amendment Effective Date both before and after giving effect to this Fifth Amendment, with the same effect as though such representations and warranties had been made on and as of the Fifth Amendment Effective Date, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Effect,

which such representation and warranty shall be true and correct in all respects on and as of such date (it being understood that any representation or warranty that by its terms is made as of a specific date shall be true and correct in all material respects as of such specific date, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Effect, which such representation and warranty shall be true and correct, only as of such specified date);

3. the Borrower is in pro forma compliance with the Financial Covenants (as defined in Section I(1) of this Fifth Amendment) both before and immediately after giving effect to this Fifth Amendment;

4. since December 31, 2013, there has not occurred a Material Adverse Effect or any event or condition that has had or could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; and

5. since September 1, 2015 through the Fifth Amendment Effective Date, there has been no Dividend that, if this Fifth Amendment was in effect during such time period, would violate Section 10.03 of the Credit Agreement, as amended by this Fifth Amendment.

III. CONDITIONS TO EFFECTIVENESS .

This Fifth Amendment shall become effective on the first date (the " Fifth Amendment Effective Date ") upon which the following conditions have been satisfied:

1. each of the Borrower and the Required Lenders shall have signed a counterpart hereof and of all other Credit Documents executed in connection herewith to which each is to be, respectively, a party (whether the same or different counterparts), and shall have delivered (including by way of facsimile or other electronic transmission) the same to the Administrative Agent;

2. each Subsidiary Guarantor shall have signed a counterpart of the acknowledgment attached to this Fifth Amendment (whether the same or different counterparts) and shall have delivered (including by way of facsimile or other electronic transmission) the same to the Administrative Agent;

3. the Administrative Agent shall have received a duly authorized, executed and delivered copy of an amendment to each Collateral Rig Mortgage, in each case in form and substance reasonably satisfactory to the Administrative Agent, and each such amendment shall have been duly registered in the ship registry of the relevant Collateral Rig as a valid amendment to the applicable Collateral Rig Mortgage;

4. no Default or Event of Default shall have occurred and be continuing both before and after giving effect to this Fifth Amendment;

5. the Borrower shall be in pro forma compliance with the Financial Covenants both before and immediately after giving effect to this Fifth Amendment;

6. since December 31, 2013, there shall not have occurred a Material Adverse Effect or any event or condition that has had or could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect;

7. since September 1, 2015 through this Fifth Amendment Effective Date, there shall not have been any Dividend that, if this Fifth Amendment was in effect during such time period, would have violated Section 10.03 of the Credit Agreement, as amended by this Fifth Amendment;

8. there shall be no outstanding Loans or Letters of Credit under the Credit Agreement;

9. the Administrative Agent shall have received a duly executed copy of the amendment to the SSCF, in such form and substance reasonably satisfactory to the Administrative Agent, which shall provide for, among other things, (i) amendments to the financial covenants contained therein corresponding to the changes made to the Financial Covenants provided for in this Fifth Amendment and (ii) the alignment of the pricing set forth therein, as appropriate, with the Fifth Amendment Commercial Premium (as defined in the SSCF) and the Fifth Amendment GIEK Premium (as defined in the SSCF) to be consistent with the Applicable Margin set forth in the Credit Agreement, as amended by this Fifth Amendment, which amendment to the SSCF shall be in full force and effect simultaneously with the Fifth Amendment Effective Date;

10. that certain Credit Agreement, dated as of October 29, 2014, as amended by the First Amendment to Credit Agreement, dated as of March 2, 2015, by and among the Borrower, as borrower, the lenders from time to time party thereto and Citibank, N.A., as administrative agent, shall have been terminated and all outstanding obligations thereunder (other than contingent indemnification obligations which are not then due and payable) shall have been repaid in full;

11. the Administrative Agent shall have received a certificate, dated as of the Fifth Amendment Effective Date, reasonably acceptable to the Administrative Agent and signed by an Authorized Representative of the Borrower, confirming the matters set forth in Section II hereof;

12. the Administrative Agent shall have received a certificate, dated the Fifth Amendment Effective Date and reasonably acceptable to the Administrative Agent, signed by an Authorized Representative of each Credit Party, and attested to by the secretary or any assistant secretary (or, (x) if there is no secretary or assistant secretary, an Authorized Representative, or (y) with respect to any Credit Party organized under the laws of Luxembourg, a manager or director, as applicable) of such Credit Party (other than the Authorized Representative of such Credit Party signing the certificate of such Credit Party), as the case may be, certifying (i) (A) as to the incumbency and genuineness of the signature of each Credit Party executing Credit Documents to which it is a party or (B) that such incumbency of such Credit Party executing Credit Documents to which it is a party has not changed since the date of the last certification of the same to the Administrative Agent, and (ii) that (A)(I) attached thereto are true, correct and complete copies of the articles or certificate of incorporation, formation or other organizational document, as applicable, of such Credit Party, and all amendments thereto, certified as of a recent date by the appropriate governmental officials in its jurisdiction of incorporation or formation, as applicable, or (II) the articles or certificate of incorporation, formation or other organizational document, as applicable, of such Credit Party, have not been amended since the date of the last certification of such document to the Administrative Agent and is in full force and effect on the Fifth Amendment Effective Date, (B)(I) attached thereto are true, correct and complete copies of the bylaws or other governing documents, as applicable, of such Credit Party as in effect on the Fifth Amendment Effective Date or (II) the bylaws or other governing documents, as applicable, of such Credit Party previously certified to the Administrative Agent have not been modified, rescinded or amended and are in full force and effect on the Fifth Amendment Effective Date, and (C) resolutions duly authorized by the board of directors (or other governing body) of such Credit Party authorizing and approving the execution and delivery of, and performance under, the Credit Agreement, this Fifth Amendment and the other Credit Documents to which such Credit Party is a party;

13. the Administrative Agent shall have received certificates as of a recent date of the good standing (or similar status) of each Credit Party under the laws of its jurisdiction of organization to the extent applicable in such jurisdiction;

14. the Administrative Agent shall have received from (a) U.S. counsel to each of the Credit Parties (which shall be Vinson & Elkins LLP or another law firm reasonably acceptable to the Administrative Agent), an opinion covering such matters as the Administrative Agent may reasonably request, (b) Luxembourg counsel to the Credit Parties (which shall be Wildgen, Partners in Law or another law firm qualified to render an opinion as to Luxembourg law reasonably acceptable to the Administrative Agent), an opinion covering such matters as the Administrative Agent may reasonably request, (c) Gibraltar counsel to the Credit Parties (which shall be Hassans or another law firm qualified to render an opinion as to the law of Gibraltar reasonably acceptable to the Administrative Agent), an opinion covering such matters as the Administrative Agent may reasonably request, (d) the Republic of Liberia counsel to the Credit Parties (which shall be Norton Rose Fulbright US LLP or another law firm qualified to render an opinion as to the law of the Republic of Liberia reasonably acceptable to the Administrative Agent), an opinion covering such matters as the Administrative Agent may reasonably request and (e) the British Virgin Islands counsel to the Credit Parties (which shall be a law firm qualified to render an opinion as to the law of the British Virgin Islands reasonably acceptable to the Administrative Agent), an opinion covering such matters as the Administrative Agent may reasonably request, each such opinion to be addressed to the Pari Passu Collateral Agent, the Administrative Agent, the Issuing Lenders and the Lenders (and expressly permitting reliance by permitted successors and assigns of the addressees thereof) and dated as of the Fifth Amendment Effective Date;

15. the Borrower shall have paid all fees required pursuant to that certain fee letter agreement, dated as of October 19, 2015, by and among the Borrower, Citigroup Global Markets Inc. and Citibank, N.A., in accordance therewith; and

16. the Borrower shall have paid to the Administrative Agent all accrued costs, fees and expenses (including, without limitation, the reasonable fees and expenses of Baker Botts L.L.P.) in connection with the Fifth Amendment for which an invoice has been provided to the Borrower at least three Business Days before the anticipated Fifth Amendment Effective Date.

IV. MISCELLANEOUS PROVISIONS .

1. This Fifth Amendment is limited precisely as written and shall not be deemed to (i) be a waiver of or a consent to the modification of or deviation from any other term or condition of the Credit Agreement or the other Credit Documents or any of the other instruments or agreements referred to therein, or (ii) prejudice any right or rights which any of the Lenders or the Administrative Agent now have or may have in the future under or in connection with the Credit Agreement, as amended hereby, the other Credit Documents or any of the other instruments or agreements referred to therein. The Borrower confirms and agrees that the Credit Agreement and each of the Security Documents to which it is a party is and shall continue to be in full force and effect and is ratified and confirmed in all respects, except that, on and after the Fifth Amendment Effective Date each reference in the Credit Agreement and the other Security Documents to "the Credit Agreement," "thereunder," "thereof," "therein" or any other expression of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Fifth Amendment. The Administrative Agent, the Pari Passu Collateral Agent, the Issuing Lenders and the Lenders expressly reserve all their rights and remedies except as expressly set forth in this Fifth Amendment.

2. This Fifth Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Fifth Amendment by facsimile or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

3. **THIS FIFTH AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.**

4. Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction and venue of the United States District Court for the Southern District of New York and of any New York State court sitting in New York County, Borough of Manhattan, and any appellate court from any such federal or state court, for purposes of all suits, actions or legal proceedings arising out of or relating to this Fifth Amendment and the Credit Agreement or the transactions contemplated hereby or thereby. Each of the parties hereto irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS FIFTH AMENDMENT, THE CREDIT AGREEMENT OR THE ACTIONS OF THE ADMINISTRATIVE AGENT OR ANY LENDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

5. This Fifth Amendment is a Credit Document for the purposes of the Credit Agreement and the other Credit Documents. From and after the Fifth Amendment Effective Date, all references in the Credit Agreement and each of the other Credit Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement, as amended hereby.

* * *

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Fifth Amendment as of the date first above written.

PACIFIC DRILLING S.A.

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: DIRECTOR

Each of the undersigned, as Subsidiary Guarantors under the U.S. Subsidiary Guaranty dated as of June 3, 2013 (as amended, restated, supplemented or otherwise modified, the " Guaranty "), and as debtors, mortgagors, and/or grantors under the Security Documents, hereby (a) consents to this Fifth Amendment, and (b) confirms and agrees that the Guaranty and each of the Security Documents to which it is a party is and shall continue to be in full force and effect and is ratified and confirmed in all respects, except that, on and after the Fifth Amendment Effective Date each reference in the Guaranty and the other Security Documents to "the Credit Agreement," "thereunder," "thereof," "therein" or any other expression of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Fifth Amendment.

PACIFIC BORA LTD.

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: President

PACIFIC MISTRAL LTD.

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: President

PACIFIC SCIROCCO LTD.

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: President

PACIFIC SANTA ANA S.À R.L.

By: /s/ DICK VERHAAGEN
Name: Dick Verhaagen
Title: Manager

PACIFIC DRILLING LIMITED

By: /s/ DICK VERHAAGEN
Name: Dick Verhaagen
Title: Manager

PACIFIC INTERNATIONAL DRILLING WEST AFRICA LIMITED

By: /s/ DICK VERHAAGEN
Name: Dick Verhaagen
Title: Director

PACIFIC SANTA ANA (GIBRALTAR) LIMITED

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: Director

In the presence of a witness:

By: /s/ MORGAN T. HOTZEL
Name: Morgan T. Hotzel
Title: Senior Counsel
Address: 11700 Katy Freeway, Suite 175, Houston, Texas 77079

PACIFIC DRILLSHIP S.À.R.L

By: /s/ DICK VERHAAGEN
Name: Dick Verhaagen
Title: Manager

PACIFIC DRILLING, INC.

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: President

PACIFIC DRILLSHIP NIGERIA LIMITED

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: President

PACIFIC DRILLING FINANCE S.À.R.L

By: /s/ PAUL REESE
Name: Paul Reese
Title: Manager

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

CITIBANK, N.A., as Administrative Agent, and Lender

By: /s/ ROBERT MALLECK

Name: Robert Malleck

Title: Vice President

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

STANDARD CHARTERED BANK, as
Issuing Lender and Lender

By: /s/ STEPHEN HACKETT

Name: Stephen Hackett

Title: Regional Head, Structured Finance

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

THE BANK OF NOVA SCOTIA, as Lender

By: /s/ J. FRAZELL

Name: J. Frazell

Title: Director

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

Nordea Bank AB, London Branch

By: /s/ MARTIN KAHM
Name: Martin Kahm
Title: Head of Offshore & Oil Services

By: /s/ MICHAEL SHEPPARD
Name: Michael Sheppard
Title: Vice President

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SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

Deutsche Bank AG New York Branch

By: /s/ KELVIN JI
Name: Kelvin Ji
Title: Director

By: /s/ BENJAMIN SOUH
Name: Benjamin Souh
Title: Vice President

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

CREDIT INDUSTRIEL ET COMMERCIAL,
as Lender

By: /s/ ANDREW MCKUIN
Name: Andrew McKuin
Title: Managing Director

By: /s/ ADRIENNE MOLLOY
Name: Adrienne Molloy
Title: Managing Director

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

GOLDMAN SACHS BANK USA

By: /s/ JERRY LI

Name: Jerry Li

Title: Authorized Signatory

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

NIBC BANK N.V.

By: /s/ SASKIA HOVERS
Name: Saskia Hovers
Title: Managing Director

By: /s/ JEROEN VAN DER PUTTEN
Name: Jeroen van der Putten
Title: Director

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK, as Issuing Lender and Lender

By: /s/ JEROME DUVAL
Name: Jerome Duval
Title: Managing Director

By: /s/ YANNICK LE GOURIERES
Name: Yannick Le Gourieres
Title: Director

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

ING CAPITAL,as Lender

By: /s/ TANJA VAN DER WOUDE
Name: Tanja van der Woude
Title: Director

By: /s/ RICHARD ENNIS
Name: Richard Ennis
Title: Managing Director

SIGNATURE PAGE TO THE FIFTH AMENDMENT TO CREDIT AGREEMENT, DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG PACIFIC DRILLING S.A., VARIOUS LENDERS PARTY HERETO AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT

ABN AMRO CAPITAL USA LLC

By: /s/ ANTONIO MOLESTINA
Name: Antonio Molestina
Title: Managing Director

By: /s/ PASSCHIER VEEFKIND
Name: Passchier Veefkind
Title: Director- Energy Offshore

EXHIBIT O

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is delivered to you pursuant to Section 9.01(f) of the Credit Agreement, dated as of June 3, 2013 (as amended, restated, supplemented or modified from time to time, the " Credit Agreement "), among Pacific Drilling S.A. (the " Borrower "), the lenders from time to time party thereto and Citibank, N.A., as Administrative Agent. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

1. I am the duly elected, qualified and acting [Insert office of Authorized Representative] of the Borrower.

2. I have reviewed and am familiar with the contents of this Compliance Certificate. I am providing this Compliance Certificate solely in my capacity as [Insert office of Authorized Representative] of the Borrower, and on behalf of the Borrower.

3. The matters set forth herein are true to the best of my knowledge after due inquiry.

4. I have reviewed the terms of the Credit Agreement and the other Credit Documents and have made or caused to be made under my supervision a review in reasonable detail of the transactions and condition of the Borrower and its Restricted Subsidiaries during the accounting period covered by the financial statements attached hereto as ANNEX 1 (the " Financial Statements "). Such review did not disclose the existence during or at the end of the accounting period covered by the Financial Statements, and I have no knowledge of the existence, as of the date of this Compliance Certificate, of any condition or event which constitutes a Default or an Event of Default[, except as set forth below].

5. Attached hereto as ANNEX 2 are the computations showing (in reasonable detail) compliance with the covenants specified therein.

6. Attached hereto as ANNEX 3 is the information required by Section 9.01(f)(ii) of the Credit Agreement as of the date of this Compliance Certificate.

IN WITNESS WHEREOF, I have executed this Compliance Certificate this ___ day of _____, 20__.

PACIFIC DRILLING S.A.

By_____

Name:

Title:

ANNEX 1

[Financial Statements to be attached]

ANNEX 2

The information described herein is as of _____ __, 20__ (the " Computation Date ") and, except as otherwise indicated below, pertains to the period from _____ __, 20__ to the Computation Date (the " Relevant Period ").

		Period or Date of Determination	Amount
I.	Financial Covenants		
	A. Maximum Leverage Ratio (Section 10.07)		
	1. Consolidated Net Debt	As at the Computation Date	$_____
	2. Consolidated EBITDA		$_____
	3. Ratio of line 1 to line 2		____:1.00
	B. Minimum Liquidity (Section 10.08)		
	1. Unrestricted cash and Cash Equivalents		$_____
	2. Total Unutilized Commitment available for Loans	Amount maintained on Computation Date	$_____
	3. Sum of lines 1 and 2		$_____
	C. Consolidated Net Debt to Applicable Rigs (Section 10.19)		
	1. Consolidated Net Debt	As at the Computation Date	$_____
	2. Applicable Rigs owned by the Borrower and its Subsidiaries on the Computation Date		_____
	3. Ratio of line 1 to line 2		$_____

ANNEX 3

1. It is hereby certified that no changes are required to be made to Schedule 8.16 of the Credit Agreement or any equivalent annexes or schedules to any Security Document, in each case so as to make the information set forth therein accurate and complete as of date of this Certificate, except as specially set forth below:

[All actions required to be taken by the Borrower and the other Credit Parties pursuant to the Credit Agreement and the Security Documents as a result of the changes described above have been taken, and the Pari Passu Collateral Agent has, for the benefit of the Secured Creditors, a first priority perfected security interest in all Collateral pursuant to the various Security Documents to the extent required by the terms thereof.]

AMENDMENT NO. 5 TO SENIOR SECURED CREDIT FACILITY AGREEMENT

AMENDMENT NO. 5 TO SENIOR SECURED CREDIT FACILITY AGREEMENT, dated as of November 5, 2015 (this " Amendment "), among the undersigned **:**

(1) **PACIFIC SHARAV S.ÀR.L.** , a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand-Duchy of Luxembourg, with its registered office at 8-10, Avenue de la Gare L-1610 and registered with the Luxembourg trade and companies register under number B.169724 (" **PSS** "), as owner and joint and several borrower (together with its successors and assigns permitted under Section 29.1, a " **Borrower** ");

(2) **PACIFIC DRILLING VII LIMITED** , a company incorporated under the laws of the British Virgin Islands (" **PDVIIL** "), as owner and joint and several borrower (together with its successors and assigns permitted under Section 29.1, a " **Borrower** ");

(3) **PACIFIC DRILLING S.A.** , a public limited liability company (*société anonyme*) incorporated under the laws of the Grand-Duchy of Luxembourg, with its registered office at 8-10, Avenue de la Gare L-1610 Luxembourg and registered with the Luxembourg trade and companies register under number B.159658 (" **PDSA** "), as guarantor (the " **Guarantor** ");

(4) **THE EXPORT CREDIT INSTITUTION, THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1-A to the Credit Agreement (defined below), as GIEK Facility Lenders (including Eksportkreditt Norge AS, as GIEK Facility EKN Lender, (the " **GIEK Facility EKN Lender** "), and Citibank N.A., London Branch, as a GIEK Facility Commercial Lender, (the " **GIEK Facility Commercial Lender** ", and together with the GIEK Facility EKN Lender, the " **GIEK Facility Lenders** "));

(5) **THE BANKS AND FINANCIAL INSTITUTIONS** listed in Schedule 1 to the Credit Agreement (defined below), as Commercial Facility Lenders (the " **Commercial Facility Lenders** ");

(6) **CITIBANK N.A.** (" **Citibank** ") and **DNB MARKETS, INC.** (" **DNB Markets** "), as structuring banks (the " **Structuring Banks** ") and as syndication agents (the " **Syndication Agents** ");

(7) **CITIBANK** and **DNB BANK ASA, NEW YORK BRANCH** (" **DNB** "), as global ECA coordinators (the " **Global ECA Coordinators** ");

(8) **CITIBANK** , as documentation agent (the " **Documentation Agent** ");

(9) **CITIBANK N.A., LONDON BRANCH** , as GIEK Commercial Guarantee Holder (the " **GIEK Commercial Guarantee Holder** ");

(10) **EKSPORTKREDITT NORGE AS** , as GIEK EKN Guarantee Holder (the " **GIEK EKN Guarantee Holder** ");

(11) **DNB** , as administrative agent and security agent (together with any successor administrative agent and security agent appointed pursuant to Section 28 of the Credit Agreement, the " **Administrative Agent** " or as applicable, the " **Security Agent** ") and as account bank (in such capacity, the " **Account Bank** ") and as GIEK facility agent (in such capacity, the " **GIEK Facility Agent** ");

(12) **CITIBANK, DNB, ABN AMRO CAPITAL USA LLC, ING CAPITAL LLC, SKANDINAVISKA ENSKILDA BANKEN AB (PUBL.)** and **STANDARD CHARTERED BANK PLC** , as mandated lead arrangers (the " **Mandated Lead Arrangers** "); and

(13) **CITIBANK, DNB MARKETS, ABN AMRO CAPITAL USA LLC, ING CAPITAL LLC, SKANDINAVISKA ENSKILDA BANKEN AB (PUBL.)** and **STANDARD CHARTERED BANK PLC** , as book runners (the " **Bookrunners** ").

PRELIMINARY STATEMENTS:

(1) The Obligors and the Finance Parties have entered into that certain Senior Secured Credit Facility Agreement, dated as of February 19, 2013, as amended and restated by that certain Amended and Restated Senior Secured Credit Facility Agreement, dated as of September 13, 2013, and as further amended by Amendment No. 2 to Senior Secured Credit Facility Agreement, dated as of March 27, 2014, by Amendment No. 3 to Senior Secured Credit Facility Agreement dated as of August 14, 2014, and by Amendment No. 4 to Senior Secured Credit Facility Agreement dated as of March 2, 2015 (the " Credit Agreement "). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Borrowers have requested the amendment and waiver of certain provisions of the Credit Agreement.

(3) In connection with the changes requested by the Borrowers as referenced in recital (2) above, certain amendments to the Credit Agreement are necessary and appropriate.

(4) The Obligors and the Majority Lenders have agreed that the Credit Agreement be amended, upon the terms and subject to the conditions set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual agreements contained herein, and for other valuable consideration the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendment of Credit Agreement . Effective as of the date hereof, and subject to the satisfaction of the requirements set forth in Section 3, the Credit Agreement is hereby amended as follows:

(a) The following new definitions are hereby added at Section 1.1:

(i) "" **2013 RCF Collateral Rigs** " mean the Liberian flag vessel "Pacific Bora" with official number 14745, the Liberian flag vessel "Pacific Mistral" with official number 14747, the Liberian flag vessel "Pacific Santa Ana" with official number 14748, and the Liberian flag vessel "Pacific Scirocco" with official number 14746."

(ii) "" **Applicable Rig** " means, so long as owned by the Guarantor or any of its Subsidiaries, the Collateral Vessels and the 2013 RCF Collateral Rigs and any other rig or vessel owned by the Guarantor or any of its Subsidiaries as of November 5, 2015."

(iii) "" **Dividend** " and " **dividend** " mean, with respect to any Person, that such Person has declared or paid a dividend, distribution or returned any equity capital to its stockholders, partners or members or authorized or made any other distribution, payment or delivery of property (other than common equity of such Person) or cash to its stockholders, partners or members as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for a consideration (other than common equity of such Person) any shares of any class of its Capital Stock or any partnership or membership interests outstanding on or after November 5, 2015 (or any options or warrants issued by such Person with respect to its Capital Stock or other equity interests), or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for a consideration (other than common equity of such Person) any shares of any class of the Capital Stock of, or other equity interests in, such Person outstanding on or after November 5, 2015 (or any options or warrants issued by such Person with respect to its Capital Stock or other equity interests). Without limiting the foregoing, "Dividends" with respect to any Person shall also include all payments made or required to be made (other than common equity of such Person) by such Person with respect to any stock appreciation rights, plans, equity incentive or achievement plans or any similar plans or setting aside of any funds for the foregoing purposes.

(iv) "" **Exchange Act** " means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder."

(v) " **"Fifth Amendment Commercial Premium"** has the meaning given at Section 21.6."

(vi) "" **Fifth Amendment GIEK Premium** " has the meaning given at Section 21.6."

(vii) "" **Fifth Amendment Premium Period** " has the meaning given at Section 21.6."

(viii) "" **Permitted Dividend** " has the meaning given at Section 13.10(c)."

(ix) "" **Specified Compliance Certificate** " means a Certificate of Compliance, dated and delivered on or after March 31, 2018 and executed by the chief financial officer of PDSA, showing compliance for PDSA's previous fiscal quarter with all of the covenants set forth at Section 13.8 and certifying that no Default or Event of Default exists, substantially in the form of Exhibit O hereto.

(b) A new Section 1.8 is hereby added, as follows:

"1.8 **Correction of Inaccurate Certificates** . If any financial statement, Certificate of Compliance or Specified Compliance Certificate provided pursuant to this Agreement is shown to be inaccurate (regardless of whether (i) this Agreement is in effect, (ii) the Commitments are in effect, or (iii) any Loan is outstanding when such inaccuracy is discovered or such financial statement, Certificate of Compliance or Specified Compliance Certificate was delivered), the Guarantor shall promptly (but in any event within five (5) Business Days thereafter) deliver to the Administrative Agent a corrected financial statement, Certificate of Compliance, or Specified Compliance Certificate, as appropriate."

(c) Section 12.4(c) is hereby amended and restated in its entirety to read as follows:

"(c) with the financial statements provided pursuant to subparagraphs (a) and (b) above, a statement in reasonable detail, substantially in the form of Exhibit N hereto (each, a " **Certificate of Compliance** "), signed by the chief financial officer of PDSA (i) stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that PDSA has taken and proposes to take with respect thereto and (ii) setting forth reasonably detailed calculations demonstrating compliance with the financial covenants contained in Section 13.8 as of the end of such fiscal quarter;"

(d) Section 13.8(b) is hereby amended and restated in its entirety to read as follows:

"(b) **Leverage Ratio** . PDSA shall maintain, on a Consolidated basis, a ratio of Net Debt (as defined below) to EBITDA (as defined below) on the last day of each of its fiscal quarters during the periods specified below not greater than the corresponding ratio set forth in the following table:

October 1, 2013 through March 31, 2014	5.50 : 1.00
April 1, 2014 through December 31, 2014	5.00 : 1.00
January 1, 2015 through September 30, 2015	4.50 : 1.00
October 1, 2015 through December 31, 2015	4.75 : 1.00
January 1, 2016 through March 31, 2016	5.00 : 1.00
April 1, 2016 through June 30, 2016	5.50 : 1.00
July 1, 2016 through December 31, 2017	6.00 : 1.00
January 1, 2018 and thereafter	4.00 : 1.00

" **Net Debt** " means Total Debt, (including, without duplication, operating leases) minus unrestricted cash and Cash Equivalents and restricted cash or Cash Equivalents held as collateral for any such debt. Prior to September 30, 2015, Net Debt shall not include Indebtedness associated with the Collateral Vessels. From September 30, 2015 to (but not including) June 30, 2016, Net Debt shall not include Indebtedness associated with the Pacific Meltem."

(e) The following proviso is hereby added immediately before the period at the end of at Section 13.8(c):

"; provided that from July 1, 2015 through and including December 31, 2017, this Section 13.8(c) shall not apply"

(f) The penultimate sentence of subsection (b) of the definition of "Fair Market Value" in Section 13.8 is amended and restated in its entirety to read as follows:

"The Fair Market Value of each Collateral Vessel shall be determined (x) at delivery and annually thereafter until December 30, 2015, (y) at December 31, 2015 and semi-annually thereafter, and (z) if a Default or Event of Default has occurred and is continuing, as the Administrative Agent may require."

(g) A new Section 13.8(i) is hereby added, as follows:

"(i) **Net Debt to Applicable Rigs** . PDSA shall maintain at all times a ratio of Net Debt to the number of Applicable Rigs during the periods set forth below not greater than the applicable amount set forth in the following table:

July 1, 2015 to June 30, 2016	US$425,000,000
July 1, 2016 through December 31, 2016	US$405,000,000
January 1, 2017 to March 31, 2017	US$387,500,000
April 1, 2017 through June 30, 2017	US$382,500,000
July 1, 2017 to September 30, 2017	US$370,000,000
October 1, 2017 to December 31, 2017	US$360,000,000

(h) A new Section 13.8(j) is hereby added, as follows:

"(j) **Certain Prohibited Investments** . Notwithstanding Section 13.5(g) above or any other provision of this Agreement, from and including November 5, 2015, through but excluding the expiry of the Fifth Amendment Premium Period and the date on which the Guarantor delivers a Specified Compliance Certificate, the Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly, make (A) any Investment in any Person in connection with such Person's direct or indirect construction or acquisition of any vessel or drilling rig, or (B) any other payment or contribution in connection with the construction or acquisition of any vessel or

drilling rig. For the avoidance of doubt, the restriction set forth in the foregoing sentence shall not be a limitation on capital expenditures for improvements on Applicable Rigs."

(i) Section 13.9 is hereby amended and restated in its entirety to read as follows:

"13.9 **Certain Disclosure Requirements** . If the Guarantor is no longer subject to Section 13(a) or 15(d) of the Exchange Act, the Guarantor shall furnish to the Administrative Agents and the Lenders, so long as any Loans are outstanding:

(1) together with the financial statements required to be delivered pursuant to Section 12.4(a), an annual report on Form 20-F (or any successor form) containing the information required to be contained therein (including the Guarantor's audited consolidated financial statements, a report thereon by the Guarantor's certified independent accountants and a Management's Discussion and Analysis of Financial Condition and Results of Operations) for such fiscal year;

(2) together with the financial statements required to be delivered pursuant to Section 12.4(b), reports on Form 6-K (or any successor form) containing, whether or not required, the Guarantor's unaudited quarterly consolidated financial statements (including a balance sheet and statement of income, changes in stockholders' equity and cash flow) and a Management's Discussion and Analysis of Financial Condition and Results of Operations (or equivalent disclosure) for and as of the end of such fiscal quarter (with comparable financial statements for the corresponding fiscal quarter of the immediately preceding fiscal year); and

(3) at or prior to such times as would be required to be filed or furnished to the SEC if the Guarantor was then a "foreign private issuer" subject to Section 13(a) or 15(d) of the Exchange Act (whether or not the Guarantor is then subject to such requirements), all such other reports and information that the Guarantor would have been required to file or furnish pursuant thereto.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports."

(j) Section 13.10(b) is hereby amended and restated in its entirety to read as follows:

"(b) Subject to the provisions set forth at Section 13.10(c) below, commencing the first fiscal quarter of the year 2014 and for each fiscal quarter thereafter, the Guarantor shall be allowed to pay (on a cumulative calendar year basis) quarterly dividends of up to 50% of its positive Net Income (as defined by GAAP but excluding any exceptional, extraordinary, one off or non-recurring items) only as long as: (i) no Default or Event of Default exists at the time of payment thereof; (ii) the Guarantor and the Borrowers are in compliance with the financial covenants set forth in Section 13.8 (including the Minimum Value set forth in Section 13.8(g)) immediately before and after payment of such dividends, and (iii) such dividends are paid no later than the following calendar year. For the avoidance of doubt, this Section 13.10(b) shall not apply to dividends of

positive Net Income earned during the year 2013, which shall be governed by Section 13.10(a) above."

(k) A new Section 13.10(c) is hereby added, as follows:

"(c) Notwithstanding the foregoing provisions of this Section 13.10, the Guarantor will not, and will not permit any of its Subsidiaries to, authorize, declare or pay any Dividends with respect to the Guarantor or any of its Subsidiaries, except that:

(i) any Subsidiary of the Guarantor may pay Dividends to the Guarantor or to any other Subsidiary of the Guarantor;

(ii) any non-wholly-owned Subsidiary of PDSA may pay cash Dividends to its shareholders generally so long as PDSA or its respective Subsidiary which owns the equity interest in the Subsidiary paying such Dividends receives at least its proportionate share thereof (based upon its relative holding of the equity interest in such Subsidiary paying such Dividends and taking into account the relative preferences, if any, of the various classes of equity interests of such Subsidiary); and

(iii) (A) prior to the date on which the Guarantor delivers a Specified Compliance Certificate, so long as no Default or Event of Default exists or would result therefrom, the Guarantor may pay Permitted Dividends (defined below), and (B) beginning on the date on which the Guarantor delivers a Specified Compliance Certificate and thereafter, so long as (x) no Default or Event of Default exists or would result therefrom and (y) after giving effect to such Dividend, the Guarantor will be in pro forma compliance with each of the financial covenants set forth at Section 13.8 above, the Guarantor may pay cash Dividends.

For purposes of this Section 13.10(c), " **Permitted Dividend** " shall mean (1) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Guarantor held by any current or former officer, director or employee of the Guarantor pursuant to any equity subscription agreement, employee stock ownership plan or similar trust, shareholders' agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $5,000,000 in any calendar year (with any portion of such $5,000,000 amount that is unused in any calendar year to be carried forward to successive calendar years and added to such amount); (2) the purchase, redemption or other acquisition or retirement for value of Capital Stock of the Guarantor deemed to occur upon the exercise or conversion of stock options, warrants, rights to acquire Capital Stock or other convertible securities, to the extent such Capital Stock represents a portion of the exercise or conversion price thereof or the purchase, redemption or other acquisition or retirement for value of Capital Stock of the Guarantor held by any current or former officers, directors or employees of the Guarantor in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy any tax withholding obligation with respect to such exercise or vesting; and (3) cash payments in lieu of the issuance of fractional shares paid in connection with a reverse stock split of the Guarantor."

(l) A new Section 21.6 is hereby added, as follows:

“Section 21.6 **Fifth Amendment GIEK Premium; Fifth Amendment Commercial Premium.** The Borrowers shall pay to the Administrative Agent, quarterly in arrears:

(a) for the account of GIEK, and for transfer by the Administrative Agent to the GIEK Account (marked with the guarantee number), a premium (the " **Fifth Amendment GIEK Premium** "), which shall accrue at the rate of 0.25% per annum on the outstanding principal amount of the GIEK Facility Loan, for the period from and including November 5, 2015, to and excluding the date of delivery by the Guarantor to the Administrative Agent of a Specified Compliance Certificate (such period, subject to extension and the other provisions of the immediately following paragraph, and the last paragraph of Section 21.6(b), below, the “ **Fifth Amendment Premium Period** ”).

Notwithstanding the foregoing, in the event that any financial statement or Specified Compliance Certificate delivered pursuant to the preceding sentence or Section 12.4 of this Agreement is shown to be inaccurate (regardless of whether (i) this Agreement is in effect, (ii) the Commitments are in effect, or (iii) any Loan is outstanding when such inaccuracy is discovered or such financial statement or Specified Compliance Certificate was delivered), and such inaccuracy, if corrected, would have resulted in the Fifth Amendment GIEK Premium being due and payable pursuant to the preceding sentence for any period for which the Fifth Amendment GIEK Premium was not otherwise due and payable, then (A) the Guarantor shall promptly (but in any event within five (5) Business Days thereafter) deliver to the Administrative Agent a corrected financial statement and/or Specified Compliance Certificate for such period, (B) the Fifth Amendment GIEK Premium shall be due and payable pursuant to the preceding sentence for such period, and (C) the Guarantor shall within such five (5) Business Day period and retroactively be obligated to pay to the Administrative Agent the accrued Fifth Amendment GIEK Premium amounts owing pursuant to this sentence for such period. Nothing in the preceding sentence shall limit any of the rights of the Administrative Agent, the Lenders or GIEK under this Agreement, and the Guarantor’s obligations under the preceding sentence shall survive the repayment of the Loans and all other Obligations hereunder.

(b) for the account of the Commercial Facility Lenders, a premium (the " **Fifth Amendment Commercial Premium** "), which shall accrue at the rate of 0.25% per annum on the outstanding principal amount of the Commercial Facility Loan, during the Fifth Amendment Premium Period; upon receipt, the Administrative Agent shall distribute the Fifth Amendment Premium among the Commercial Facility Lenders.

Notwithstanding the foregoing, in the event that any financial statement or Specified Compliance Certificate delivered pursuant to the preceding sentence or Section 12.4 of this Agreement is shown to be inaccurate (regardless of whether (i) this Agreement is in effect, (ii) the Commitments are in effect, or (iii) any Loan is outstanding when such inaccuracy is discovered or such financial statement or Specified Compliance Certificate was delivered), and such inaccuracy, if corrected, would have resulted in the Fifth Amendment Commercial Premium being due and payable pursuant to the preceding sentence for any period for which the Fifth Amendment Commercial Premium was not otherwise due and payable, then (A) the Guarantor shall promptly (but in any event within five (5) Business Days thereafter) deliver to the Administrative Agent a

corrected financial statement and/or Specified Compliance Certificate for such period, (B) the Fifth Amendment Commercial Premium shall be due and payable pursuant to the preceding sentence for such period, and (C) the Guarantor shall within such five (5) Business Day period and retroactively be obligated to pay to the Administrative Agent the accrued Fifth Amendment Commercial Premium amounts owing pursuant to this sentence for such period. Nothing in the preceding sentence shall limit any of the rights of the Administrative Agent, the Lenders or GIEK under this Agreement, and the Guarantor's obligations under the preceding sentence shall survive the repayment of the Loans and all other Obligations hereunder."

(m) A new Exhibit N is added to the Credit Agreement in the form attached to this Amendment as Schedule 2.

(n) A new Exhibit O is added to the Credit Agreement in the form attached to this Amendment as Schedule 3.

SECTION 2. Agreement in Furtherance of the Amendment of the Credit Agreement . The parties hereto hereby agree that the amendment of the Credit Agreement pursuant to the terms hereof does not violate or conflict with any term, condition, covenant, prohibition or other agreement contained in any of the other Finance Documents.

SECTION 3. Conditions to Effectiveness .

This Amendment shall become effective on and as of the date first above written (the " Amendment Effective Date ") upon (i) satisfaction of each of the preconditions described on Schedule 1 hereto and (ii) delivery by each of the parties hereto of its applicable duly authorized and executed signature page or pages to this Amendment to the Administrative Agent or its counsel.

SECTION 4. Reference to and Effect on the Finance Documents . (a) On and after the Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Finance Documents to "the Credit Agreement", "thereunder", "thereof' or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) The Credit Agreement and each of the other Finance Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed as if herein set forth in their entirety, and this Amendment is for all purposes a Finance Document.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Finance Party under the Credit Agreement or any of the other Finance Documents, or constitute a waiver of any provision of the Credit Agreement or any of the other Finance Documents.

SECTION 5. Costs and Expenses . The Borrowers agree to pay on demand all costs and expenses of the Administrative Agent and the Security Agent in connection with the preparation,

execution, delivery and administration, modification and amendment of this Amendment, the Credit Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent) in accordance with the terms of Section 21.3 of the Credit Agreement.

SECTION 6. Execution in Counterparts . This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. **GOVERNING LAW . THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING HEREUNDER OR RELATED HERETO, AND ALL ISSUES CONCERNING THE RELATIONSHIP OF THE PARTIES HERETO AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES (WITH THE EXCEPTION OF SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).**

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 5 to Senior Secured Credit Facility Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

PACIFIC SHARAV S.ÀR.L.

By: /s/ JOHANNES BOOTS
Name: Johannes Boots
Title: Manager

PACIFIC DRILLING VII LIMITED

By: /s/ PAUL REESE
Name: Paul Reese
Title: Vice President

PACIFIC DRILLING S.A.

By: /s/ PAUL T. REESE
Name: Paul T. Reese
Title: Chief Financial Officer

THE AGENTS,

DNB BANK ASA, NEW YORK BRANCH, as
Administrative Agent and as Security Agent

By: /s/ BARBARA GRONQUIST
Name: Barbara Gronquist
Title: Senior Vice President

By: /s/ PHILIPPE WULFERS
Name: Philippe Wulfers
Title: Vice President

GIEK FACILITY LENDERS,

EKSPORTKREDITT NORGE AS, as a GIEK
Facility EKN Lender

By: /s/ JOSTEIN DJUPVIK
Name: Jostein Djupvik
Title:

By: _____
Name:
Title:

CITIBANK N.A., LONDON BRANCH, as a
GIEK Facility Commercial Lender

By: /s/ ROBERT MALLECK
Name: Robert Malleck
Title: Vice President

KOMMUNAL LANDSPENSJONKASSE, as
a GIEK Facility Commercial Lender

By: /s/ HAROLD KOCH-HAGEN
Name: Harold Koch-Hagen
Title: Senior Vice President

SANTANDER BANK N.A., as
a GIEK Facility Commercial Lender

By: /s/ JEAN-BAPTISTE PIETTE
Name: Jean-Baptiste Piette
Title: Executive Director

COMMERCIAL FACILITY LENDERS

DNB CAPITAL LLC, as Lender

By: /s/ BARBARA GRONQUIST
Name: Barbara Gronquist
Title: Senior Vice President

By: /s/ PHILIPPE WULFERS
Name: Philippe Wulfers
Title: Vice President

CITIBANK, N.A., LONDON BRANCH, as Lender

By: /s/ ROBERT MALLECK
Name: Robert Malleck
Title: Vice President

ABN AMRO CAPITAL USA LLC, as Lender

By: /s/ ANTONIO MOLESTINA
Name: Antonio Molestina
Title: Managing Director

By: /s/ PASSCHIER VEEFKIND
Name: Passchier Veefkind
Title: Director- Energy Offshore

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK, as Lender

By: /s/ JEROME DUVAL
Name: Jerome Duval
Title: Managing Director

By: /s/ Y. LE GOURIÉRÈS
Name: Y. Le Gouriérès
Title: Director

CRÉDIT INDUSTRIEL ET COMMERCIAL, as Lender

By: /s/ ANDREW MCKUIN
Name: Andrew McKuin
Title: Managing Director

By: /s/ ADRIENNE MOLLOY
Name: Adrienne Molloy
Title: Managing Director

ING CAPITAL LLC, as Lender

By: /s/ TANJA VAN DER WOUDE
Name: Tanja van der Woude
Title: Director

By: /s/ RICHARD ENNIS
Name: Richard Ennis
Title: Managing Director

NIBC BANK N.V., as Lender	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL.), as Lender
By: /s/ SASKIA HOVERS Name: Saskia Hovers Title: Managing Director	By:_____ Name: Title:
By: /s/ JEROEN VAN DER PUTTEN Name: Jeroen van der Putten Title: Director	By:_____ Name: Title:
STANDARD CHARTERED BANK PLC, as Lender	ABN AMRO Bank N.V., as Lender
By: /s/ STEPHEN HACKETT Name: Stephen Hackett Title: Regional Head, Structured Finance	By:_____ Name: Title:

ALL THE FOREGOING IS HEREBY ACKNOWLEDGED AND AGREED AS OF THE DATE FIRST ABOVE WRITTEN BY:

PACIFIC DRILLING (GIBRALTAR) LIMITED, as Pledgor

By: /s/ CHRISTIAN J. BECKETT
Name: Christian J. Beckett
Title: Director

In the presence of a witness:

/s/ MORGAN T. HOTZEL
Name: Morgan T. Hotzel
Title: Senior Counsel
Address: 11700 Katy Freeway, Suite 175, Houston, Texas 77079

SCHEDULE 1 TO AMENDMENT NO. 5 TO SENIOR SECURED FACILITY AGREEMENT

Conditions Precedent to Effectiveness of Amendment No. 5
to the Credit Agreement

The Administrative Agent shall have received on or before the Amendment Effective Date the following documents or evidence, being the documents referred to in Section 3 of this Amendment No. 5, each, to the extent applicable, duly executed and dated on or prior to such date (unless otherwise specified), in form and substance reasonably satisfactory to the Administrative Agent (unless otherwise specified) and, to the extent applicable, in sufficient counterparts for each Lender:

(i) This Amendment.

(ii) An amendment to the Ship Mortgage in respect of each Collateral Vessel, each signed by the relevant Borrower and the Security Trustee, together with evidence that such amendments to Ship Mortgage have been duly recorded and are in full force and effect.

(iii) Compliance by the Guarantor and the Borrowers with all of their obligations under, and the terms of, any fee letters with Citigroup Global Markets Inc. and DNB Markets as lead arrangers in respect of this Amendment, and Citibank, N.A., and/or the Administrative Agent, entered into in connection with this Amendment, including the fee letter dated October 19, 2015 with Citigroup Global Markets Inc. and Citibank, N.A. (the " Citi Fee Letter "), and the fee letter dated October 16, 2015 with DNB Markets Inc., and including, without limitation, the payment of all fees payable thereunder to (i) the Commercial Facility Lenders, (ii) the GIEK Facility Commercial Lenders, (iii) the GIEK Facility EKN Lender, and (iv) GIEK. All accrued costs, fees and expenses (including reasonable legal fees and expenses and the reasonable fees and expenses of any other advisors) for which an invoice has been provided to the Borrowers at least three (3) Business Days before the anticipated Amendment Effective Date and other compensation, if any, payable to the Administrative Agent, DNB Markets, Citigroup Global Markets Inc., GIEK, and the Lenders shall have been paid.

(iv) The Guarantor shall have obtained requisite lender consents to amendments (the " 2013 RCF Amendments ") to the Guarantor's Credit Agreement dated as of June 3, 2013 (as amended from time to time, the " 2013 RCF "), and all conditions precedent to the effectiveness of the 2013 RCF Amendments shall have been satisfied. The 2013 RCF Amendments shall provide for, among other things, amendments to the 2013 RCF financial covenants corresponding to the amendments to the financial covenants in this Amendment, and increases in the Applicable Margin (as defined in the 2013 RCF) in the manner and amounts as described in the Summary of Terms and Conditions attached as Exhibit A to the Citi Fee Letter.

(v) The Guarantor's Credit Agreement dated as of October 29, 2014, as amended and in effect, shall have been terminated and all outstanding obligations thereunder (other than indemnities and similar obligations which are not then due and payable) shall have been repaid in full.

(vi) Incumbency certificates or other evidence of the authority of the officers (including a certification that the incumbency of such Obligor has not changed since the date of the last certification of the same to the Administrative Agent) of each Obligor and the Pledgor authorized to sign this Amendment No. 5.

(vii) The GIEK Guarantees in favor of each GIEK Facility Lender shall be in full force and effect and the Guarantor and the Borrowers shall have paid all amounts due to GIEK and the GIEK Facility EKN Lender in connection with their respective consents in relation to this Amendment.

(viii) The Administrative Agent shall be satisfied that as of the date hereof and as of the Amendment Effective Date:

(a) All representations and warranties of each Obligor contained in the Credit Agreement and in each other Finance Document shall be true and correct in all material respects, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Effect, which representation and warranty shall be true and correct in all respects (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Effect, which representation and warranty shall be true and correct, only as of such specified date);

(b) no Default or Event of Default shall have occurred and be continuing;

(c) the Borrowers and PDSA shall be in pro forma compliance with the financial covenants set forth at Section 13.8 of the Credit Agreement both before and immediately after giving effect to this Amendment (except, with respect to immediately before giving effect to this Amendment only, Section 13.8(c) of the Credit Agreement);

(d) Since December 31, 2013, there shall not have occurred a Material Adverse Effect or any event or condition that has had or could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; and

(e) There shall have been no Dividend paid by PDSA during the period of time from September 1, 2015 through the date of this Amendment that, had this Amendment been in effect, would have been in violation of Section 13.10 of the Credit Agreement, as amended by this Amendment;

and the Administrative Agent shall have received a certificate from an officer of each Obligor to that effect.

(ix) A favorable opinion of Vinson & Elkins L.L.P., counsel for the Obligors, and any local counsel (concerning the laws of the relevant Approved Flag State and such other relevant jurisdictions as the Administrative Agent may request, including without limitation, the Republic

of Liberia, Luxembourg, and the British Virgin Islands), as to such matters as the Administrative Agent or any Finance Party through the Administrative Agent may reasonably request.

and

(x) Such other items as the Administrative Agent (or any Finance Party through the Administrative Agent) may reasonably require, including, without limitation, any customary opinions, corporate resolutions, certificates and closing documentation (including a solvency certificate from the chief financial officer of PDSA), and evidence that all material third party and governmental consents necessary in connection with this Amendment have been obtained and are in full force and effect, each in form and substance reasonably satisfactory to the Administrative Agent.

SCHEDULE 2 TO AMENDMENT NO. 5 TO SENIOR SECURED FACILITY AGREEMENT

EXHIBIT N TO SENIOR SECURED CREDIT FACILITY AGREEMENT

FORM OF CERTIFICATE OF COMPLIANCE

This Certificate of Compliance (this " Certificate ") is delivered to you pursuant to the certain Senior Secured Credit Facility Agreement, dated as of February 19, 2013, as amended and restated by that certain Amended and Restated Senior Secured Credit Facility Agreement, dated as of September 13, 2013, (as further amended, supplemented, or otherwise modified, the " Credit Agreement "), among PACIFIC DRILLING VII LIMITED and PACIFIC SHARAV S.ÀR.L., as joint and several borrowers, PACIFIC DRILLING S.A., as guarantor (the " Guarantor "), EKSPORTKREDITT NORGE AS, as GIEK Facility EKN Lender, the banks and financial institutions listed therein as GIEK Facility Commercial Lenders, the banks and financial institutions listed therein as commercial facility lenders, CITIBANK N.A. (" CITIBANK ") and DNB MARKETS INC. (" DNB MARKETS "), as structuring banks, CITIBANK and DNB BANK ASA, NEW YORK BRANCH (" DNB BANK "), as global ECA coordinators and syndication agents, CITIBANK, as documentation agent, and DNB BANK, as administrative agent, security agent and account bank. Capitalized terms not otherwise defined in this Certificate have the same meanings as specified in the Credit Agreement.

1. I am the duly elected, qualified and acting chief financial officer of the Guarantor.

2. I have reviewed and am familiar with the contents of this Certificate. I am providing this Certificate solely in my capacity as chief financial officer of the Guarantor, and on behalf of the Guarantor.

3. The matters set forth herein are true to the best of my knowledge after due inquiry.

4. I have reviewed the terms of the Credit Agreement and the other Finance Documents and have made or caused to be made under my supervision a review in reasonable detail of the transactions and condition of the Guarantor and its Subsidiaries during the accounting period covered by the financial statements attached hereto as ANNEX 1 (the " Financial Statements "). Such review did not disclose the existence during or at the end of the accounting period covered by the Financial Statements, and I have no knowledge of the existence, as of the date of this Certificate, of any condition or event which constitutes a Default or an Event of Default[, except as set forth below], or any condition or event which constitutes or can be reasonably expected to constitute a violation of any covenant specified at Section 13.8 of the Credit Agreement[, except as set forth below].

5. Attached hereto as ANNEX 2 are the computations showing (in reasonable detail) compliance with the covenants specified at Section 13.8 of the Credit Agreement.

IN WITNESS WHEREOF, I have executed this Certificate this ___ day of _____, 20__.

PACIFIC DRILLING S.A.

By_____

Name:

Title: Chief Financial Officer

ANNEX 1 TO CERTIFICATE OF COMPLIANCE

[Financial statements to be attached]

ANNEX 2 TO CERTIFICATE OF COMPLIANCE

The information described herein is as of _____ __, 20__ (the " Computation Date ") and, except as otherwise indicated below, pertains to the period from _____ __, 20__ to the Computation Date (the " Relevant Period ").

Financial Covenant	**Period or Date of Determination**	**Amount**
A. Consolidated Tangible Net Worth (Section 13.8(a))	As at the Computation Date	$_____
B. Leverage Ratio (Section 13.8(b))		
1. Consolidated Net Debt	As at the Computation Date	$_____
2. Consolidated EBITDA	As at the Computation Date	$_____
3. Ratio of line 1 to line 2		____:1.00
C. Projected DSCR (Section 13.8(c))		
1. EBITDA of the Group	For the following four fiscal quarters	$_____
2. All obligations of members of the Group to pay interest (net of hedging payments and receipts) forecast to be paid during such specified period plus one tenth (1/10th) of Total Debt	For the following four fiscal quarters	$_____
3. Ratio of line 1 to line 2		____:1.00
D. Total Debt to Total Capitalization Ratio (Section 13.8(d))		
1. Total Debt	As at the Computation Date	$_____
2. Total Capitalization	As at the Computation Date	$_____
3. Ratio of line 1 to line 2		____:1.00
E. Minimum Liquidity (Section 13.8(f)) (aggregate of cash and Cash Equivalents in the Group Corporate Accounts free and clear of all liens or restrictions other than Security Interests created in connection with the Finance Documents)	As at the Computation Date	$_____
F. Minimum Value (Section 13.8(g))		
1. Aggregate Fair Market Value of the Collateral Vessels	As at the last date on which Fair Market Value was measured	$_____
2. Sum of the then aggregate outstanding principal amount under the Credit Agreement	As at the Computation Date	$_____
3. Line 1 divided by line 2 (%)		_____%
G. Net Debt to Applicable Rigs (Section 13.8(i))		
1. Net Debt	As at Computation Date	$_____
2. Applicable Rigs	As at Computation Date	___
3. Line 1 divided by line 2		$_____

SCHEDULE 3 TO AMENDMENT NO. 5 TO SENIOR SECURED FACILITY AGREEMENT

EXHIBIT O TO SENIOR SECURED CREDIT FACILITY AGREEMENT

FORM OF SPECIFIED COMPLIANCE CERTIFICATE

This Specified Compliance Certificate (this " Certificate ") is delivered to you pursuant to the certain Senior Secured Credit Facility Agreement, dated as of February 19, 2013, as amended and restated by that certain Amended and Restated Senior Secured Credit Facility Agreement, dated as of September 13, 2013, (as further amended, supplemented, or otherwise modified, the " Credit Agreement "), among PACIFIC DRILLING VII LIMITED and PACIFIC SHARAV S.ÀR.L., as joint and several borrowers, PACIFIC DRILLING S.A., as guarantor (the " Guarantor "), EKSPORTKREDITT NORGE AS, as GIEK Facility EKN Lender, the banks and financial institutions listed therein as GIEK Facility Commercial Lenders, the banks and financial institutions listed therein as commercial facility lenders, CITIBANK N.A. (" CITIBANK ") and DNB MARKETS INC. (" DNB MARKETS "), as structuring banks, CITIBANK and DNB BANK ASA, NEW YORK BRANCH (" DNB BANK "), as global ECA coordinators and syndication agents, CITIBANK, as documentation agent, and DNB BANK, as administrative agent, security agent and account bank. Capitalized terms not otherwise defined in this Certificate have the same meanings as specified in the Credit Agreement.

1. I am the duly elected, qualified and acting chief financial officer of the Guarantor.

2. I have reviewed and am familiar with the contents of this Certificate. I am providing this Certificate solely in my capacity as chief financial officer of the Guarantor, and on behalf of the Guarantor.

3. The matters set forth herein are true to the best of my knowledge after due inquiry.

4. I have reviewed the terms of the Credit Agreement and the other Finance Documents and have made or caused to be made under my supervision a review in reasonable detail of the transactions and condition of the Guarantor and its Subsidiaries during the accounting period covered by the financial statements attached hereto as ANNEX 1 (the " Financial Statements "). Such review did not disclose the existence during or at the end of the accounting period covered by the Financial Statements, and I have no knowledge of the existence, as of the date of this Certificate, of any condition or event which constitutes a Default or an Event of Default, except as set forth below, or any condition or event which constitutes or can be reasonably expected to constitute a violation of any covenant specified at Section 13.8 of the Credit Agreement, except as set forth below.

5. Attached hereto as ANNEX 2 are the computations showing (in reasonable detail) compliance with the covenants specified at Section 13.8 of the Credit Agreement.

IN WITNESS WHEREOF, I have executed this Certificate this ___ day of _____, 20__.

PACIFIC DRILLING S.A.

By_____

Name:

Title: Chief Financial Officer

ANNEX 1 TO SPECIFIED COMPLIANCE CERTIFICATE

[Financial statements to be attached]

ANNEX 2 TO SPECIFIED COMPLIANCE CERTIFICATE

The information described herein is as of _____ __, 20__ (the " Computation Date ") and, except as otherwise indicated below, pertains to the period from _____ __, 20__ to the Computation Date (the " Relevant Period ").

Financial Covenant	**Period or Date of Determination**	**Amount**
A. Consolidated Tangible Net Worth (Section 13.8(a))	As at the Computation Date	$_____
B. Leverage Ratio (Section 13.8(b))		
4. Consolidated Net Debt	As at the Computation Date	$_____
5. Consolidated EBITDA	As at the Computation Date	$_____
6. Ratio of line 1 to line 2		____:1.00
C. Projected DSCR (Section 13.8(c))		
4. EBITDA of the Group	For the following four fiscal quarters	$_____
5. All obligations of members of the Group to pay interest (net of hedging payments and receipts) forecast to be paid during such specified period plus one tenth (1/10th) of Total Debt	For the following four fiscal quarters	$_____
6. Ratio of line 1 to line 2		____:1.00
D. Total Debt to Total Capitalization Ratio (Section 13.8(d))		
4. Total Debt	As at the Computation Date	$_____
5. Total Capitalization	As at the Computation Date	$_____
6. Ratio of line 1 to line 2		____:1.00
E. Minimum Liquidity (Section 13.8(f)) (aggregate of cash and Cash Equivalents in the Group Corporate Accounts free and clear of all liens or restrictions other than Security Interests created in connection with the Finance Documents)	As at the Computation Date	$_____
F. Minimum Value (Section 13.8(g))		
4. Aggregate Fair Market Value of the Collateral Vessels	As at the last date on which Fair Market Value was measured	$_____
5. Sum of the then aggregate outstanding principal amount under the Credit Agreement	As at the Computation Date	$_____
6. Line 1 divided by line 2 (%)		_____%

Exhibit 8.1

Subsidiaries

Entity	Jurisdiction of Formation
Pacific Drilling do Brasil Investimentos Ltda.	Brazil
Pacific Drilling do Brasil Serviços de Perfuração Ltda.	Brazil
Pacific Drilling Services Pte. Ltd.	Singapore
Pacific International Drilling West Africa Limited	Nigeria
Pacific Drilling Netherlands Coöperatief U.A.	The Netherlands
Pacific Drilling N.V.	Curacao
Pacific Drilling Administrator Limited	British Virgin Islands
Pacific Deepwater Construction Limited	British Virgin Islands
Pacific Drilling International Ltd	British Virgin Islands
Pacific Drilling Manpower Ltd	British Virgin Islands
Pacific Drilling Operations Limited	British Virgin Islands
Pacific Drilling South America 1 Limited	British Virgin Islands
Pacific Drilling South America 2 Limited	British Virgin Islands
Pacific Drilling V Limited	British Virgin Islands
Pacific Drilling VII Limited	British Virgin Islands
Pacific Drilling VIII Limited	British Virgin Islands
Pacific Drillship Nigeria Limited	British Virgin Islands
Pacific Bora Ltd.	Liberia
Pacific Mistral Ltd.	Liberia
Pacific Scirocco Ltd.	Liberia
Pacific Drilling Limited	Liberia
Pacific Drilling, Inc.	USA, Delaware
Pacific Drilling International, LLC	USA, Delaware
Pacific Drilling Services, Inc.	USA, Delaware
Pacific Drilling Manpower, Inc.	USA, Delaware
Pacific Drilling Operations, Inc.	USA, Delaware
Pacific Drilling Finance S.à r.l.	Luxembourg
Pacific Drillship S.à r.l.	Luxembourg
Pacific Drilling Manpower S.à r.l.	Luxembourg
Pacific Santa Ana S.à r.l.	Luxembourg
Pacific Sharav S.à r.l.	Luxembourg
Pacific Drilling (Gibraltar) Limited	Gibraltar
Pacific Drillship (Gibraltar) Limited	Gibraltar
Pacific Drilling Holding (Gibraltar) Limited	Gibraltar
Pacific Santa Ana (Gibraltar) Limited	Gibraltar

Exhibit 12.1

CERTIFICATION

I, Christian J. Beckett, certify that:

1. I have reviewed this annual report on Form 20-F of Pacific Drilling S.A.;

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

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

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

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

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

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

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

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

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

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

Date: March 1, 2016

By:	/s/ Christian J. Beckett
Name:	Christian J. Beckett
Title:	Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Paul T. Reese, certify that:

1. I have reviewed this annual report on Form 20-F of Pacific Drilling S.A.;

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

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

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

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

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

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

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

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

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

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

Date: March 1, 2016

By:	/s/ Paul T. Reese
Name:	Paul T. Reese
Title:	Chief Financial Officer

Exhibit 13.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Christian J. Beckett, Chief Executive Officer, hereby certify, to my knowledge, that:

1. the Company's annual report on Form 20-F for the year ended December 31, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 1, 2016

By:	/s/ Christian J. Beckett
Name:	Christian J. Beckett
Title:	Chief Executive Officer

Exhibit 13.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Paul T. Reese, Chief Financial Officer, hereby certify, to my knowledge, that:

1. the Company's annual report on Form 20-F for the year ended December 31, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 1, 2016

By:	/s/ Paul T. Reese
Name:	Paul T. Reese
Title:	Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Pacific Drilling S.A.:

We consent to the incorporation by reference in the registration statements (No. 333-180485 and No. 333-194380) on Form S-8 of Pacific Drilling S.A. of our reports dated March 1, 2016, with respect to the consolidated balance sheets of Pacific Drilling S.A. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows, for each of the years in the three-year period ended December 31, 2015, and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appears in the December 31, 2015 annual report on Form 20-F of Pacific Drilling S.A.

/s/ KPMG LLP

Houston, Texas
March 1, 2016