NABORS INDUSTRIES LTD
Form 10-Q
August 02, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2011

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

Incorporated in Bermuda	**98-0363970**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Crown House
Second Floor
4 Par-la-Ville Road
Hamilton, HM08
Bermuda
(441) 292-1510

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 þ NO o

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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES þ NO o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of common shares, par value $.001 per share, outstanding as of July 27, 2011 was 287,486,076.

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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ITEM 1. *FINANCIAL STATEMENTS*

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 528,822	$ 641,702
Short-term investments	144,220	159,488
Assets held for sale	311,295	352,048
Accounts receivable, net	1,191,182	1,116,510
Inventory	199,899	158,836
Deferred income taxes	38,809	31,510
Other current assets	138,714	152,836
Total current assets	2,552,941	2,612,930
Long-term investments and other receivables	42,119	40,300
Property, plant and equipment, net	8,372,405	7,815,419
Goodwill	494,100	494,372
Investment in unconsolidated affiliates	303,970	267,723
Other long-term assets	350,117	415,825
Total assets	$ 12,115,652	$ 11,646,569
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 881	$ 1,379,018
Trade accounts payable	551,010	355,282
Accrued liabilities	462,343	394,292
Income taxes payable	10,716	25,788
Total current liabilities	1,024,950	2,154,380
Long-term debt	4,264,586	3,064,126
Other long-term liabilities	257,696	245,765
Deferred income taxes	830,757	770,247
Total liabilities	6,377,989	6,234,518
Commitments and contingencies (Note 8)		
Subsidiary preferred stock	69,188	69,188
Equity:		
Shareholders equity:		

Common shares, par value $.001 per share:		
Authorized common shares 800,000; issued 316,858 and 315,034, respectively	316	315
Capital in excess of par value	2,273,016	2,255,787
Accumulated other comprehensive income	376,891	342,052
Retained earnings	3,983,154	3,707,881
Less: treasury shares, at cost, 29,414 common shares	(977,873)	(977,873)
Total shareholders equity	5,655,504	5,328,162
Noncontrolling interest	12,971	14,701
Total equity	5,668,475	5,342,863
Total liabilities and equity	$ 12,115,652	$ 11,646,569

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

(In thousands, except per share amounts)	**Three Months Ended June 30, 2011**	**Three Months Ended June 30, 2010**	**Six Months Ended June 30, 2011**	**Six Months Ended June 30, 2010**
Revenues and other income:				
Operating revenues	$ 1,354,905	$ 896,029	$ 2,736,184	$ 1,787,375
Earnings (losses) from unconsolidated affiliates	9,307	8,845	25,581	16,487
Investment income (loss)	(969)	2,314	11,318	(243)
Total revenues and other income	1,363,243	907,188	2,773,083	1,803,619
Costs and other deductions:				
Direct costs	835,112	517,531	1,693,483	1,022,728
General and administrative expenses	125,648	80,337	244,106	155,763
Depreciation and amortization	225,912	175,397	452,014	346,933
Depletion	2,698	4,841	6,271	9,868
Interest expense	63,739	65,293	137,663	132,062
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	5,572	11,024	11,601	31,391
Total costs and other deductions	1,258,681	854,423	2,545,138	1,698,745
Income (loss) from continuing operations before income taxes	104,562	52,765	227,945	104,874
Income tax expense (benefit):				
Current	7,791	17,652	24,444	30,297
Deferred	27,873	(8,858)	49,527	(12,913)
Total income tax expense (benefit)	35,664	8,794	73,971	17,384
Subsidiary preferred stock dividend	750		1,500	
Income (loss) from continuing operations, net of tax	68,148	43,971	152,474	87,490
Income (loss) from discontinued operations, net of tax	123,906	(909)	121,736	(5,330)
Net income (loss)	192,054	43,062	274,210	82,160
Less: Net (income) loss attributable to noncontrolling interest	394	559	1,063	1,661
Net income (loss) attributable to Nabors	$ 192,448	$ 43,621	$ 275,273	$ 83,821
Earnings (losses) per share:				
Basic from continuing operations	$ .24	$ .15	$ .54	$ .31

Basic from discontinued operations	.43		.42	(.02)
Total Basic	$ .67	$ .15	$ .96	$ .29
Diluted from continuing operations	$ .23	$ .15	$ .52	$ .31
Diluted from discontinued operations	.42		.42	(.02)
Total Diluted	$ .65	$ .15	$ .94	$ .29
Weighted-average number of common shares outstanding:				
Basic	287,311	285,181	286,712	284,927
Diluted	294,298	289,796	293,493	290,266

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended June 30, 2011	2010
Cash flows from operating activities:		
Net income (loss) attributable to Nabors	$ 275,273	$ 83,821
Adjustments to net income (loss):		
Depreciation and amortization	451,986	348,475
Depletion and other exploratory expenses	19,072	15,677
Deferred income tax expense (benefit)	47,308	(12,151)
Deferred financing costs amortization	2,922	2,559
Pension liability amortization and adjustments	300	199
Discount amortization on long-term debt	26,081	36,764
Amortization of loss on hedges	464	291
Losses (gains) on long-lived assets, net	(41,458)	3,667
Losses (gains) on investments, net	(8,761)	2,184
Losses (gains) on debt retirement, net	58	7,033
Losses (gains) on derivative instruments	338	1,580
Share-based compensation	8,107	7,047
Foreign currency transaction losses (gains), net	615	15,019
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	(102,122)	(10,379)
Changes in operating assets and liabilities:		
Accounts receivable	(82,533)	(42,363)
Inventory	(39,807)	(7,308)
Other current assets	21,051	16,273
Other long-term assets	61,543	(11,765)
Trade accounts payable and accrued liabilities	237,743	15,025
Income taxes payable	(13,363)	(9,622)
Other long-term liabilities	5,085	7,883
Net cash provided by operating activities	869,902	469,909
Cash flows from investing activities:		
Purchases of investments	(7,945)	(27,988)
Sales and maturities of investments	20,622	27,997
Investment in unconsolidated affiliates	(29,762)	(10,936)
Distribution of proceeds from asset sales from unconsolidated affiliates	119,207	
Capital expenditures	(1,003,245)	(369,455)
Proceeds from sales of assets and insurance claims	102,067	17,567
Net cash used for investing activities	(799,056)	(362,815)
Cash flows from financing activities:		

Increase (decrease) in cash overdrafts	11,203	(6,130)
Proceeds from issuance of common shares	11,622	4,733
Proceeds from revolving credit facilities	1,200,000	
Debt issuance costs	(2,188)	
Reduction in long-term debt	(1,404,247)	(273,605)
Repurchase of equity component of convertible debt	(14)	(4,712)
Settlement of call options and warrants, net		1,133
Purchase of restricted stock	(2,527)	(1,887)
Tax benefit related to share-based awards	42	(45)
Net cash used for financing activities	(186,109)	(280,513)
Effect of exchange rate changes on cash and cash equivalents	2,383	(6,803)
Net (decrease) increase in cash and cash equivalents	(112,880)	(180,222)
Cash and cash equivalents, beginning of period	641,702	927,815
Cash and cash equivalents, end of period	$ 528,822	$ 747,593

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

nds)		Common Shares Shares	Shares ParValue	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	
December 31,		315,034	$ 315	$ 2,255,787	$ 342,052	$ 3,707,881	$ (977,873)	$ 14,701	$ 5
nsive income									
e (loss) e to Nabors	$ 275,273					275,273			
n adjustment e to Nabors	39,349				39,349				
gains/(losses) ble securities, me taxes of $70	(4,954)				(4,954)				
assification for ses included in (loss), net of es of $0	(1)				(1)				
bility on, net of income 17	183				183				
gains/(losses) zation of ses on cash flow t of income tax $119	262				262				
nsive income utable to	$ 310,112								
e (loss) e to ling interest	(1,063)							(1,063)	
n adjustment e to ling interest	452							452	
nsive income utable to	(611)								

ling interest									
prehensive									
ss)	$ 309,501								
f common shares									
ptions exercised,									
ender of									
d stock options		956	1	11,621					
ns from									
ling interest								(1,119)	
e of equity									
t of convertible									
				(14)					
t related to									
d awards				42					
stock awards,									
		868		(2,527)					
d compensation				8,107					
June 30, 2011		316,858	$ 316	$ 2,273,016	$ 376,891	$ 3,983,154	$ (977,873)	$ 12,971	$ 5

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

nds)		Common Shares Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	T E
December 31,		313,915	$ 314	$ 2,239,323	$ 292,706	$ 3,613,186	$ (977,873)	$ 14,323	$ 5
nsive income									
e (loss) e to Nabors	$ 83,821					83,821			
n adjustment e to Nabors	(15,687)				(15,687)				
l gains/(losses) able securities, me taxes of	(23,906)				(23,906)				
assification t for ses included in e (loss), net of es of $951	(2,060)				(2,060)				
bility on, net of income 4	126				126				
l gains/(losses) zation of ses on cash flow t of income tax $9	89				89				
nsive income butable to	$ 42,383								
e (loss) e to ling interest	(1,661)							(1,661)	
n adjustment e to ling interest	(131)							(131)	
	(1,792)								

nsive income putable to lling interest									
prehensive ss)	$ 40,591								
f common shares ptions exercised, ender of d stock options		389		4,733					
ns from lling interest								(867)	
ons to lling interest								437	
e of equity t of convertible				(4,712)					
of call options nts, net				1,133					
t related to d awards				(45)					
stock awards,		374		(1,887)					
ed compensation				7,047					
June 30, 2010		314,678	$ 314	$ 2,245,592	$ 251,268	$ 3,697,007	$ (977,873)	$ 12,101	$ 5

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

Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

Nabors is the largest land drilling contractor in the world and one of the largest land well-servicing and workover contractors in the United States and Canada:

We actively market approximately 551 land drilling rigs for oil and gas land drilling operations in the U.S. Lower 48 states, Alaska, Canada, South America, Mexico, the Caribbean, the Middle East, the Far East, Russia and Africa.

We actively market approximately 574 rigs for land well-servicing and workover work in the United States and approximately 174 rigs for land well-servicing and workover work in Canada.

We are also a leading provider of offshore platform workover and drilling rigs, and actively market 40 platform, 13 jackup and four barge rigs in the United States, including the Gulf of Mexico, and multiple international markets.

In addition to the foregoing services:

We provide pressure pumping services with over 616,000 hydraulic horsepower in key basins throughout the United States.

We offer a wide range of ancillary well-site services, including engineering, transportation and disposal, construction, maintenance, well logging, directional drilling, rig instrumentation, data collection and other support services in select U.S. and international markets.

We manufacture and lease or sell top drives for a broad range of drilling applications, directional drilling systems, rig instrumentation and data collection equipment, pipeline handling equipment and rig reporting software.

We invest in oil and gas exploration, development and production activities in the United States, Canada and Colombia through both our wholly owned subsidiaries and our oil and gas joint ventures in which we hold 49-50% ownership interests.

We have a 51% ownership interest in a joint venture in Saudi Arabia, which owns and actively markets nine rigs in addition to the rigs we lease to the joint venture.

We also provide logistics services for onshore drilling in Canada using helicopters and fixed-wing aircraft.

The majority of our business is conducted through our various Contract Drilling operating segments, which include our drilling, well-servicing, fluid logistics and workover operations, on land and offshore. Our hydraulic fracturing and downhole surveying services are included in our Pressure Pumping operating segment. Our oil and gas exploration, development and production operations are included in our Oil and Gas operating segment. Our operating segments engaged in drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software, and construction and logistics operations are aggregated in our Other Operating Segments.

On September 10, 2010, we acquired Superior Well Services, Inc. (Superior). The effects of the Superior acquisition and the related operating results are included in the accompanying unaudited consolidated financial statements beginning on the acquisition date, and are reflected in the operating segment titled Pressure Pumping.

Unless the context requires otherwise, references in this report to we, us, our, or Nabors mean Nabors Industries Lt together with our subsidiaries where the context requires, including Nabors Industries, Inc., a Delaware corporation (Nabors Delaware).

Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies

Interim Financial Information

The unaudited consolidated financial statements of Nabors are prepared in conformity with accounting principles generally accepted in the United States (GAAP). Certain reclassifications have been made to the prior period to conform to the current-period presentation, with no effect on our consolidated financial position, results of operations or cash flows. Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. Therefore, these financial statements should be read along with our annual report on Form 10-K for the year ended December 31, 2010 (2010 Annual Report). In management s opinion, the consolidated financial statements contain all adjustments necessary to present fairly our financial position as of June 30, 2011 and the results of our operations for the three and six months ended June 30, 2011 and 2010, and our cash flows and changes in equity for the six months ended June 30, 2011 and 2010, in accordance with GAAP. Interim results for the three and six months ended June 30, 2011 may not be indicative of results that will be realized for the full year ending December 31, 2011.

Our independent registered public accounting firm has reviewed and issued a report on these consolidated interim financial statements in accordance with standards established by the Public Company Accounting Oversight Board. Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of any registration statement prepared or certified within the meanings of Sections 7 and 11 of such Act.

Principles of Consolidation

Our consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries required to be consolidated under GAAP. Our consolidated financial statements exclude majority owned entities for which we do not have either (i) the ability to control the operating and financial decisions and policies of that entity or (ii) a controlling financial interest in a variable interest entity. All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in operating entities where we have the ability to exert significant influence, but where we do not control operating and financial policies, are accounted for using the equity method. Our share of the net income (loss) of these entities is recorded as earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss), and our investment in these entities is included as a single amount in our consolidated balance sheets. Investments in unconsolidated affiliates accounted for using the equity method totaled $301.4 million and $265.8 million and investments in unconsolidated affiliates accounted for using the cost method totaled $2.5 million and $1.9 million, respectively, as of June 30, 2011 and December 31, 2010. At June 30, 2011 and December 31, 2010, assets held for sale included investments in unconsolidated affiliates accounted for using the equity method totaling $37.4 million and $79.5 million, respectively. See Note 11 Discontinued Operations for additional information.

We have investments in offshore funds, which are classified as long-term investments and are accounted for using the equity method of accounting based on our ownership interest in each fund.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) to clarify the application of some of the existing fair value measurement and disclosure requirements. These changes are effective for interim and annual periods that begin after December 15, 2011. We are currently evaluating the impact on our consolidated financial statements.

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2011, the FASB issued an ASU relating to the presentation of other comprehensive income (OCI). This ASU does not change the items that are reported in OCI, but does remove the option to present the components of OCI within the statement of changes in equity. In addition, this ASU will require OCI presentation on the face of the financial statements. These changes are effective for interim and annual periods that begin after December 15, 2011, and are applied retrospectively to all periods presented. Early adoption is permitted. We plan to adopt the ASU beginning January 1, 2012.

Note 3 Cash and Cash Equivalents and Investments

Our cash and cash equivalents, short-term and long-term investments and other receivables consisted of the following:

	June 30, 2011	December 31, 2010
	(In thousands)	
Cash and cash equivalents	$ 528,822	$ 641,702
Short-term investments:		
Trading equity securities	12,970	19,630
Available-for-sale equity securities	68,580	79,698
Available-for-sale debt securities	62,670	60,160
Total short-term investments	144,220	159,488
Long-term investments and other receivables	42,119	40,300
Total	$ 715,161	$ 841,490

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Certain information related to our cash and cash equivalents and short-term investments follows:

	June 30, 2011			December 31, 2010		
	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
	(In thousands)					
Cash and cash equivalents	$ 528,822	$	$	$ 641,702	$	$
Short-term investments:						
Trading equity securities	12,970	7,246		19,630	13,906	
Available-for-sale equity securities	68,580	24,801	(18)	79,698	38,176	(2,274)
Available-for-sale debt securities:						
Commercial paper and CDs	1,216			1,275		
Corporate debt securities	55,300	21,944	(479)	52,022	15,274	(18)
Mortgage-backed debt securities	370	19		372	16	
Mortgage-CMO debt securities	2,754	16	(99)	3,015	21	(6)
Asset-backed debt securities	3,030		(149)	3,476		(268)
Total available-for-sale debt securities	62,670	21,979	(727)	60,160	15,311	(292)
Total available-for-sale securities	131,250	46,780	(745)	139,858	53,487	(2,566)
Total short-term investments	144,220	54,026	(745)	159,488	67,393	(2,566)
Total cash, cash equivalents and short-term investments	$ 673,042	$ 54,026	$ (745)	$ 801,190	$ 67,393	$ (2,566)

Certain information related to the gross unrealized losses of our cash and cash equivalents and short-term investments follows:

As of June 30, 2011

	Less Than 12 Months		More Than 12 Months	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(In thousands)			
Available-for-sale equity securities	$ 1,067	$ 18	$	$
Available-for-sale debt securities:(1)				
Corporate debt securities	19,300	479		
Mortgage-CMO debt securities	2,264	95	117	4
Asset-backed debt securities			3,030	149
Total available-for-sale debt securities	21,564	574	3,147	153
Total	$ 22,631	$ 592	$ 3,147	$ 153

(1) Our unrealized losses on available-for-sale debt securities held for more than one year are comprised of various types of securities. Each of these securities has a rating ranging from A to AAA from

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Standard & Poor s and ranging from A2 to Aaa from Moody s Investors Service and is considered of high credit quality. In each case, we do not intend to sell these investments, and it is less likely than not that we will be required to sell them to satisfy our own cash flow and working capital requirements. We believe that we will be able to collect all amounts due according to the contractual terms of each investment and, therefore, did not consider the decline in value of these investments to be other-than-temporary at June 30, 2011.

The estimated fair values of our corporate, mortgage-backed, mortgage-CMO and asset-backed debt securities at June 30, 2011, classified by time to contractual maturity, are shown below. Expected maturities differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties and we may elect to sell the securities prior to the contractual maturity date.

	Estimated Fair Value June 30, 2011 (In thousands)
Debt securities:	
Due in one year or less	$ 1,216
Due after one year through five years	
Due in more than five years	61,454
Total debt securities	$ 62,670

Certain information regarding our debt and equity securities is presented below:

	Six Months Ended June 30,	
	2011	2010
	(In thousands)	
Available-for-sale:		
Proceeds from sales and maturities	$ 782	$ 10,757
Realized gains (losses), net	(7)	1,677

Note 4 Fair Value Measurements

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis as of June 30, 2011. Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. During the three months ended June 30, 2011, there were no transfers of our financial

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assets and liabilities between Level 1 and 2 measures. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measurements

	Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Short-term investments:				
Available-for-sale equity securities energy industry	$ 68,580	$	$	$ 68,580
Available-for-sale debt securities				
Commercial paper and CDs	1,216			1,216
Corporate debt securities		55,300		55,300
Mortgage-backed debt securities		370		370
Mortgage-CMO debt securities		2,754		2,754
Asset-backed debt securities	3,030			3,030
Trading securities energy industry	12,970			12,970
Total short-term investments	$ 85,796	$ 58,424	$	$ 144,220
Liabilities:				
Derivative contract	$	$ 2,578	$	$ 2,578

Nonrecurring Fair Value Measurements

Fair value measurements were applied with respect to our nonfinancial assets and liabilities measured on a nonrecurring basis, which would consist of measurements primarily to goodwill, oil and gas financing receivables, intangible assets and other long-lived assets, assets acquired and liabilities assumed in a business combination, and asset retirement obligations.

Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value of Financial Instruments

The fair value of our financial instruments has been estimated in accordance with GAAP. The fair value of our long-term debt and subsidiary preferred stock is estimated based on quoted market prices or prices quoted from third-party financial institutions. The carrying and fair values of these liabilities were as follows:

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
0.94% senior exchangeable notes due May 2011	$	$	$ 1,378,178	$ 1,403,315
6.15% senior notes due February 2018	966,883	1,083,050	966,276	1,041,008
9.25% senior notes due January 2019	1,125,000	1,436,738	1,125,000	1,393,943
5.00% senior notes due September 2020	697,190	700,308	697,037	678,335
5.375% senior notes due August 2012(1)	274,291	287,876	273,977	291,500
Subsidiary preferred stock	69,188	68,625	69,188	68,625
Revolving credit facilities	1,200,000	1,200,000		
Other	2,103	2,103	2,676	2,676
	$ 4,334,655	$ 4,778,700	$ 4,512,332	$ 4,879,402

(1) Includes $.5 million and $.7 million as of June 30, 2011 and December 31, 2010, respectively, related to the unamortized loss on an interest rate swap that was unwound during the fourth quarter of 2005.

The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

As of June 30, 2011, our short-term investments were carried at fair market value and included $131.2 million and $13.0 million in securities classified as available-for-sale and trading, respectively. As of December 31, 2010, our short-term investments were carried at fair market value and included $139.9 million and $19.6 million in securities classified as available-for-sale and trading, respectively. The carrying value of our long-term investments that are accounted for using the equity method of accounting approximates fair value. The fair value of these long-term investments totaled $6.1 million and $7.4 million as of June 30, 2011 and December 31, 2010, respectively. The carrying value of our oil and gas financing receivables included in long-term investments approximates fair value. The carrying value of our oil and gas financing receivables totaled $36.0 million and $32.9 million as of June 30, 2011 and December 31, 2010, respectively. Income and gains associated with our oil and gas financing receivables are recognized as operating revenues.

Note 5 Share-Based Compensation

We have several share-based employee compensation plans, which are more fully described in Note 6 Share-Based Compensation to the audited financial statements included in our 2010 Annual Report.

Total share-based compensation expense, which includes both stock options and restricted stock, totaled $4.1 million and $3.6 million for the three months ended June 30, 2011 and 2010, respectively, and $8.1 million and $7.0 million for the six months ended June 30, 2011 and 2010, respectively. Total share-based compensation is included in direct costs and general and administrative expenses in our consolidated statements of income (loss). Share-based compensation expense has been allocated to our various operating segments. See Note 12 Segment Information.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the six months ended June 30, 2011 and 2010, we awarded 1,029,157 and 460,418 shares of restricted stock, respectively, vesting over periods up to four years, to our employees and directors. These awards had an aggregate value at their grant date of $28.8 million and $10.3 million, respectively. The fair value of restricted stock that vested during the six months ended June 30, 2011 and 2010 was $15.9 million and $19.3 million, respectively.

The total intrinsic value of stock options exercised during the six months ended June 30, 2011 and 2010 was $15.1 million and $3.4 million, respectively. The total fair value of stock options that vested during the six months ended June 30, 2011 and 2010 was $5.1 million and $5.5 million, respectively.

Note 6 Debt

Long-term debt consists of the following:

	June 30, 2011	December 31, 2010
	(In thousands)	
0.94% senior exchangeable notes due May 2011	$	$ 1,378,178
6.15% senior notes due February 2018	966,883	966,276
9.25% senior notes due January 2019	1,125,000	1,125,000
5.00% senior notes due September 2020	697,190	697,037
5.375% senior notes due August 2012	274,291	273,977
Revolving credit facilities	1,200,000	
Other	2,103	2,676
	4,265,467	4,443,144
Less: current portion	881	1,379,018
	$ 4,264,586	$ 3,064,126

Senior Exchangeable Notes

On May 16, 2011, the remaining aggregate principal amount of $1.4 billion of our 0.94% senior exchangeable notes matured and we redeemed them with $1.2 billion of borrowings under our revolving credit facilities and available cash.

Revolving Credit Facilities

As of June 30, 2011, we had $200 million of remaining availability from a combined total of $1.4 billion under our existing revolving credit facilities. The existing revolving credit facilities mature in September 2014, and can be used for general corporate purposes, including capital expenditures and working capital. The weighted average interest rate on current borrowings was 1.8%. We fully and unconditionally guarantee the obligations under all of these credit facilities.

We have two senior unsecured revolving credit facilities, which total $1.35 billion under Nabors Delaware and, as of June 30, 2011, $1.15 billion has been utilized. A third unsecured revolving credit facility for $50 million exists with one of our subsidiaries and, as of June 30, 2011, has been fully utilized. We have the option to increase the aggregate principal amount of commitments by an additional $200 million by either adding new lenders to these facilities or by requesting existing lenders under the facilities to increase their commitments (in each case with the consent of the new lenders or the increasing lenders).

Borrowings under the senior unsecured revolving credit facilities bear interest, at Nabor s option, for either (x) the Base Rate (as defined below) plus the applicable interest margin, calculated on the basis of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

actual number of days elapsed in a year of 365 days and payable quarterly in arrears or (y) interest periods of one, two, three or six months at an annual rate equal to the LIBOR for the corresponding deposits of U.S. dollars, plus the applicable interest margin. The Base Rate is defined, for any day, as a fluctuating rate per annum equal to the highest of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (ii) the prime commercial lending rate of the administrative agent, as established from time to time and (iii) LIBOR for an interest period of one month beginning on such day plus 1%.

The revolving credit facilities contain various covenants and restrictive provisions which limit our ability to incur additional indebtedness, make investments or loans and create liens and require us to maintain a net funded indebtedness to total capitalization ratio, as defined in each agreement. We were in compliance with all covenants under the agreement at June 30, 2011. If we should fail to perform our obligations under the covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable.

Note 7 Common Shares

During the six months ended June 30, 2011 and 2010, our employees exercised vested options to acquire 1.0 million and .4 million of our common shares, resulting in proceeds of $11.6 million and $4.7 million, respectively. For each of the six months ended June 30, 2011 and 2010, we withheld .1 million of our common shares with a fair value of $2.5 million and $1.9 million, respectively, to satisfy tax withholding obligations in connection with the vesting of stock awards.

During the six months ended June 30, 2010, our outstanding share count increased by 103,925 due to share settlements of stock options exercised by our Chairman and Chief Executive Officer, Eugene M. Isenberg, and our Deputy Chairman, President and Chief Operating Officer, Anthony G. Petrello. As part of these transactions, unexercised vested stock options were surrendered to Nabors with a value of approximately $5.9 million to satisfy the option exercise price and related income taxes.

Note 8 Commitments and Contingencies

Commitments

Employment Contracts

The employment agreements for each of Messrs. Isenberg and Petrello provide for an extension of the employment term through March 30, 2013, with automatic one-year extensions beginning April 1, 2011, unless either party gives notice of nonrenewal.

In the event of Mr. Isenberg s Termination Without Cause (including in the event of a change of control), or his death or disability, either he or his estate would be entitled to receive a payment of $100 million within 30 days thereafter.

If Mr. Petrello experienced such a triggering event, he or his estate would be entitled to receive a payment of $50 million within 30 days; provided that in the event of Termination Without Cause or Constructive Termination Without Cause, either he or his estate would be entitled to a payment equal to three times the average of his base salary and annual bonus (calculated as though the bonus formula under his employment agreement as amended in April 2009 had been in effect) during the three fiscal years preceding the termination. If, by way of example, Mr. Petrello were Terminated Without Cause subsequent to June 30, 2011, his payment would be approximately $34 million. The formula will be further reduced to two times the average stated above effective April 1, 2015.

We do not have insurance to cover, and we have not recorded an expense or accrued a liability relating to these potential obligations. See Note 17 Commitments and Contingencies to our 2010 Annual Report for additional discussion and description of Messrs. Isenberg and Petrello s employment agreements.

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Contingencies

Income Tax Contingencies

We are subject to income taxes in the United States and numerous other jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly audited by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than what is reflected in income tax provisions and accruals. An audit or litigation could materially affect our financial position, income tax provision, net income, or cash flows in the period or periods challenged.

It is possible that future changes to tax laws (including tax treaties) could impact our ability to realize the tax savings recorded to date as well as future tax savings, resulting from our 2002 corporate reorganization. See Note 12-Income Taxes to our 2010 Annual Report for additional discussion.

On September 14, 2006, Nabors Drilling International Limited, one of our wholly owned Bermuda subsidiaries (NDIL), received a Notice of Assessment from Mexico s federal tax authorities in connection with the audit of NDIL s Mexico branch for 2003. The notice proposes to deny depreciation expense deductions relating to drilling rigs operating in Mexico in 2003. The notice also proposes to deny a deduction for payments made to an affiliated company for the procurement of labor services in Mexico. The amount assessed was approximately $19.8 million (including interest and penalties). Nabors and its tax advisors previously concluded that the deductions were appropriate and more recently that the government s position lacks merit. NDIL s Mexico branch took similar deductions for depreciation and labor expenses from 2004 to 2008. On June 30, 2009, the government proposed similar assessments against the Mexico branch of another wholly owned Bermuda subsidiary, Nabors Drilling International II Ltd. (NDIL II) for 2006. We anticipate that a similar assessment will eventually be proposed against NDIL for 2005 through 2008 and against NDIL II for 2007 to 2010. We believe that the potential assessments will range from $6 million to $26 million per year for the period from 2005 to 2009, and in the aggregate, would be approximately $90 million to $95 million. Although we believe that any assessments related to the 2003 and 2005 to 2010 years lack merit, a reserve has been recorded in accordance with GAAP. The statute of limitations for NDIL s 2004 tax year expired. Accordingly, during the fourth quarter of 2010, we released $7.4 million from our tax reserves, which represented the reserve recorded for that tax year. If these additional assessments were made and we ultimately did not prevail, we would be required to recognize additional tax for the amount in excess of the current reserve.

Self-Insurance

We estimate the level of our liability related to insurance and record reserves for these amounts in our consolidated financial statements. Our estimates are based on the facts and circumstances specific to existing claims and our past experience with similar claims. These loss estimates and accruals recorded in our financial statements for claims have historically been reasonable in light of the actual amount of claims paid. Although we believe our insurance coverage and reserve estimates are reasonable, a significant accident or other event that is not fully covered by insurance or contractual indemnity could occur and could materially affect our financial position and results of operations for a particular period.

Litigation

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can reasonably be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate

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in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

On July 5, 2007, we received an inquiry from the U.S. Department of Justice relating to its investigation of one of our vendors and compliance with the Foreign Corrupt Practices Act. The inquiry relates to transactions with and involving Panalpina, which provided freight forwarding and customs clearance services to some of our affiliates. To date, the inquiry has focused on transactions in Kazakhstan, Saudi Arabia, Algeria and Nigeria. The Audit Committee of our Board of Directors has engaged outside counsel to review some of our transactions with this vendor, has received periodic updates at its regularly scheduled meetings, and the Chairman of the Audit Committee has received updates between meetings as circumstances warrant. The investigation includes a review of certain amounts paid to and by Panalpina in connection with obtaining permits for the temporary importation of equipment and clearance of goods and materials through customs. Both the SEC and the Department of Justice have been advised of our investigation. The ultimate outcome of this investigation or the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws cannot be determined at this time.

A court in Algeria entered a judgment of approximately $19.7 million against us related to alleged customs infractions in 2009. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment is excessive. We have asserted the lack of legally required notice as a basis for challenging the judgment on appeal to the Algeria Supreme Court. Based upon our understanding of applicable law and precedent, we believe that this challenge will be successful. We do not believe that a loss is probable and have not accrued any amounts related to this matter. However, the ultimate resolution and the timing thereof are uncertain. If we are ultimately required to pay a fine or judgment related to this matter, the amount of the loss could range from approximately $140,000 to $19.7 million.

In August 2010, Nabors and its wholly owned subsidiary, Diamond Acquisition Corp. (Diamond), were sued in three putative shareholder class actions. Two of the cases were dismissed. The remaining case pending, *Jordan Denney, Individually and on Behalf of All Others Similarly Situated v. David E. Wallace, et al.,* Civil Action No. 10-1154, is pending in the United States District Court for the Western District of Pennsylvania. The suits were brought against Superior, the individual members of its board of directors, certain of Superior s senior officers, Nabors and Diamond. The complaints alleged that Superior s officers and directors violated various provisions of the Securities Exchange Act of 1934, as amended (the Exchange Act), and breached their fiduciary duties in connection with the Superior acquisition, and that Nabors and Diamond aided and abetted these violations. The complaints sought injunctive relief, including an injunction against the consummation of the Superior acquisition, monetary damages, and attorneys fees and costs. The claim against Superior and its directors is covered by insurance after a deductible amount. We have entered into a settlement agreement pursuant to which Superior s insurers will pay $475,000 in attorney s fees in full settlement of this matter. The court has preliminarily approved the settlement, with a final hearing scheduled on September 8, 2011.

In March 2011, the Court of Ouargla (in Algeria), sitting at first instance, entered a judgment of approximately $39.1 million against NDIL relating to alleged violations of Algeria s foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to NDIL by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately $7.5 million of the total contract amount was paid offshore in foreign currency, and approximately $3.2 million was paid in local currency. The judgment includes fines and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

penalties of approximately three times the amount at issue, and is not payable pending appeal. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals has upheld the lower court s ruling, and we have appealed the matter to the Algeria Supreme Court. While our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations there, and interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to $31.1 million in excess of amounts accrued.

Off-Balance Sheet Arrangements (Including Guarantees)

We are a party to transactions, agreements or other contractual arrangements defined as off-balance sheet arrangements that could have a material future effect on our financial position, results of operations, liquidity and capital resources. The most significant of these off-balance sheet arrangements involve agreements and obligations under which we provide financial or performance assurance to third parties. Certain of these agreements serve as guarantees, including standby letters of credit issued on behalf of insurance carriers in conjunction with our workers compensation insurance program and other financial surety instruments such as bonds. In addition, we have provided indemnifications, which serve as guarantees, to some third parties. These guarantees include indemnification provided by Nabors to our share transfer agent and our insurance carriers. We are not able to estimate the potential future maximum payments that might be due under our indemnification guarantees.

Management believes the likelihood that we would be required to perform or otherwise incur any material losses associated with any of these guarantees is remote. The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Maximum Amount				
	Remainder of 2011	2012	2013	Thereafter	Total
	(In thousands)				
Financial standby letters of credit and other financial surety instruments	$ 49,783	$ 60,201	$	$	$ 109,984

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Note 9 Earnings (Losses) Per Share

A reconciliation of the numerators and denominators of the basic and diluted earnings (losses) per share computations is as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands, except per share amounts)			
Net income (loss) (numerator):				
Income (loss) from continuing operations, net of tax	$ 68,148	$ 43,971	$ 152,474	$ 87,490
Less: net (income) loss attributable to noncontrolling interest	394	559	1,063	1,661
Adjusted income (loss) from continuing operations, net of tax basic	68,542	44,530	153,537	89,151
Add: interest expense on assumed conversion of our 0.94% senior exchangeable notes due 2011, net of tax(1)				
Adjusted net income (loss) from continuing operations, net of tax diluted	$ 68,542	$ 44,530	$ 153,537	$ 89,151
Earnings (losses) per share:				
Basic from continuing operations	$ .24	$ .15	$ .54	$ .31
Diluted from continuing operations	$ .23	$ .15	$ .52	$ .31
Income (loss) from discontinued operations, net of tax	$ 123,906	$ (909)	$ 121,736	$ (5,330)
Earnings (losses) per share:				
Basic from discontinued operations	$ .43	$	$ .42	$ (.02)
Diluted from discontinued operations	$ .42	$	$ .42	$ (.02)
Shares (denominator):				
Weighted-average number of shares outstanding basic	287,311	285,181	286,712	284,927
Net effect of dilutive stock options, warrants and restricted stock awards based on the if-converted method	6,987	4,615	6,781	5,339
Assumed conversion of our 0.94% senior exchangeable notes due 2011(1)				
Weighted-average number of shares outstanding diluted	294,298	289,796	293,493	290,266

(1) In May 2011, the remaining aggregate principal amount of our 0.94% senior exchangeable notes matured and we redeemed them with $1.2 billion of borrowings under our revolving credit facilities and available cash. Diluted earnings (losses) per share for the three and six months ended June 30, 2010 exclude any incremental shares that would have been issuable upon exchange of these notes based on a calculation using our stock price. Our stock price did not exceed the threshold during the period ending June 30, 2010.

For all periods presented, the computation of diluted earnings (losses) per share excludes outstanding stock options and warrants with exercise prices greater than the average market price of our common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

average number of options and warrants that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share in the future was 5,494,895 and 14,894,841 shares during the three months ended June 30, 2011 and 2010, respectively, and 6,381,967 and 12,475,355 shares during the six months ended June 30, 2011 and 2010, respectively. In any period during which the average market price of our common shares exceeds the exercise prices of these stock options and warrants, such stock options and warrants will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock will be included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered participating securities.

Note 10 Supplemental Balance Sheet, Income Statement and Cash Flow Information

Accrued liabilities include the following:

	June 30, 2011	December 31, 2010
	(In thousands)	
Accrued compensation	$ 145,773	$ 116,680
Deferred revenue	123,675	88,389
Other taxes payable	31,371	25,227
Workers compensation liabilities	21,489	31,944
Interest payable	90,177	89,276
Due to joint venture partners	6,041	6,030
Warranty accrual	4,212	3,376
Litigation reserves	23,440	12,301
Professional fees	6,669	3,222
Current deferred tax liability	1,027	1,027
Other accrued liabilities	8,469	16,820
	$ 462,343	$ 394,292

Investment income (loss) includes the following:

	Six Months Ended June 30,	
	2011	2010
	(In thousands)	
Interest and dividend income	$ 3,787	$ 3,156
Gains (losses) on investments, net(1)	7,531(2)	(3,399)
	$ 11,318	$ (243)

(1) Includes unrealized losses of $6.7 million and $6.4 million, respectively, from our trading securities.

(2) Includes $12.9 million realized gain related to one of our overseas fund investments classified as long-term investments, partially offset by unrealized losses discussed above.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Losses (gains) on sales and retirements of long-lived assets and other expense (income), net includes the following:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands)	
Losses (gains) on sales and retirements of long-lived assets	$ 1,259	$ 3,804
Litigation expenses	9,926	3,927
Foreign currency transaction losses (gains)	478	15,144(1)
Losses (gains) on derivative instruments	(861)	391
Losses (gains) on debt extinguishment	58	7,033
Other losses (gains)	741	1,092
	$ 11,601	$ 31,391

(1) Includes $8.2 million foreign currency exchange losses for operations in Venezuela related to the Venezuela government s decision to devalue its currency in January 2010.

Note 11 Discontinued Operations

We determined that the plan of sale criteria in the ASC Topic relating to the Presentation of Financial Statements for Assets Sold or Held for Sale had been met during the third quarter of 2010 for our oil and gas assets in the Horn River basin in Canada and in the Llanos basin in Colombia. At Septemer 30, 2010, these assets also included our 49.7% and 50.0% ownership interests in our investments of Remora Energy International, LP (Remora) in Colombia and Stone Mountain Ventures Partnership (SMVP) in Canada, respectively, which we had accounted for using the equity method of accounting. All of these assets are included in our oil and gas operating segment. Accordingly, we reclassified wholly owned oil and gas assets from our property, plant and equipment, net, as well as our investment balances for Remora and SMVP from investments in unconsolidated affiliates to assets held for sale, in our consolidated balance sheet at September 30, 2010.

During the three months ended June 30, 2011, we sold some of our wholly owned oil and gas assets in Colombia to an unrelated third party. We received proceeds of $91.4 million from this sale and recognized a gain of approximately $42.7 million. Additionally, during the three months ended June 30, 2011, Remora completed sales of some of their oil and gas assets in Colombia. Remora received gross proceeds of approximately $279 million from these sales and made a distribution of cash to us in the amount of $119.2 million during the second quarter of 2011. Remora has entered into additional agreements with respect to the sale of the remaining oil and gas assets, which are expected to close during the third quarter of 2011.

In June 2011, the equity owners of SMVP dissolved the partnership and a proportionate share of the assets and liabilities were conveyed to us in exchange for our ownership interest. The exchange was not a material transaction to us and we accounted for it as a business combination. We continue to market these assets for sale and although market conditions in Canada have weakened since we initially classified these assets as held for sale at September 30, 2010, we continue to believe that these assets are properly reflected in our assets held for sale balances at June 30, 2011 and December 31, 2010.

The operating results from our oil and gas assets in Canada and Colombia that we have classified as held for sale have been retroactively presented as discontinued operations in the accompanying unaudited consolidated balance sheets and statements of income (loss) and the respective accompanying notes to the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

consolidated financial statements. Our condensed statements of income (loss) from discontinued operations for the three and six months ended June 30, 2011 and 2010 were as follows:

Condensed Statements of Income (Loss) from Discontinued Operations	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(In thousands)			
Operating revenues and Earnings (losses) from unconsolidated affiliates	$ 89,980(1)	$ 10,402	$ 98,282(1)	$ 17,124
Income (loss) from discontinued operations:				
Income (loss) from discontinued operations	$ 79,698	$ (1,501)	$ 76,800	$ (4,568)
Gain (loss) on disposal of wholly owned assets	42,717		42,717	
Less: income tax expense (benefit)	(1,491)	(592)	(2,219)	762
Income (loss) from discontinued operations, net of tax	$ 123,906	$ (909)	$ 121,736	$ (5,330)

(1) Includes approximately $85 million of equity in earnings during the three months ended June 30, 2011 for our proportionate share of Remora s net income, inclusive of the gains they recognized for asset sales closed during the second quarter of 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 Segment Information

The following table sets forth financial information with respect to our reportable segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
Operating revenues and Earnings (losses) from unconsolidated affiliates from continuing operations:(1)				
Contract Drilling:(2)				
U.S. Lower 48 Land Drilling	$ 404,984	$ 303,417	$ 783,552	$ 574,914
U.S. Land Well-servicing	164,140	104,860	314,396	202,851
U.S. Offshore	40,284	38,978	70,738	77,176
Alaska	32,336	43,385	73,651	93,179
Canada	87,974	60,759	260,417	176,315
International	265,231	267,007	527,708	512,351
Subtotal Contract Drilling(3)	994,949	818,406	2,030,462	1,636,786
Pressure Pumping(4)	265,930		523,789	
Oil and Gas(5)	11,755	9,800	31,883	20,402
Other Operating Segments(6)(7)	162,491	107,749	283,874	203,262
Other reconciling items(8)	(70,913)	(31,081)	(108,243)	(56,588)
Total	$ 1,364,212	$ 904,874	$ 2,761,765	$ 1,803,862
Adjusted income (loss) derived from operating activities from continuing operations:(1)(9)				
Contract Drilling:				
U.S. Lower 48 Land Drilling	$ 99,231	$ 58,169	$ 179,326	$ 118,455
U.S. Land Well-servicing	16,526	3,231	27,649	10,416
U.S. Offshore	(1,059)	8,104	(5,036)	15,477
Alaska	8,288	12,388	19,307	26,345
Canada	(2,512)	(9,497)	36,480	5,385
International	35,851	64,972	71,348	118,551
Subtotal Contract Drilling(3)	156,325	137,367	329,074	294,629
Pressure Pumping(4)	43,888		87,603	
Oil and Gas(5)	4,959	1,998	4,189	4,617
Other Operating Segments(6)(7)	13,641	8,317	19,779	15,207
Other reconciling items(10)	(43,971)	(20,914)	(74,754)	(45,883)

Total adjusted income derived from operating activities	$ 174,842	$ 126,768	$ 365,891	$ 268,570
Interest expense	(63,739)	(65,293)	(137,663)	(132,062)
Investment income (loss)	(969)	2,314	11,318	(243)
Gains (losses) on sales and retirements of long-lived assets and other income (expense), net	(5,572)	(11,024)	(11,601)	(31,391)
Income (loss) from continuing operations before income taxes	104,562	52,765	227,945	104,874
Income tax expense (benefit)	35,664	8,794	73,971	17,384
Subsidiary preferred stock dividend	750		1,500	
Income (loss) from continuing operations, net of tax	68,148	43,971	152,474	87,490
Income (loss) from discontinued operations, net of tax	123,906	(909)	121,736	(5,330)
Net income (loss)	192,054	43,062	274,210	82,160
Less: Net income (loss) attributable to noncontrolling interest	394	559	1,063	1,661
Net income (loss) attributable to Nabors	$ 192,448	$ 43,621	$ 275,273	$ 83,821

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	June 30, 2011	December 31, 2010
	(In thousands)	
Total assets:		
Contract Drilling:(11)		
U.S. Lower 48 Land Drilling	$ 2,965,214	$ 2,762,362
U.S. Land Well-servicing	748,151	630,518
U.S. Offshore	371,651	379,292
Alaska	287,086	313,123
Canada	1,012,559	1,065,268
International	3,489,873	3,279,763
Subtotal Contract Drilling	8,874,534	8,430,326
Pressure Pumping(4)	1,203,062	1,163,236
Oil and Gas(12)	951,127	805,410
Other Operating Segments(13)	551,266	539,373
Other reconciling items(10) (14)	535,663	708,224
Total assets	$ 12,115,652	$ 11,646,569

(1) All information presents the operating activities of oil and gas assets in the Horn River basin in Canada and in the Llanos basin in Colombia as discontinued operations.

(2) These segments include our drilling, well-servicing and workover operations on land and offshore.

(3) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $3.7 million and $2.9 million for the three months ended June 30, 2011 and 2010, respectively, and $3.9 million and $3.0 million for the six months ended June 30, 2011 and 2010, respectively.

(4) Includes operating results of our Pressure Pumping operating segment, added to our lines of business during the third quarter of 2010, for the three and six months ended June 30, 2011.

(5) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $6.2 million and $3.2 million for the three months ended June 30, 2011 and 2010, respectively, and $21.4 million and $7.7 million for the six months ended June 30, 2011 and 2010, respectively.

(6) Includes our drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software, and construction and logistics operations.

(7) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $(.6) million and $2.7 million for the three months ended June 30, 2011 and 2010, respectively, and $.3 million

and $5.8 million for the six months ended June 30, 2011 and 2010, respectively.

(8) Represents the elimination of inter-segment transactions.

(9) Adjusted income (loss) derived from operating activities is computed by subtracting direct costs, general and administrative expenses, depreciation and amortization, and depletion expense from Operating revenues and then adding Earnings (losses) from unconsolidated affiliates. Such amounts should not be used as a substitute for those amounts reported under GAAP. However, management evaluates the performance of our business units and the consolidated company based on several criteria, including adjusted income (loss) derived from operating activities, because it believes that these financial measures accurately reflect our ongoing profitability. A reconciliation of this non-GAAP measure to income (loss) before income taxes, which is a GAAP measure, is provided within the above table.

(10) Represents the elimination of inter-segment transactions and unallocated corporate expenses.

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Includes $58.7 million and $54.8 million of investments in unconsolidated affiliates accounted for using the equity method as of June 30, 2011 and December 31, 2010, respectively.

(12) Includes $178.0 million and $146.5 million investments in unconsolidated affiliates accounted for using the equity method as of June 30, 2011 and December 31, 2010, respectively.

(13) Includes $64.7 million and $64.5 million of investments in unconsolidated affiliates accounted for using the equity method as of June 30, 2011 and December 31, 2010, respectively.

(14) Includes $2.5 million and $1.9 million of investments in unconsolidated affiliates accounted for using the cost method as of June 30, 2011 and December 31, 2010, respectively.

Note 13 Condensed Consolidating Financial Information

Nabors has fully and unconditionally guaranteed all of the issued public debt securities of Nabors Delaware. The following condensed consolidating financial information is included so that separate financial statements of Nabors Delaware are not required to be filed with the SEC. The condensed consolidating financial statements present investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

The following condensed consolidating financial information presents condensed consolidating balance sheets as of June 30, 2011 and December 31, 2010, statements of income (loss) for the three and six months ended June 30, 2011 and 2010 and the consolidating statements of cash flows for the six months ended June 30, 2011 and 2010 of (a) Nabors, parent/guarantor, (b) Nabors Delaware, issuer of public debt securities guaranteed by Nabors, (c) the non-guarantor subsidiaries, (d) consolidating adjustments necessary to consolidate Nabors and its subsidiaries and (e) Nabors on a consolidated basis.

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Balance Sheets

	June 30, 2011				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non- Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,687	$ 22	$ 527,113	$	$ 528,822
Short-term investments			144,220		144,220
Assets held for sale			311,295		311,295
Accounts receivable, net			1,191,182		1,191,182
Inventory			199,899		199,899
Deferred income taxes			38,809		38,809
Other current assets	50	3,959	134,705		138,714
Total current assets	1,737	3,981	2,547,223		2,552,941
Long-term investments and other receivables			42,119		42,119
Property, plant and equipment, net		42,742	8,329,663		8,372,405
Goodwill			494,100		494,100
Intercompany receivables	160,778		430,289	(591,067)	
Investment in unconsolidated affiliates	5,496,529	5,893,457	1,711,132	(12,797,148)	303,970
Other long-term assets		33,742	316,375		350,117
Total assets	$ 5,659,044	$ 5,973,922	$ 13,870,901	$ (13,388,215)	$ 12,115,652
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$	$	$ 881	$	$ 881
Trade accounts payable	44	27	550,939		551,010
Accrued liabilities	3,496	89,983	368,864		462,343
Income taxes payable			10,716		10,716
Total current liabilities	3,540	90,010	931,400		1,024,950
Long-term debt		4,213,363	51,223		4,264,586
Other long-term liabilities		33,383	224,313		257,696

Deferred income taxes		48,167	782,590		830,757
Intercompany payable		591,067		(591,067)	
Total liabilities	3,540	4,975,990	1,989,526	(591,067)	6,377,989
Subsidiary preferred stock			69,188		69,188
Shareholders equity	5,655,504	997,932	11,799,216	(12,797,148)	5,655,504
Noncontrolling interest			12,971		12,971
Total equity	5,655,504	997,932	11,812,187	(12,797,148)	5,668,475
Total liabilities and equity	$ 5,659,044	$ 5,973,922	$ 13,870,901	$ (13,388,215)	$ 12,115,652

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2010				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,847	$ 20	$ 630,835	$	$ 641,702
Short-term investments			159,488		159,488
Assets held for sale			352,048		352,048
Accounts receivable, net			1,116,510		1,116,510
Inventory			158,836		158,836
Deferred income taxes			31,510		31,510
Other current assets	50	16,366	136,420		152,836
Total current assets	10,897	16,386	2,585,647		2,612,930
Long-term investments and other receivables			40,300		40,300
Property, plant and equipment, net		44,270	7,771,149		7,815,419
Goodwill			494,372		494,372
Intercompany receivables	160,250		322,697	(482,947)	
Investment in unconsolidated affiliates	5,160,800	5,814,219	1,665,459	(12,372,755)	267,723
Other long-term assets		36,538	379,287		415,825
Total assets	$ 5,331,947	$ 5,911,413	$ 13,258,911	$ (12,855,702)	$ 11,646,569
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$	$ 1,378,178	$ 840	$	$ 1,379,018
Trade accounts payable			355,282		355,282
Accrued liabilities	3,785	89,480	301,027		394,292
Income taxes payable		6,859	18,929		25,788
Total current liabilities	3,785	1,474,517	676,078		2,154,380
Long-term debt		3,062,291	1,835		3,064,126
Other long-term liabilities		12,787	232,978		245,765
Deferred income taxes		71,815	698,432		770,247
Intercompany payable		301,451	181,496	(482,947)	

Total liabilities	3,785	4,922,861	1,790,819	(482,947)	6,234,518
Subsidiary preferred stock			69,188		69,188
Shareholders equity	5,328,162	988,552	11,384,203	(12,372,755)	5,328,162
Noncontrolling interest			14,701		14,701
Total equity	5,328,162	988,552	11,398,904	(12,372,755)	5,342,863
Total liabilities and equity	$ 5,331,947	$ 5,911,413	$ 13,258,911	$ (12,855,702)	$ 11,646,569

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Income (Loss)

	Three Months Ended June 30, 2011				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non- Guarantors)	Consolidating Adjustments	Consolidated Total
			(In thousands)		
Revenues and other income:					
Operating revenues	$	$	$ 1,354,905	$	$ 1,354,905
Earnings (losses) from unconsolidated affiliates			9,307		9,307
Earnings (losses) from consolidated affiliates	195,770	18,971	(7,481)	(207,260)	
Investment income (loss)	1	68	(1,038)		(969)
Intercompany interest income		17,405		(17,405)	
Total revenues and other income	195,771	36,444	1,355,693	(224,665)	1,363,243
Costs and other deductions:					
Direct costs			835,112		835,112
General and administrative expenses	3,120	49	122,683	(204)	125,648
Depreciation and amortization		871	225,041		225,912
Depletion			2,698		2,698
Interest expense		69,059	(5,320)		63,739
Intercompany interest expense			17,405	(17,405)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	203	(344)	5,509	204	5,572
Total costs and other deductions	3,323	69,635	1,203,128	(17,405)	1,258,681
Income (loss) from continuing operations before income taxes	192,448	(33,191)	152,565	(207,260)	104,562
Income tax expense (benefit)		(19,300)	54,964		35,664
Subsidiary preferred stock dividend			750		750
Income (loss) from continuing operations, net of tax	192,448	(13,891)	96,851	(207,260)	68,148
			123,906		123,906

Income (loss) from discontinued operations, net of tax					
Net income (loss)	192,448	(13,891)	220,757	(207,260)	192,054
Less: Net (income) loss attributable to noncontrolling interest			394		394
Net income (loss) attributable to Nabors	$ 192,448	$ (13,891)	$ 221,151	$ (207,260)	$ 192,448

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended June 30, 2010				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)				
Revenues and other income:					
Operating revenues	$	$	$ 896,029	$	$ 896,029
Earnings (losses) from unconsolidated affiliates			8,845		8,845
Earnings (losses) from consolidated affiliates	40,070	54,499	23,802	(118,371)	
Investment income (loss)	3		2,311		2,314
Intercompany interest income		17,828		(17,828)	
Total revenues and other income	40,073	72,327	930,987	(136,199)	907,188
Costs and other deductions:					
Direct costs			517,531		517,531
General and administrative expenses	1,573	108	78,838	(182)	80,337
Depreciation and amortization		700	174,697		175,397
Depletion			4,841		4,841
Interest expense		67,516	(2,223)		65,293
Intercompany interest expense			17,828	(17,828)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	(5,121)	9,781	6,182	182	11,024
Total costs and other deductions	(3,548)	78,105	797,694	(17,828)	854,423
Income (loss) from continuing operations before income taxes	43,621	(5,778)	133,293	(118,371)	52,765
Income tax expense (benefit)		(22,302)	31,096		8,794
Income (loss) from continuing operations, net of tax	43,621	16,524	102,197	(118,371)	43,971
Income (loss) from discontinued operations, net of tax			(909)		(909)
Net income (loss)	43,621	16,524	101,288	(118,371)	43,062
Less: Net (income) loss attributable to noncontrolling interest			559		559

Net income (loss) attributable to Nabors	$ 43,621	$ 16,524	$ 101,847	$ (118,371)	$ 43,621

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2011				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors) (In thousands)	Consolidating Adjustments	Consolidated Total
Revenues and other income:					
Operating revenues	$	$	$ 2,736,184	$	$ 2,736,184
Earnings (losses) from unconsolidated affiliates			25,581		25,581
Earnings (losses) from consolidated affiliates	281,564	78,864	22,177	(382,605)	
Investment income (loss)	4	68	11,246		11,318
Intercompany interest income		36,089		(36,089)	
Total revenues and other income	281,568	115,021	2,795,188	(418,694)	2,773,083
Costs and other deductions:					
Direct costs			1,693,483		1,693,483
General and administrative expenses	5,993	90	238,325	(302)	244,106
Depreciation and amortization		1,742	450,272		452,014
Depletion			6,271		6,271
Interest expense		146,408	(8,745)		137,663
Intercompany interest expense			36,089	(36,089)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	302	(808)	11,805	302	11,601
Total costs and other deductions	6,295	147,432	2,427,500	(36,089)	2,545,138
Income (loss) from continuing operations before income taxes	275,273	(32,411)	367,688	(382,605)	227,945
Income tax expense (benefit)		(41,172)	115,143		73,971
Subsidiary preferred stock dividend			1,500		1,500
Income (loss) from continuing operations, net of tax	275,273	8,761	251,045	(382,605)	152,474
Income (loss) from discontinued operations, net of tax			121,736		121,736
Net income (loss)	275,273	8,761	372,781	(382,605)	274,210

Less: Net (income) loss attributable to noncontrolling interest			1,063		1,063
Net income (loss) attributable to Nabors	$ 275,273	$ 8,761	$ 373,844	$ (382,605)	$ 275,273

Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2010				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)				
Revenues and other income:					
Operating revenues	$	$	$ 1,787,375	$	$ 1,787,375
Earnings (losses) from unconsolidated affiliates			16,487		16,487
Earnings (losses) from consolidated affiliates	74,016	72,275	8,010	(154,301)	
Investment income (loss)	7		(250)		(243)
Intercompany interest income		35,943		(35,943)	
Total revenues and other income	74,023	108,218	1,811,622	(190,244)	1,803,619
Costs and other deductions:					
Direct costs			1,022,728		1,022,728
General and administrative expenses	3,783	179	152,073	(272)	155,763
Depreciation and amortization		1,561	345,372		346,933
Depletion			9,868		9,868
Interest expense		137,715	(5,653)		132,062
Intercompany interest expense			35,943	(35,943)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	(13,581)	21,292	23,408	272	31,391
Total costs and other deductions	(9,798)	160,747	1,583,739	(35,943)	1,698,745
Income (loss) from continuing operations before income taxes	83,821	(52,529)	227,883	(154,301)	104,874
Income tax expense (benefit)		(46,177)	63,561		17,384
Income (loss) from continuing operations, net of tax	83,821	(6,352)	164,322	(154,301)	87,490
Income (loss) from discontinued operations, net of tax			(5,330)		(5,330)
Net income (loss)	83,821	(6,352)	158,992	(154,301)	82,160
Less: Net (income) loss attributable to noncontrolling			1,661		1,661

interest										
Net income (loss) attributable to Nabors	$	83,821	$	(6,352)	$	160,653	$	(154,301)	$	83,821

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows

	Six Months Ended June 30, 2011				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)				
Net cash provided by (used for) operating activities	$ 1,044	$ 256,452	$ 612,406	$	$ 869,902
Cash flows from investing activities:					
Purchases of investments			(7,945)		(7,945)
Sales and maturities of investments			20,622		20,622
Investment in unconsolidated affiliates			(29,762)		(29,762)
Distribution of proceeds from asset sales from unconsolidated affiliates			119,207		119,207
Capital expenditures			(1,003,245)		(1,003,245)
Proceeds from sales of assets and insurance claims			102,067		102,067
Cash paid for investments in consolidated affiliates	(19,300)			19,300	
Net cash provided by (used for) investing activities	(19,300)		(799,056)	19,300	(799,056)
Cash flows from financing activities:					
Increase (decrease) in cash overdrafts			11,203		11,203
Proceeds from issuance of common shares, net	11,623		(1)		11,622
Proceeds from revolving credit facilities		1,150,000	50,000		1,200,000
Debt issuance costs		(2,188)			(2,188)
Reduction in long-term debt		(1,404,247)			(1,404,247)
Repurchase of equity component of convertible debt		(14)			(14)
Purchase of restricted stock	(2,527)				(2,527)

Tax benefit related to share-based awards		(1)	43		42
Proceeds from parent contributions			19,300	(19,300)	
Net cash (used for) provided by financing activities	9,096	(256,450)	80,545	(19,300)	(186,109)
Effect of exchange rate changes on cash and cash equivalents			2,383		2,383
Net (decrease) increase in cash and cash equivalents	(9,160)	2	(103,722)		(112,880)
Cash and cash equivalents, beginning of period	10,847	20	630,835		641,702
Cash and cash equivalents, end of period	$ 1,687	$ 22	$ 527,113	$	$ 528,822

Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2010				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)				
Net cash provided by (used for) operating activities	$ 88,082	$ 279,825	$ 102,002	$	$ 469,909
Cash flows from investing activities:					
Purchases of investments			(27,988)		(27,988)
Sales and maturities of investments			27,997		27,997
Investment in unconsolidated affiliates			(10,936)		(10,936)
Capital expenditures			(369,455)		(369,455)
Proceeds from sales of assets and insurance claims			17,567		17,567
Cash paid for investments in consolidated affiliates	(88,000)			88,000	
Net cash provided by (used for) investing activities	(88,000)		(362,815)	88,000	(362,815)
Cash flows from financing activities:					
Increase (decrease) in cash overdrafts			(6,130)		(6,130)
Proceeds from issuance of common shares, net	4,733				4,733
Reduction in long-term debt		(273,605)			(273,605)
Repurchase of equity component of convertible debt		(4,712)			(4,712)
Settlement of call options and warrants, net		1,133			1,133
Purchase of restricted stock	(1,887)				(1,887)
Tax benefit related to share-based awards			(45)		(45)
Proceeds from parent contributions			88,000	(88,000)	

Net cash (used for) provided by financing activities	2,846	(277,184)	81,825	(88,000)	(280,513)
Effect of exchange rate changes on cash and cash equivalents			(6,803)		(6,803)
Net (decrease) increase in cash and cash equivalents	2,928	2,641	(185,791)		(180,222)
Cash and cash equivalents, beginning of period	11,702	135	915,978		927,815
Cash and cash equivalents, end of period	$ 14,630	$ 2,776	$ 730,187	$	$ 747,593

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Nabors Industries Ltd.:

We have reviewed the accompanying consolidated balance sheet of Nabors Industries Ltd. and its subsidiaries (the Company) as of June 30, 2011, and the related consolidated statements of income for the three-month and six-month periods ended June 30, 2011 and 2010, and the consolidated statements of cash flows and of changes in equity for the three-month and six-month periods ended June 30, 2011 and 2010. This interim financial information is the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2010, and the related consolidated statements of income, changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated March 1, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
August 2, 2011

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Item 2. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

FORWARD-LOOKING STATEMENTS

We often discuss expectations regarding our future markets, demand for our products and services, and our performance in our annual and quarterly reports, press releases, and other written and oral statements. Statements relating to matters that are not historical facts are forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. These forward-looking statements are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as anticipate, believe, expect, plan, intend, estimate, project, will, should, could, ma expressions are intended to identify forward-looking statements.

You should consider the following key factors when evaluating these forward-looking statements:

- fluctuations in worldwide prices of and demand for natural gas and oil;
- fluctuations in levels of natural gas and oil exploration and development activities;
- fluctuations in the demand for our services;
- the existence of competitors, technological changes and developments in the oilfield services industry;
- the existence of operating risks inherent in the oilfield services industry;
- the possibility of changes in tax and other laws and regulations;
- the possibility of political instability, war or acts of terrorism in any of the countries where we operate; and
- general economic conditions including the capital and credit markets.

Our businesses depend to a large degree on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil that has a material impact on exploration, development or production activities could also materially affect our financial position, results of operations and cash flows.

The above description of risks and uncertainties is by no means all-inclusive, but is designed to highlight what we believe are important factors to consider. For a more detailed description of risk factors, please refer to Part I, Item 1A. *Risk Factors* in our 2010 Annual Report.

Management Overview

The following discussion and analysis is intended to help the reader understand the results of our operations and our financial condition. This information is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes thereto.

The majority of our business is conducted through our various Contract Drilling operating segments, which include our drilling, well-servicing and workover operations, on land and offshore. Our hydraulic fracturing and downhole surveying services are included in our Pressure Pumping operating segment. Our oil and gas exploration, development and production operations are included in our Oil and Gas operating segment. Our operating segments engaged in drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software, and construction and logistics operations are aggregated in our Other Operating Segments.

The magnitude of customer spending on new and existing wells is the primary driver of our business. Our customers spending is determined in principal part by their cash flow and earnings, which (i) in our

U.S. Lower 48 Land Drilling and Canadian Drilling operations have traditionally been driven by natural gas prices but much of the current activity is being driven by oil and natural gas liquids prices, and (ii) in our Alaskan, International, U.S. Offshore (Gulf of Mexico), Canadian Well-servicing and U.S. Land Well-servicing operations by oil prices. Both natural gas and oil prices impact our customers activity levels and spending for our Pressure Pumping operations. The Henry Hub natural gas spot price (per Bloomberg) averaged $4.16 per thousand cubic feet (mcf) during the 12-month period ended June 30, 2011, slightly down from a $4.23 per mcf average during the prior 12 months. West Texas intermediate spot oil prices (per Bloomberg) averaged $89.41 per barrel for the 12 months ended June 30, 2011, up from a $75.17 per barrel average during the preceding 12 months.

Operating revenues and Earnings (losses) from unconsolidated affiliates for the three months ended June 30, 2011 totaled $1.4 billion, representing an increase of $459.3 million, or 51% as compared to the three months ended June 30, 2010, and $2.8 billion for the six months ended June 30, 2011, representing an increase of $957.9 million, or 53%, as compared to the six month ended June 30, 2010. Adjusted income derived from operating activities and income (loss) from continuing operations, net of tax and noncontrolling interests, for the three months ended June 30, 2011 totaled $174.8 million and $68.5 million ($.23 per diluted share), respectively, representing increases of 38% and 55%, respectively, compared to the three months ended June 30, 2010. Adjusted income derived from operating activities and income (loss) from continuing operations, net of tax and noncontrolling interests, for the six months ended June 30, 2011 totaled $365.9 million and $153.5 million ($.52 per diluted share), respectively, representing increases of 36% and 74%, respectively, compared to the six months ended June 30, 2010.

During the six months ended June 30, 2011, operating results improved as compared to the prior year period primarily due to the incremental revenue and positive operating results from the addition of our Pressure Pumping operating segment beginning in September of 2010 and increased drilling activity in oil- and liquids-rich shale plays in our U.S. Lower 48 Land Drilling and Well-servicing operations. However, our operating results and activity levels continued to be negatively impacted in our U.S. Offshore operations in response to uncertainty in the regulatory environment in the Gulf of Mexico; our Alaskan operations due to key customers spending constraints; and in Saudi Arabia due to downtime and reduced rates on several jackup rigs.

During the three months ended June 30, 2011, we sold some of our wholly owned oil and gas assets in Colombia and received proceeds of $91.4 million. Additionally, Remora completed sales of some of their oil and gas assets in Colombia for gross proceeds of $279 million and made a distribution of cash to us in the amount of $119.2 million during the second quarter of 2011. The effect of these sales is reflected in income (loss) from discontinued operations, net of tax, of $123.9 million ($.42 per diluted share) and $121.7 million ($.42 per diluted share) for the three and six months ended June 30, 2011, respectively.

We expect our operating results for 2011 to increase significantly from 2010 levels, driven by anticipated sustained higher oil prices and the related impact on drilling and well-servicing activity and dayrates, along with a full year contribution from our Pressure Pumping line of business. The major factors that support our projections of an improved year are:

An increase in drilling in oil- and liquids-rich areas incremental to traditional dry gas regions by our U.S. Lower 48 Land Drilling and Well-servicing operations,

An expected incremental increase from ancillary well-site services, primarily technical pumping services and down-hole surveying services, resulting from our Pressure Pumping operating segment for the new line of business acquired in the third quarter of 2010, and

The anticipated positive impact on our overall level of drilling and well-servicing activity and margins resulting from the new and upgraded rigs and equipment added to our fleet over the past five years, which we expect will enhance our competitive position as market conditions improve.

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The following tables set forth certain information with respect to our reportable segments and rig activity:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages and rig activity)							
ortable segments:								
rating revenues and ings (losses) from nsolidated ates:(1)								
ract Drilling:(2)								
Lower 48 Land ing	$ 404,984	$ 303,417	$ 101,567	33%	$ 783,552	$ 574,914	$ 208,638	3(
Land -servicing	164,140	104,860	59,280	57%	314,396	202,851	111,545	5:
Offshore	40,284	38,978	1,306	3%	70,738	77,176	(6,438)	(8
ka	32,336	43,385	(11,049)	(25)%	73,651	93,179	(19,528)	(2
nda	87,974	60,759	27,215	45%	260,417	176,315	84,102	48
national	265,231	267,007	(1,776)	(1)%	527,708	512,351	15,357	3
otal Contract ing(3)	994,949	818,406	176,543	22%	2,030,462	1,636,786	393,676	24
sure Pumping(4)	265,930		265,930	100%	523,789		523,789	100
nd Gas(5)	11,755	9,800	1,955	20%	31,883	20,402	11,481	56
r Operating ments (6)(7)	162,491	107,749	54,742	51%	283,874	203,262	80,612	40
r reconciling s(8)	(70,913)	(31,081)	(39,832)	(128)%	(108,243)	(56,588)	(51,655)	(9
l	$ 1,364,212	$ 904,874	$ 459,338	51%	$ 2,761,765	$ 1,803,862	$ 957,903	53
sted income (loss) ved from operating ities (1)(9):								
ract Drilling:								
Lower 48 Land ing	$ 99,231	$ 58,169	$ 41,062	71%	$ 179,326	$ 118,455	$ 60,871	5
Land -servicing	16,526	3,231	13,295	411%	27,649	10,416	17,233	16:
Offshore	(1,059)	8,104	(9,163)	(113)%	(5,036)	15,477	(20,513)	(13
ka	8,288	12,388	(4,100)	(33)%	19,307	26,345	(7,038)	(2'
nda	(2,512)	(9,497)	6,985	74%	36,480	5,385	31,095	57
national	35,851	64,972	(29,121)	(45)%	71,348	118,551	(47,203)	(4(
	156,325	137,367	18,958	14%	329,074	294,629	34,445	1:

otal Contract ing(3)								
sure Pumping(4)	43,888		43,888	100%	87,603		87,603	10
nd Gas(5)	4,959	1,998	2,961	148%	4,189	4,617	(428)	(9
r Operating nents (6)(7)	13,641	8,317	5,324	64%	19,779	15,207	4,572	3
r reconciling s(10)	(43,971)	(20,914)	(23,057)	(110)%	(74,754)	(45,883)	(28,871)	(6
l	$ 174,842	$ 126,768	$ 48,074	38%	$ 365,891	$ 268,570	$ 97,321	3
est expense	(63,739)	(65,293)	1,554	2%	(137,663)	(132,062)	(5,601)	(
stment income	(969)	2,314	(3,283)	(142)%	11,318	(243)	11,561	n/m(1
s (losses) on sales retirements of -lived assets and r income ense), net	(5,572)	(11,024)	5,452	49%	(11,601)	(31,391)	19,790	6
me (loss) from inuing operations re income taxes	104,562	52,765	51,797	98%	227,945	104,874	123,071	11
me tax expense efit)	35,664	8,794	26,870	306%	73,971	17,384	56,587	32
idiary preferred k dividend	750		750	100%	1,500		1,500	10
me (loss) from inuing operations, f tax	68,148	43,971	24,177	55%	152,474	87,490	64,984	7
me (loss) from ontinued ations, net of tax	123,906	(909)	124,815	n/m(11)	121,736	(5,330)	127,066	n/m(1
ncome (loss)	192,054	43,062	148,992	346%	274,210	82,160	192,050	23
: Net loss butable to controlling interest	394	559	(165)	(30)%	1,063	1,661	(598)	(3
ncome (loss) butable to Nabors	$ 192,448	$ 43,621	$ 148,827	341%	$ 275,273	$ 83,821	$ 191,452	22
activity:								
years: (12)								
Lower 48 Land ing	194.2	172.3	21.9	13%	191.0	165.5	25.5	1
Offshore	9.4	11.0	(1.6)	(15)%	8.7	11.5	(2.8)	(2
ka	4.5	8.0	(3.5)	(44)%	4.9	8.5	(3.6)	(4
ada	22.5	17.7	4.8	27%	36.1	26.2	9.9	3
national(13)	102.8	97.6	5.2	5%	101.2	93.0	8.2	
l rig years	333.4	306.6	26.8	9%	341.9	304.7	37.2	1

hours: (14)								
Land								
-servicing	195,949	157,199	38,750	25%	383,530	305,546	77,984	2
ada Well-servicing	29,254	32,211	(2,957)	(9)%	82,408	78,243	4,165	
l rig hours	225,203	189,410	35,793	19%	465,938	383,789	82,149	2

(1) All information presents the operating activities of oil and gas assets in the Horn River basin in Canada and in the Llanos basin in Colombia as discontinued operations.

(2) These segments include our drilling, well-servicing and workover operations on land and offshore.

(3) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $3.7 million and $2.9 million for the three months ended June 30, 2011 and 2010, respectively, and $3.9 million and $3.0 million for the six months ended June 30, 2011 and 2010, respectively.

(4) Includes operating results of our Pressure Pumping operating segment, added to our lines of business during the third quarter of 2010, for the three and six months ended June 30, 2011.

(5) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $6.2 million and $3.2 million for the three months ended June 30, 2011 and 2010, respectively, and $21.4 million and $7.7 million for the six months ended June 30, 2011 and 2010, respectively.

(6) Includes our drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software, and construction and logistics operations.

(7) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $(.6) million and $2.7 million for the three months ended June 30, 2011 and 2010, respectively, and $.3 million and $5.8 million for the six months ended June 30, 2011 and 2010, respectively.

(8) Represents the elimination of inter-segment transactions.

(9) Adjusted income (loss) derived from operating activities is computed by subtracting direct costs, general and administrative expenses, depreciation and amortization, and depletion expense from Operating revenues and then adding Earnings (losses) from unconsolidated affiliates. These amounts should not be used as a substitute for those amounts reported under GAAP. However, management evaluates the performance of our business units and the consolidated company based on several criteria, including adjusted income (loss) derived from operating activities, because it believes that these financial measures accurately reflect our ongoing profitability. A reconciliation of this non-GAAP measure to income (loss) from continuing operations before income taxes, which is a GAAP measure, is provided within the above table.

(10) Represents the elimination of inter-segment transactions and unallocated corporate expenses.

(11) The number is so large that it is not meaningful.

(12) Excludes well-servicing rigs, which are measured in rig hours. Includes our equivalent percentage ownership of rigs owned by unconsolidated affiliates. Rig years represent a measure of the number of equivalent rigs operating during a given period. For example, one rig operating 182.5 days during a 365-day period represents 0.5 rig years.

(13) International rig years include our equivalent percentage ownership of rigs owned by unconsolidated affiliates which totaled 2.0 years and 2.4 years during the three months ended June 30, 2011 and 2010, respectively, and 2.0 years and 2.5 years for the six months ended June 30, 2011 and 2010, respectively.

(14) Rig hours represents the number of hours that our well-servicing rig fleet operated during the year.

Segment Results of Operations

Contract Drilling

Our Contract Drilling operating segments contain one or more of the following operations: drilling, well-servicing and workover operations on land and offshore.

U.S. Lower 48 Land Drilling. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages and rig activity)							
Operating revenues	$ 404,984	$ 303,417	$ 101,567	33%	$ 783,552	$ 574,914	$ 208,638	36%
Adjusted income derived from operating activities	$ 99,231	$ 58,169	$ 41,062	71%	$ 179,326	$ 118,455	$ 60,871	51%
Rig years	194.2	172.3	21.9	13%	191.0	165.5	25.5	15%

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Operating results increased during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods primarily due to higher average dayrates and increases in drilling activity, driven by deployment of rigs into oil- and liquids-rich shale areas. The increase was partially offset by an increase in operating costs associated with drilling activity, as well as higher depreciation expense related to new rigs placed into service since January 2010.

U.S. Land Well-servicing. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages and rig activity)							
Operating revenues	$ 164,140	$ 104,860	$ 59,280	57%	$ 314,396	$ 202,851	$ 111,545	55%
Adjusted income derived from operating activities	$ 16,526	$ 3,231	$ 13,295	411%	$ 27,649	$ 10,416	$ 17,233	165%
Rig hours	195,949	157,199	38,750	25%	383,530	305,546	77,984	26%

Operating results increased during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods primarily due to an increase in rig utilization as well as price improvements, both driven by higher oil prices.

U.S. Offshore. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages and rig activity)							
Operating revenues	$ 40,284	$ 38,978	$ 1,306	3%	$ 70,738	$ 77,176	$ (6,438)	(8)%
Adjusted income (loss) derived from operating activities	$ (1,059)	$ 8,104	$ (9,163)	(113)%	$ (5,036)	$ 15,477	$ (20,513)	(133)%
Rig years	9.4	11.0	(1.6)	(15)%	8.7	11.5	(2.8)	(24)%

The decreases in operating results during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods resulted primarily from receiving standby rates on our MODS® rigs while customers wait for permits and lower utilization for the MODS® rigs and SuperSundowner™ platform rigs. These decreases were partially offset by increased utilization of jackup rigs and revenues from two major contracts.

Alaska. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages and rig activity)							

Operating revenues and Earnings from unconsolidated affiliates	$ 32,336	$ 43,385	$ (11,049)	(25)%	$ 73,651	$ 93,179	$ (19,528)	(21)%
Adjusted income derived from operating activities	$ 8,288	$ 12,388	$ (4,100)	(33)%	$ 19,307	$ 26,345	$ (7,038)	(27)%
Rig years	4.5	8.0	(3.5)	(44)%	4.9	8.5	(3.6)	(42)%

The decreases in operating results during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods were principally due to lower average dayrates and drilling activity, resulting from reduced spending of certain key customers. While drilling activity levels decreased significantly during 2010, operating results decreased only slightly due to an acceleration of deferred revenues from a significant contract terminating in mid-2010.

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Canada. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages and rig activity)							
Operating revenues and Earnings from unconsolidated affiliates	$ 87,974	$ 60,759	$ 27,215	45%	$ 260,417	$ 176,315	$ 84,102	48%
Adjusted income (loss) derived from operating activities	$ (2,512)	$ (9,497)	$ 6,985	74%	$ 36,480	$ 5,385	$ 31,095	577%
Rig years	22.5	17.7	4.8	27%	36.1	26.2	9.9	38%
Rig hours	29,254	32,211	(2,957)	(9)%	82,408	78,243	4,165	5%

Operating results increased during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods primarily as a result of increases in drilling activity. The increased drilling activity in Western Canada results from renewed interest in oil exploration supported by sustained improvement in oil prices. The well-servicing hourly rate decreased during the six months ended June 30, 2011 as compared to the corresponding period in 2010 as a result of poor weather conditions in early 2011. Additionally, operating results were positively impacted by the strengthening of the Canadian dollar versus the U.S. dollar.

International. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages and rig activity)							
Operating revenues and Earnings from unconsolidated affiliates	$ 265,231	$ 267,007	$ (1,776)	(1)%	$ 527,708	$ 512,351	$ 15,357	3%
Adjusted income derived from operating activities	$ 35,851	$ 64,972	$ (29,121)	(45)%	$ 71,348	$ 118,551	$ (47,203)	(40)%
Rig years	102.8	97.6	5.2	5%	101.2	93.0	8.2	9%

The decreases in operating results during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods were driven primarily by decreases in average dayrates and lower utilization of our jackup rigs in Saudi Arabia and other drilling activities in Qatar and Australia. This was partially offset by an increase in the utilization of our overall rig fleet.

Pressure Pumping. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Operating revenues	$ 265,930	$	$ 265,930	100%	$ 523,789	$	$ 523,789	100%
Adjusted income derived from operating activities	$ 43,888	$	$ 43,888	100%	$ 87,603	$	$ 87,603	100%

Operating results reflect the effects of our acquisition of Superior during the third quarter of 2010 for the three and six months ended June 30, 2011.

Oil and Gas. The results of operations for this segment were as follows:

	Three Months Ended June 30, 2011	2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Operating revenues and Earnings from unconsolidated affiliates	$ 11,755	$ 9,800	$ 1,955	20%	$ 31,883	$ 20,402	$ 11,481	56%
Adjusted income derived from operating activities	$ 4,959	$ 1,998	$ 2,961	148%	$ 4,189	$ 4,617	$ (428)	(9)%

Operating results increased during the three months ended June 30, 2011 compared to the corresponding 2010 quarter as a result of increased operating results from our unconsolidated U.S. joint venture.

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Operating revenues and Earnings from unconsolidated affiliates increased during the six months ended June 30, 2011 compared to the corresponding 2010 period primarily as a result of a gain recorded during the first quarter of 2011 by our unconsolidated U.S. joint venture, of which our proportionate share was $13.3 million. The decrease in adjusted income derived from operating activities resulted primarily from $12.6 million in dry-hole expense, also recorded in the first quarter of 2011, for two wells in the Fayetteville Shale in Conway, Arkansas, and a related impairment of the remaining leasehold costs, partially offset by the gain mentioned above.

Other Operating Segments. These operations include our drilling technology and top-drive manufacturing, directional drilling, rig instrumentation and software, and construction and logistics operations. The results of operations for these operating segments were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Operating revenues and Earnings from unconsolidated affiliates	$ 162,491	$ 107,749	$ 54,742	51%	$ 283,874	$ 203,262	$ 80,612	40%
Adjusted income derived from operating activities	$ 13,641	$ 8,317	$ 5,324	64%	$ 19,779	$ 15,207	$ 4,572	30%

The increases in operating results during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods resulted principally from higher demand in the U.S. and Canada drilling markets for top-drives, rig instrumentation and data collection services from oil and gas exploration companies and higher third-party rental and rigwatch units, which generate higher margins, partially offset by a continued decline in customer demand for our construction and logistics services in Alaska.

Discontinued Operations

The operating results from our oil and gas assets in Canada and Colombia that we have classified as held for sale have been retroactively presented as discontinued operations in the accompanying consolidated financial statements. Our condensed statements of income (loss) from discontinued operations for the three and six months ended June 30, 2011 and 2010, were as follows:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Operating revenues and	$ 89,980	$ 10,402	$ 79,578	765%	$ 98,282	$ 17,124	$ 81,158	474%

Earnings (losses) from unconsolidated affiliates								
Income (loss) from discontinued operations, net of tax	$ 123,906	$ (909)	$ 124,815	n/m(1)	$ 121,736	$ (5,330)	$ 127,066	n/m(1)

n/m(1) the number is so large that it is not meaningful.

During the three months ended June 30, 2011, we sold some of our wholly owned oil and gas assets in Colombia to an unrelated third party. We received proceeds of $91.4 million from this sale and recognized a gain of approximately $42.7 million. Additionally, during the three months ended June 30, 2011, Remora completed sales of some of their oil and gas assets in Colombia. Remora received gross proceeds of approximately $279 million from these sales and made a distribution of cash to us in the amount of $119.2 million during the second quarter of 2011. Remora has entered into additional agreements with respect to the sale of the remaining oil and gas assets, which are expected to close during the third quarter of 2011.

In June 2011, the equity owners of SMVP dissolved the partnership and a proportionate share of the assets and liabilities were conveyed to us in exchange for our ownership interest. We continue to market these assets for sale and although market conditions in Canada have weakened since we initially classified these assets as held for sale at September 30, 2010, we continue to believe that these assets are properly reflected in our assets held for sale balances at June 30, 2011 and December 31, 2010.

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OTHER FINANCIAL INFORMATION

General and administrative expenses

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
General and administrative expenses	$ 125,648	$ 80,337	$ 45,311	56%	$ 244,106	$ 155,763	$ 88,343	57%
General and administrative expenses as a percentage of operating revenues	9.3%	9.0%	.3%	3.3%	8.9%	8.7%	.2%	2.3%

General and administrative expenses increased during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods primarily as a result of increases in wages, burden and bonus to support a higher headcount as a result of (i) our Superior acquisition in the third quarter of 2010 and (ii) increased operations for a majority of our operating segments.

Depreciation and amortization and depletion expense

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Depreciation and amortization expense	$ 225,912	$ 175,397	$ 50,515	29%	$ 452,014	$ 346,933	$ 105,081	30%
Depletion expense	$ 2,698	$ 4,841	$ (2,143)	(44)%	$ 6,271	$ 9,868	$ (3,597)	(36)%

Depreciation and amortization expense. Depreciation and amortization expense increased during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods as a result of the incremental depreciation expense from (i) pressure pumping assets acquired in the third quarter of 2010, (ii) newly constructed rigs recently placed into service and (iii) rig upgrades and other capital expenditures made during 2010.

Depletion expense. Depletion expense decreased during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods as a result of (i) lower production for our wholly owned oil and gas properties and (ii) decreased amortization of leasehold costs related to leases that expired in late 2010.

Interest expense

	Three Months Ended June 30, 2011	2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Interest expense	$ 63,739	$ 65,293	$ (1,554)	(2)%	$ 137,663	$ 132,062	$ 5,601	4%

Interest expense increased during the six months ended June 30, 2011 compared to the corresponding 2010 period as a result of interest related to our September 2010 issuance of 5.0% senior notes due September 2020. The increase was partially offset by a reduction to interest expense resulting from our repurchases during 2010 and redemption during May 2011 of the 0.94% senior exchangeable notes.

Investment income (loss)

	Three Months Ended June 30, 2011	2010	Increase/ (Decrease)		Six Months Ended June 30, 2011	2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Investment income (loss)	$ (969)	$ 2,314	$ (3,283)	(142)%	$ 11,318	$ (243)	$ 11,561	n/m(1)

(1) the number is so large that it is not meaningful.

Investment loss for the three months ended June 30, 2011 included unrealized losses of $3.4 million from our trading securities, partially offset by interest and dividend income of $2.0 million from our cash, other short-term and long-term investments and realized gains of $.5 million from other long-term investments.

Investment income for the six months ended June 30, 2011 included (i) a $12.9 million realized gain recorded in the first quarter of 2011 relating to one of our overseas fund investments classified as long-term investments, (ii) $1.3 million realized gains from other long-term investments and (iii) $3.8 million interest and dividend income from our cash, other short-term and long-term investments. Investments income was partially offset by net unrealized losses of $6.7 million from our trading securities.

Investment income (loss) for the three and six months ended June 30, 2010 included unrealized losses of $1.9 million and $6.4 million, respectively, from our trading securities, partially offset by realized gains of $2.3 million and $3.0 million, respectively, and interest income of $2.1 million and $3.6 million, respectively, from our cash, other short-term and long-term investments.

Gains (losses) on sales and retirements of long-lived assets and other income (expense), net

	Three Months Ended June 30,				Six Months Ended June 30,			
	2011	2010	Increase/ (Decrease)		2011	2010	Increase/ (Decrease)	
	(In thousands, except percentages)							
Gains (losses) on sales and retirements of long-lived assets and other income (expense), net	$ (5,572)	$ (11,024)	$ 5,452	49%	$ (11,601)	$ (31,391)	$ 19,790	63%

The amount of gains (losses) on sales and retirements of long-lived assets and other income (expense), net for the three and six months ended June 30, 2011 was primarily comprised of net increases to our litigation reserves of $4.0 million and $9.9 million, respectively, and net losses on sales and retirements of long-lived assets of approximately $.2 million and $1.3 million, respectively.

The amount of gains (losses) on sales and retirements of long-lived assets and other income (expense), net for the three months ended June 30, 2010 represented a net loss of $11.0 million and included: (i) foreign currency exchange losses of approximately $5.7 million primarily related to Euro denominated monetary assets and (ii) losses of $4.2 million recognized on purchases of our 0.94% senior exchangeable notes due 2011.

For the six months ended June 30, 2010, the amount of gains (losses) on sales and retirements of long-lived assets and other income (expense), net represented a net loss of $31.4 million and included: (i) foreign currency exchange losses of approximately $15.0 million related to Euro and Venezuela Bolivar Fuerte denominated monetary assets, (ii) losses of approximately $7.0 million recognized on purchases of our 0.94% senior exchangeable notes due 2011, (iii) litigation expenses of approximately $3.9 million and (iv) losses on retirements of long-lived assets of approximately $3.8 million.

Income tax rate

	Three Months Ended June 30,		Increase/ (Decrease)		Six Months Ended June 30,		Increase/ (Decrease)	
	2011	2010			2011	2010		
Effective income tax rate from continuing operations	34%	17%	17%	100%	32%	17%	15%	88%

Our effective income tax rate increased during the three and six months ended June 30, 2011 compared to the corresponding 2010 periods primarily as a result of the proportion of income generated in the United States versus the non-U.S. jurisdictions in which we operate. Income generated in the United States is generally taxed at a higher rate than that of other jurisdictions.

We are subject to income taxes in the United States and numerous other jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. One of the most volatile factors in this determination is the relative proportion of our income or loss being recognized in high- versus low-tax jurisdictions. In the ordinary course of our business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We are regularly audited by tax authorities. Although we believe our tax estimates are reasonable, the final outcome of tax audits and any related litigation could be materially different than what is reflected in our income tax provisions and accruals. The results of an audit or litigation could materially affect our financial position, income tax provision, net income, or cash flows.

Various bills have been introduced in Congress that could reduce or eliminate the tax benefits associated with our 2002 reorganization as a Bermuda company. Legislation enacted by Congress in 2004 provides that a corporation that reorganized in a foreign jurisdiction on or after March 4, 2003 be treated as a domestic corporation for U.S. federal income tax purposes. There has been and we expect that there may continue to be legislation proposed by Congress from time to time which, if enacted, could limit or eliminate the tax benefits associated with our reorganization.

Because we cannot predict whether legislation will ultimately be adopted, no assurance can be given that the tax benefits associated with our reorganization will ultimately accrue to the benefit of Nabors and its shareholders. It is possible that future changes to the tax laws (including tax treaties) could impact our ability to realize the tax savings recorded to date as well as future tax savings resulting from our reorganization.

Liquidity and Capital Resources

Cash Flows

Our cash flows depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Sustained increases or decreases in the price of natural gas or oil could have a material impact on these activities, and could also materially affect our cash flows. Certain sources and uses of cash, such as the level of discretionary capital expenditures, purchases and sales of investments, issuances and repurchases of debt and of our common shares are within our control and are adjusted as necessary based on market conditions. The following is a discussion of our cash flows for the six months ended June 30, 2011 and 2010.

Operating Activities. Net cash provided by operating activities totaled $869.9 million during the six months ended June 30, 2011 compared to net cash provided by operating activities of $469.9 million during the corresponding 2010 period. Net cash provided by operating activities (operating cash flows) is our primary source of capital and liquidity. Factors affecting changes in operating cash flows are largely the same as those that affect net earnings, with the exception of non-cash expenses such as depreciation and amortization, depletion, impairments, share-based compensation, deferred income taxes and our proportionate share of earnings or losses from unconsolidated affiliates. Net income (loss) adjusted for non-cash components was approximately $680.2 million and $501.8 million for the six months ended June 30, 2011 and 2010, respectively. Additionally, changes in working capital items such as collection of receivables can be a significant component of operating cash flows. Changes in working capital items provided $189.7 million in cash for the six months ended June 30, 2011 and required $31.9 million in cash flows for the six months ended June 30, 2010.

Investing Activities. Net cash used for investing activities totaled $799.1 million during the six months ended June 30, 2011 compared to net cash used for investing activities of $362.8 million during the corresponding 2010 period. The primary component of investing cash flows were capital expenditures totaling $1.0 billion and $369.5 million, respectively, during the six months ended June 30, 2011 and 2010. During the six months ended June 30, 2011 and 2010, we provided cash to our investments in unconsolidated affiliates totaling $29.8 million and $10.9 million, respectively. Additionally during the six months ended June 30, 2011, we received a distribution of $119.2 million from an unconsolidated affiliate related to proceeds they received from the sale of some of their oil and gas assets.

Financing Activities. Net cash used for financing activities totaled $186.1 million during the six months ended June 30, 2011 compared to net cash used for financing activities of $280.5 million during the corresponding 2010 period. During the six months ended June 30, 2011, we used $1.2 billion in proceeds from our revolving credit facilities to redeem $1.4 billion of our 0.94% senior exchangeable notes. During the six months ended June 30, 2010, cash was used to purchase $273.6 million of these notes.

Future Cash Requirements

We expect capital expenditures over the next 12 months to approximate $1.8 $1.9 billion. We had outstanding purchase commitments of approximately $1.1 billion at June 30, 2011, primarily for rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures and other operating expenses. This amount could change significantly based on market conditions and new business opportunities. The level of our outstanding purchase commitments and our expected level of capital expenditures over the next 12 months represent a number of capital programs that are currently underway or planned. These programs will result in an expansion in the number of land drilling rigs, pressure pumping and well-servicing equipment that we own and operate. We can reduce the planned expenditures if necessary, or increase them if market conditions and new business opportunities warrant it.

We have historically completed a number of acquisitions and will continue to evaluate opportunities to acquire assets or businesses to enhance our operations. Several of our previous acquisitions were funded through issuances of our common shares. Future acquisitions may be paid for using existing cash or issuing debt or Nabors shares. Such capital expenditures and acquisitions will depend on our view of market conditions and other factors.

See our discussion of guarantees issued by Nabors that could have a potential impact on our financial position, results of operations or cash flows in future periods included in Note 8 Commitments and Contingencies under Off-Balance Sheet Arrangements (Including Guarantees) in these unaudited consolidated financial statements.

Our 2010 Annual Report included our contractual cash obligations as of December 31, 2010. As a result of the redemption of our 0.94% senior exchangeable notes, we are presenting the following table in this Report which summarizes our contractual cash obligations related to debt commitments as of June 30, 2011:

			Payments due by Period		
	Total	**< 1 Year**	**1-3 Years**	**3-5 Years**	**Thereafter**
			(In thousands)		
Contractual cash obligations of debt:					
Long-term debt:					
Principal	$ 4,275,000	$	$ 275,000(1)	$ 1,200,000(2)	$ 2,800,000(3)
Interest	1,607,079	213,838	405,552	398,076	589,613
Total contractual cash obligations	$ 5,882,079	$ 213,838	$ 680,552	$ 1,598,076	$ 3,389,613

(1) Includes Nabors Delaware s 5.375% senior notes due August 2012.

(2) Represents amounts utilized on revolving credit facilities due September 2014.

(3) Represents Nabors Delaware s aggregate 6.15% senior notes due February 2018, 9.25% senior notes due January 2019 and 5.0% senior notes due September 2020.

No other significant changes have occurred to the contractual cash obligations information disclosed in our 2010 Annual Report.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, both in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

In July 2006 our Board of Directors authorized a share repurchase program under which we may repurchase up to $500 million of our common shares in the open market or in privately negotiated transactions.

Through June 30, 2011, $464.5 million of our common shares had been repurchased under this program, and we had an additional $35.5 million available.

See Note 17 Commitments and Contingencies in our 2010 Annual Report for discussion of commitments and contingencies relating to (i) off-balance sheet arrangements (including guarantees) and (ii) employment agreements that could result in cash payments to Messrs. Isenberg and Petrello, respectively, of (a) $100 million and $50 million, respectively, if their employment is terminated due to death or disability, or (b) $100 million and approximately $34 million, respectively, if their employment is terminated without cause or in the event of a change in control.

Financial Condition and Sources of Liquidity

Our primary sources of liquidity are cash and cash equivalents, short-term and long-term investments, availability under our various revolving credit facilities, and cash generated from operations. As of June 30, 2011, we had cash and investments of $715.2 million (including $42.1 million of long-term investments and other receivables, inclusive of $36.0 million in oil and gas financing receivables) and working capital of $1.5 billion. We also had $200 million of availability remaining from a combined total of $1.4 billion under revolving credit facilities. At December 31, 2010, we had cash and investments of $841.5 million (including $40.3 million of long-term investments and other receivables, inclusive of $32.9 million in oil and gas financing receivables) and working capital of $458.6 million as of December 31, 2010.

During the three months ended June 30, 2011, we sold some of our wholly owned oil and gas assets in Colombia to an unrelated third party. We received proceeds of $91.4 million from this sale. Additionally, during the three months ended June 30, 2011, Remora completed sales of some of their oil and gas assets in Colombia. Remora received gross proceeds of approximately $279 million from these sales and made a distribution of cash to us in the amount of $119.2 million during the second quarter of 2011. Remora has entered into additional agreements with respect to the sale of the remaining oil and gas assets, which are expected to close during the third quarter of 2011.

We had six letter-of-credit facilities with various banks as of June 30, 2011. Availability under these facilities as of June 30, 2011 was as follows:

	(In thousands)
Credit available	$ 216,052
Letters of credit outstanding, inclusive of financial and performance guarantees	68,648
Remaining availability	$ 147,404

Our ability to access capital markets or to otherwise obtain sufficient financing is enhanced by our senior unsecured debt ratings as provided by Fitch Ratings, Moody s Investors Service and Standard & Poor s and our historical ability to access those markets as needed. While there can be no assurances that we will be able to access these markets in the future, we believe that we will be able to access capital markets or otherwise obtain financing in order to satisfy any payment obligation that might arise upon exchange or purchase of our notes and that any cash payment due, in addition to our other cash obligations, would not ultimately have a material adverse impact on our liquidity or financial position. A credit downgrade may impact our ability to access credit markets.

The financial covenant in our senior unsecured revolving credit facilities require that we maintain a net funded indebtedness to total capitalization ratio of .60 to 1.0 or lower. The facilities contains additional terms, conditions, and restrictions that we believe are usual and customary in unsecured debt arrangements for companies that are similar in size and credit quality. At June 30, 2011, we were in compliance with this financial debt covenant.

Our gross funded debt to capital ratio was 0.40:1 as of June 30, 2011 and 0.42:1 as of December 31, 2010. Our net funded debt to capital ratio was 0.36:1 as of June 30, 2011 and 0.37:1 as of December 31, 2010.

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The gross funded debt to capital ratio is calculated by dividing (x) funded debt by (y) funded debt *plus* deferred tax liabilities (net of deferred tax assets) *plus* capital. Funded debt is the sum of (1) short-term borrowings, (2) the current portion of long-term debt and (3) long-term debt. Capital is shareholders equity.

The net funded debt to capital ratio is calculated by dividing (x) net funded debt by (y) net funded debt *plus* deferred tax liabilities (net of deferred tax assets) *plus* capital. Net funded debt is funded debt *minus* the sum of cash and cash equivalents and short-term and long-term investments and other receivables. Both of these ratios are used to calculate a company s leverage in relation to its capital. Neither ratio measures operating performance or liquidity as defined by GAAP and, therefore, may not be comparable to similarly titled measures presented by other companies.

Our interest coverage ratio was 7.7:1 as of June 30, 2011 and 7.0:1 as of December 31, 2010. The interest coverage ratio is a trailing 12-month quotient of the sum of (i) income (loss) from continuing operations, net of tax, (ii) net income (loss) attributable to noncontrolling interest, (iii) interest expense, (iv) subsidiary preferred stock dividends, (v) depreciation and amortization, (vi) depletion expense, (vii) impairments and other charges, and (viii) income tax expense (benefit) *less* investment income (loss) divided by the sum of cash interest expense and subsidiary preferred stock dividends. This ratio is a method for calculating the amount of operating cash flows available to cover cash interest expense. The interest coverage ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

Our current cash and investments, projected cash flows from operations, proceeds from dispositions of non-core assets and our revolving credit facilities are expected to adequately finance our purchase commitments, our scheduled debt service requirements, and all other anticipated cash requirements for the next 12 months.

Other Matters

Recent Accounting Pronouncements

In May 2011, the FASB issued an ASU to clarify the application of some of the existing fair value measurement and disclosure requirements. These changes are effective for interim and annual periods that begin after December 15, 2011. We are currently evaluating the impact on our consolidated financial statements.

In June 2011, the FASB issued an ASU relating to presentation of other comprehensive income (OCI). This ASU does not change the items that are reported in OCI, but does remove the option to present the components of OCI within the statement of changes in equity. In addition, this ASU will require OCI presentation on the face of the financial statements. These changes are effective for interim and annual periods that begin after December 15, 2011, and are applied retrospectively to all periods presented. Early adoption is permitted. We plan to adopt the ASU beginning January 1, 2012.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We may be exposed to market risk through changes in interest rates and foreign-currency risk arising from our operations in international markets as discussed in our 2010 Annual Report.

ITEM 4. *CONTROLS AND PROCEDURES*

(a) Disclosure Controls and Procedures. We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed or furnished under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. We have investments in certain unconsolidated entities that we do not control or manage. Because we do not control or manage these entities, our disclosure

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controls and procedures with respect to these entities are necessarily more limited than those we maintain with respect to our consolidated subsidiaries.

Our management, with the participation of the Chairman and Chief Executive Officer and principal accounting and financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, the Chairman and Chief Executive Officer and Principal Accounting and Financial Officer concluded that, as of the end of the period, our disclosure controls and procedures are effective, at the reasonable assurance level, in (i) recording, processing, summarizing and reporting, on a timely basis, information we are required to disclose in reports filed or furnished under the Exchange Act, and (ii) ensuring that such information is accumulated and communicated to our management, including the Chairman and Chief Executive Officer and Principal Accounting and Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting. There have not been any changes in our internal control over financial reporting (identified in connection with the evaluation required by paragraph (d) in Rules 13a-15 and 15d-15 under the Exchange Act) during the most recently completed quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can reasonably be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

In March 2011, the Court of Ouargla (in Algeria), sitting at first instance, entered a judgment of approximately $39.1 million against NDIL relating to alleged violations of Algeria s foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to NDIL by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately US $7.5 million of the total contract amount was paid offshore in foreign currency, and approximately US $3.2 million was paid in local currency. The judgment includes fines and penalties of approximately three times the amount at issue, and is not payable pending appeal. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals has upheld the lower court s ruling, and we have appealed the matter to the Algeria Supreme Court. While we believe our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations there, and interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to $31.1 million in excess of amounts accrued.

Refer to Note 8 Commitments and Contingencies for discussion of previously disclosed litigation contingencies.

ITEM 1A. *RISK FACTORS*

There have been no material changes during the three months ended June 30, 2011 to the Risk Factors discussed in our 2010 Annual Report.

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ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

We withheld the following shares of our common stock to satisfy tax withholding obligations in connection with grants of stock awards during the three months ended June 30, 2011 from the distributions described below. These shares may be deemed to be issuer purchases of shares that are required to be disclosed pursuant to this Item, but were not purchased as part of a publicly announced program to purchase common shares:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program(2)
	(In thousands, except average price paid per share)			
Apr. 1 Apr. 30, 2011	5	$ 31.07		$ 35,458
May 1 May 31, 2011		$ 29.23		$ 35,458
Jun. 1 Jun. 30, 2011	1	$ 25.39		$ 35,458

(1) Shares were withheld from employees to satisfy certain tax withholding obligations due in connection with grants of stock under our 2003 Employee Stock Plan. The 2003 Employee Stock Plan provides for the withholding of shares to satisfy tax obligations, but does not specify a maximum number of shares that can be withheld for this purpose.

(2) In July 2006, our Board of Directors authorized a share repurchase program under which we may repurchase up to $500 million of our common shares in the open market or in privately negotiated transactions. Through June 30, 2011, $464.5 million of our common shares had been repurchased under this program, and we had an additional $35.5 million available.

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ITEM 6. *EXHIBITS*

Exhibit No.	Description
3.1	Memorandum of Association of Nabors Industries Ltd. (incorporated by reference to Annex II to the proxy statement/prospectus included in Nabors Industries Ltd. s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the Commission on May 10, 2002, as amended).
3.2	Amended and Restated Bye-laws of Nabors Industries Ltd. (incorporated by reference to Exhibit 4.2 to Nabors Industries Ltd. s Form 10-Q (File No. 000-49887) filed with the Commission on August 3, 2005).
10.1	Credit Agreement, dated as of April 20, 2011, among Nabors Industries, Inc., as borrower, Nabors Industries Ltd., as guarantor, Citigroup Global Markets Inc., Mizuho Corporate Bank, Ltd., Morgan Stanley Senior Funding, Inc. and UBS Securities LLC as Joint Lead Arrangers and Joint Bookrunners, Mizuho Corporate Bank, Ltd., Morgan Stanley Senior Funding, Inc. and UBS Securities LLC, as Documentation Agents, Citibank, N.A., as Administrative Agent and Swingline Lender and the lenders party thereto from time to time (incorporated by reference to Exhibit 10.1 to Nabors Industries Ltd. s Form 8-K (File No. 001-32657) filed with the Commission on April 20, 2011).
15	Awareness Letter of Independent Accountants*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Eugene M. Isenberg, Chairman and Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of R. Clark Wood, Principal Accounting and Financial Officer*
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Eugene M. Isenberg, Chairman and Chief Executive Officer and R. Clark Wood, Principal Accounting and Financial Officer (furnished herewith).
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

* Filed herewith.

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SIGNATURES

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

NABORS INDUSTRIES LTD.

By: /s/ Eugene M. Isenberg

Eugene M. Isenberg
Chairman and
Chief Executive Officer

By: /s/ R. Clark Wood

R. Clark Wood
Principal Accounting and
Financial Officer

Date: August 2, 2011