

NABORS INDUSTRIES LTD

Form 10-Q

July 31, 2009

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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, 2009

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

Incorporated in Bermuda

Mintflower Place

8 Par-La-Ville Road

Hamilton, HM08

Bermuda

(441) 292-1510

98-0363970

(I.R.S. Employer Identification No.)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (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 NO

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 Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of common shares, par value \$.001 per share, outstanding as of July 29, 2009 was 284,040,728. In addition, our subsidiary, Nabors Exchangeco (Canada) Inc., had 101,392 exchangeable shares outstanding as of July 29, 2009 that are exchangeable for Nabors common shares on a one-for-one basis, and have essentially identical rights as Nabors Industries Ltd. common shares, including but not limited to voting rights and the right to receive dividends, if any.

NABORS INDUSTRIES LTD. AND SUBSIDIARIES
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NABORS INDUSTRIES LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except per share amounts)	June 30,	December
	2009	31,
		2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,023,653	\$ 442,087
Short-term investments	172,787	142,158
Accounts receivable, net	787,653	1,160,768
Inventory	134,017	150,118
Deferred income taxes	22,837	28,083
Other current assets	161,214	243,379
Total current assets	2,302,161	2,166,593
Long-term investments and other receivables	140,101	239,952
Property, plant and equipment, net	7,621,186	7,331,959
Goodwill	162,812	175,749
Investment in unconsolidated affiliates	433,955	411,727
Other long-term assets	209,147	191,919
Total assets	\$ 10,869,362	\$ 10,517,899
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 168,699	\$ 225,030
Trade accounts payable	262,545	424,908
Accrued liabilities	367,005	367,393
Income taxes payable	46,250	111,528
Total current liabilities	844,499	1,128,859
Long-term debt	4,063,288	3,600,533
Other long-term liabilities	267,178	261,878
Deferred income taxes	646,573	622,523
Total liabilities	5,821,538	5,613,793
Commitments and contingencies (Note 10)		
Shareholders equity:		
Common shares, par value \$.001 per share:		
Authorized common shares 800,000; issued 312,441 and 312,343, respectively	312	312
Capital in excess of par value	2,226,694	2,129,415
Accumulated other comprehensive income	167,775	53,520
Retained earnings	3,630,916	3,698,732
Less: treasury shares, at cost, 29,414 common shares	(977,873)	(977,873)

Total shareholders' equity	5,047,824	4,904,106
Total liabilities and shareholders' equity	\$ 10,869,362	\$ 10,517,899

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		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
		(As Adjusted)		(As Adjusted)
Revenues and other income:				
Operating revenues	\$ 867,869	\$ 1,282,400	\$ 2,065,914	\$ 2,582,258
Earnings (losses) from unconsolidated affiliates	(8,127)	(4,033)	(72,554)	(8,484)
Investment income	18,248	25,057	27,389	51,239
Total revenues and other income	877,990	1,303,424	2,020,749	2,625,013
Costs and other deductions:				
Direct costs	453,922	740,178	1,119,209	1,487,948
General and administrative expenses	163,808	116,914	271,151	228,235
Depreciation and amortization	165,974	148,813	325,126	285,013
Depletion	2,590	7,343	5,343	21,028
Interest expense	66,027	49,375	133,105	96,067
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	6,469	3,158	(10,828)	11,255
Impairments and other charges	227,083		227,083	
Total costs and other deductions	1,085,873	1,065,781	2,070,189	2,129,546
Income (loss) before income taxes	(207,883)	237,643	(49,440)	495,467
Income tax expense (benefit):				
Current	(43,425)	39,759	6,032	139,052
Deferred	28,528	21,471	12,344	(32,042)
Total income tax expense (benefit)	(14,897)	61,230	18,376	107,010
Net income (loss)	\$ (192,986)	\$ 176,413	\$ (67,816)	\$ 388,457
Earnings (losses) per share:				
Basic	\$ (.68)	\$.63	\$ (.24)	\$ 1.38
Diluted	\$ (.68)	\$.60	\$ (.24)	\$ 1.34

Weighted-average number of common shares
outstanding:

Basic	283,154	280,851	283,126	280,508
Diluted	283,154	294,487	283,126	290,133

The details of credit related impairments to investments and reconciliation to Impairments and other charges are presented below:

	Three and Six Months Ended June 30, 2009
(In thousands)	
Gross impairments before credit related impairment	\$ 191,434
Total other-than-temporary impairment	\$ 40,300
Less other-than-temporary impairment recognized in other comprehensive income (loss)	(4,651)
Credit related impairment on investment	35,649
Impairments and other charges (Note 3)	\$ 227,083

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,	
	2009	2008
		(As adjusted)
Cash flows from operating activities:		
Net income (loss)	\$ (67,816)	\$ 388,457
Adjustments to net income:		
Depreciation and amortization	325,126	285,013
Depletion	5,343	21,028
Deferred income tax expense (benefit)	12,344	(32,042)
Deferred financing costs amortization	3,279	4,356
Pension liability amortization and adjustments	99	142
Discount amortization on long-term debt	45,947	65,756
Amortization of loss on hedges	290	263
Impairments and other charges	227,083	
Losses on long-lived assets, net	6,886	10,407
Gains on investments, net	(13,594)	(28,203)
Gains on debt retirement, net	(15,969)	
Gains on derivative instruments	(968)	(157)
Share-based compensation	99,662	19,904
Foreign currency transaction losses (gains), net	690	(725)
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	81,053	15,232
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	379,283	(59,492)
Inventory	16,888	6,152
Other current assets	83,530	(43,555)
Other long-term assets	(21,735)	(14,020)
Trade accounts payable and accrued liabilities	(99,039)	(55,954)
Income taxes payable	(76,675)	38,961
Other long-term liabilities	15,608	10,472
Net cash provided by operating activities	1,007,315	631,995
Cash flows from investing activities:		
Purchases of investments	(22,614)	(190,509)
Sales and maturities of investments	39,592	399,669
Investment in unconsolidated affiliates	(100,670)	(47,452)
Capital expenditures	(710,849)	(751,825)
Proceeds from sales of assets and insurance claims	12,791	16,998
Net cash used for investing activities	(781,750)	(573,119)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	(15,715)	15,771
Proceeds from long-term debt	1,124,978	575,219
Debt issuance costs	(8,699)	(4,460)

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Proceeds from issuance of common shares	549	53,587
Reduction in long-term debt	(745,212)	(171,788)
Repurchase of equity component of convertible debt	(1,541)	
Repurchase of common shares		(150,114)
Purchase of restricted stock	(1,496)	(11,667)
Tax benefit related to the exercise of stock options	105	4,771
Net cash provided by financing activities	352,969	311,319
Effect of exchange rate changes on cash and cash equivalents	3,032	2,320
Net increase in cash and cash equivalents	581,566	372,515
Cash and cash equivalents, beginning of period	442,087	531,306
Cash and cash equivalents, end of period	\$ 1,023,653	\$ 903,821

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 SHAREHOLDERS EQUITY
(Unaudited)

	Common		Unrealized		Accumulated Other		Retained		Total	
	Shares		Gains		Comprehensive Income		Earnings		Shareholders	
	Shares	Par Value	Capital in Excess of Par Value	(losses)	on Cumulative Translation Adjustment	Other	Other	Treasury Shares	Equity	
(In thousands)	Shares	Value	Par Value	Securities	Adjustment	Other	Earnings	Shares	Equity	
Balances, December 31, 2008, as adjusted	312,343	\$ 312	\$ 2,129,415	\$ (36,960)	\$ 95,782	\$ (5,302)	\$ 3,698,732	\$ (977,873)	\$ 4,904,106	
Comprehensive income (loss):										
Net loss							(67,816)			(67,816)
Translation adjustment					44,317					44,317
Unrealized gains/(losses) on marketable securities, net of income tax benefit of \$1,015				41,918						41,918
Unrealized gains/(losses) on adjusted basis for marketable debt security, net of income tax benefit of \$1,767				(2,884)						(2,884)
Less: reclassification adjustment for (gains)/ losses included in net loss, net of income tax benefit of \$4,940					30,752					30,752

Pension liability amortization, net of income taxes of \$37						63				63
Amortization of (gains)/losses on cash flow hedges, net of income tax benefit of \$9						89				89
Total comprehensive income (loss)			69,786	44,317	152	(67,816)				46,439
Issuance of common shares for stock options exercised	91		549							549
Nabors Exchangeco shares exchanged	3									
Repurchase of equity component of convertible debt			(1,541)							(1,541)
Tax benefit related to stock option exercises			105							105
Restricted stock awards, net	4		(1,496)							(1,496)
Share-based compensation			99,662							99,662
Subtotal	98		97,279							97,279
Balances, June 30, 2009	312,441	\$ 312	\$ 2,226,694	\$ 32,826	\$ 140,099	\$ (5,150)	\$ 3,630,916	\$ (977,873)		\$ 5,047,824

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 SHAREHOLDERS EQUITY (Continued)
(Unaudited)

	Common		Unrealized		Accumulated Other		Retained	Treasury	Total
	Shares	Par Value	Capital in Excess of Par Value	Gains (Losses) on Marketable Securities	Translation Adjustment	Comprehensive Income (Loss) Other			
(In thousands)	Shares	Value	Par Value				Earnings	Shares	Equity
Balances, December 31, 2007, as adjusted	305,458	\$ 305	\$ 2,133,579	\$ 281	\$ 324,647	\$ (2,293)	\$ 3,222,995	\$ (877,935)	\$ 4,801,579
Comprehensive income (loss):									
Net income							388,457		388,457
Translation adjustment					(29,954)				(29,954)
Unrealized gains on marketable securities, net of income taxes of \$723				107,154					107,154
Less:									
reclassification adjustment for gains included in net income, net of income taxes of \$270				(687)					(687)
Pension liability amorti									