NABORS INDUSTRIES LTD
Form 10-Q
October 31, 2008

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 September 30, 2008
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 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 October 24, 2008 was 284,574,336. In addition, our subsidiary, Nabors Exchangeco (Canada) Inc., had 104,520 exchangeable shares outstanding as of October 24, 2008 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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PART I FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

(In thousands, except per share amounts)	September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 621,495	$ 531,306
Short-term investments	216,633	235,745
Accounts receivable, net	1,161,426	1,039,238
Inventory	129,079	133,786
Deferred income taxes	23,737	12,757
Other current assets	215,531	252,280
Total current assets	2,367,901	2,205,112
Long-term investments and other receivables	229,567	359,534
Property, plant and equipment, net	7,166,048	6,632,612
Goodwill	354,517	368,432
Other long-term assets	657,744	537,692
Total assets	$ 10,775,777	$ 10,103,382
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 224,825	$ 700,000
Trade accounts payable	353,378	348,524
Accrued liabilities	339,225	348,515
Income taxes payable	174,650	97,093
Total current liabilities	1,092,078	1,494,132
Long-term debt	3,986,722	3,306,433
Other long-term liabilities	256,517	246,714
Deferred income taxes	443,846	541,982
Total liabilities	5,779,163	5,589,261
Commitments and contingencies (Note 8)		
Shareholders equity:		
Common shares, par value $.001 per share:		
Authorized common shares 800,000; issued 309,478 and 305,458, respectively	309	305
Capital in excess of par value	1,693,777	1,710,036
Accumulated other comprehensive income	273,407	322,635
Retained earnings	3,994,246	3,359,080
Less: treasury shares, at cost, 28,413 and 26,122 common shares, respectively	(965,125)	(877,935)

Total shareholders equity	4,996,614	4,514,121
Total liabilities and shareholders equity	$ 10,775,777	$ 10,103,382

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
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share amounts)	**2008**	**2007**	**2008**	**2007**
Revenues and other income:				
Operating revenues	$ 1,454,562	$ 1,250,299	$ 4,036,820	$ 3,620,996
Earnings (losses) from unconsolidated affiliates	7,933	2,689	(551)	18,566
Investment income (loss)	(22,235)	(27,466)	29,004	(8,029)
Total revenues and other income	1,440,260	1,225,522	4,065,273	3,631,533
Costs and other deductions:				
Direct costs	805,533	722,058	2,293,481	2,043,459
General and administrative expenses	122,648	105,975	350,883	319,824
Depreciation and amortization	161,340	125,089	444,841	340,069
Depletion	7,656	12,533	28,684	28,318
Interest expense	25,506	13,450	65,291	40,235
Losses (gains) on sales of long-lived assets, impairment charges and other expense (income), net	10,875	30,524	22,130	4,775
Total costs and other deductions	1,133,558	1,009,629	3,205,310	2,776,680
Income from continuing operations before income taxes	306,702	215,893	859,963	854,853
Income tax expense:				
Current	83,501	4,211	222,553	164,038
Deferred	12,902	15,919	2,244	17,300
Total income tax expense	96,403	20,130	224,797	181,338
Income from continuing operations, net of tax	210,299	195,763	635,166	673,515
Income from discontinued operations, net of tax		22,265		35,024
Net income	$ 210,299	$ 218,028	$ 635,166	$ 708,539
Earnings per share:				
Basic from continuing operations	$ .75	$ .70	$ 2.28	$ 2.42
Basic from discontinued operations		.08		.12
Total Basic	$ .75	$ .78	$ 2.28	$ 2.54

Diluted from continuing operations	$	.73	$	.68	$	2.21	$	2.35
Diluted from discontinued operations				.08				.12
Total Diluted	$	.73	$	.76	$	2.21	$	2.47
Weighted-average number of common shares outstanding:								
Basic		279,373		280,152		278,225		278,782
Diluted		287,590		287,969		287,468		286,894

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)

	Nine Months Ended September 30,	
(In thousands)	**2008**	**2007**
Cash flows from operating activities:		
Net income	$ 635,166	$ 708,539
Adjustments to net income:		
Depreciation and amortization	444,841	344,415
Depletion	28,684	28,318
Deferred income tax (benefit) expense	2,244	(19,139)
Deferred financing costs amortization	5,983	6,264
Pension liability amortization and adjustments	210	280
Discount amortization on long-term debt	1,400	1,465
Amortization of loss on hedges	402	414
Losses (gains) on long-lived assets, net	15,271	(252)
Losses on investments, net	6,105	40,383
Gain on disposition of Sea Mar business		(49,500)
Losses on derivative instruments	277	194
Share-based compensation	32,851	24,686
Foreign currency transaction gains, net	(2,146)	(3,073)
Equity in losses (earnings) of unconsolidated affiliates, net of dividends	7,299	(6,979)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(139,676)	88,892
Inventory	3,313	(25,851)
Other current assets	(32,523)	(67,347)
Other long-term assets	(37,930)	(147,573)
Trade accounts payable and accrued liabilities	(13,402)	(79,090)
Income taxes payable	80,352	(26,457)
Other long-term liabilities	8,739	39,467
Net cash provided by operating activities	1,047,460	858,056
Cash flows from investing activities:		
Purchases of investments	(239,720)	(231,070)
Sales and maturities of investments	484,327	495,563
Cash paid for acquisitions of businesses, net		(8,391)
Investment in unconsolidated affiliates	(136,804)	(28,314)
Capital expenditures	(1,100,836)	(1,482,845)
Proceeds from sales of assets and insurance claims	47,094	135,525
Proceeds from sale of Sea Mar business		194,332
Net cash used for investing activities	(945,939)	(925,200)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	11,888	(15,337)
Proceeds from long-term debt	962,901	

Debt issuance costs	(6,606)	
Proceeds from issuance of common shares	56,630	60,362
Reduction in long-term debt	(760,588)	
Repurchase of common shares	(268,353)	
Purchase of restricted stock	(12,602)	(1,811)
Tax benefit related to the exercise of stock options	5,369	10,044
Net cash (used for) provided by financing activities	(11,361)	53,258
Effect of exchange rate changes on cash and cash equivalents	29	7,114
Net increase (decrease) in cash and cash equivalents	90,189	(6,772)
Cash and cash equivalents, beginning of period	531,306	700,549
Cash and cash equivalents, end of period	$ 621,495	$ 693,777

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			Accumulated Comprehensive Income (Loss)					
(In thousands)	**Shares**	**Par Value**	**Capital in Excess of Par Value**	**Unrealized Gains (Losses) on Marketable Securities**	**Cumulative Translation Adjustment**	**Other**	**Retained Earnings**	**Treasury Shares**	**Total Shareholders Equity**
Balances, December 31, 2007	305,458	$ 305	$ 1,710,036	$ 281	$ 324,647	$ (2,293)	$ 3,359,080	$ (877,935)	$ 4,514,121
Comprehensive income (loss):									
Net income							635,166		635,166
Translation adjustment					(75,833)				(75,833)
Unrealized gains on marketable securities, net of income tax benefit of $11,063				26,547					26,547
Less: reclassification adjustment for gains included in net income, net of income taxes of $64				74					74
Pension liability amortization, net of income taxes of $78						132			132
Unrealized gain and amortization of gains/(losses) on cash flow hedges, net of income taxes of						(148)			(148)

$167

Total comprehensive income (loss)				26,621	(75,833)	(16)	635,166		585,938
Issuance of common shares for stock options exercised	2,480	2	56,628						56,630
Nabors Exchangeco shares exchanged	16								
Issuance of 5,246 treasury shares related to conversion of notes			(181,163)					181,163	
Repurchase of 7,538 treasury shares								(268,353)	(268,353)
Tax benefit related to the redemption of convertible debt			81,789						81,789
Tax benefit related to stock option exercises			6,240						6,240
Restricted stock awards, net	1,524	2	(12,604)						(12,602)
Share-based compensation			32,851						32,851
Subtotal	4,020	4	(16,259)					(87,190)	(103,445)
Balances, September 30, 2008	309,478	$ 309	$ 1,693,777	$ 26,902	$ 248,814	$ (2,309)	$ 3,994,246	$ (965,125)	$ 4,996,614

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			Accumulated Comprehensive Income (Loss)					
(In thousands)	**Shares**	**Par Value**	**Capital in Excess of Par Value**	**Unrealized Gains (Losses) on Marketable Securities**	**Cumulative Translation Adjustment**	**Other**	**Retained Earnings**	**Treasury Shares**	**Total Shareholders Equity**
Balances, December 31, 2006	299,333	$ 299	$ 1,637,204	$ 33,400	$ 171,160	$ (3,299)	$ 2,473,373	$ (775,484)	$ 3,536,653
Comprehensive income (loss):									
Net income							708,539		708,539
Translation adjustment					152,286				152,286
Unrealized gains on marketable securities, net of income taxes of $495				13,621					13,621
Less: reclassification adjustment for gains included in net income, net of income taxes of $2,661				(47,046)					(47,046)
Pension liability amortization, net of income taxes of $104						176			176
Amortization of loss on cash flow hedges						114			114
Total comprehensive income (loss)				(33,425)	152,286	290	708,539		827,690

Cumulative effect of adoption of FIN 48 effective January 1, 2007							(44,984)		(44,984)
Issuance of common shares for stock options exercised, net of surrender of unexercised vested stock options	4,457	5	60,357						60,362
Nabors Exchangeco shares exchanged	41								
Tax effect of exercised stock option deductions			11,097						11,097
Restricted stock awards, net	1,572	2	(1,813)						(1,811)
Share-based compensation			24,686						24,686
Subtotal	6,070	7	94,327				(44,984)		49,350
Balances, September 30, 2007	305,403	$ 306	$ 1,731,531	$ (25)	$ 323,446	$ (3,009)	$ 3,136,928	$ (775,484)	$ 4,413,693

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, with approximately 525 actively marketed land drilling rigs. We conduct oil, gas and geothermal 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 are also one of the largest land well-servicing and workover contractors in the United States and Canada. We actively market approximately 589 land workover and well-servicing rigs in the United States, primarily in the southwestern and western United States, and actively market approximately 172 land workover and well-servicing rigs in Canada. Nabors is a leading provider of offshore platform workover and drilling rigs, and actively markets 37 platform rigs, 13 jack-up units and 3 barge rigs in the United States and multiple international markets. These rigs provide well-servicing, workover and drilling services. We have a 51% ownership interest in a joint venture in Saudi Arabia, which owns and actively markets 9 rigs in addition to the rigs we lease to the joint venture. We also offer a wide range of ancillary well-site services, including engineering, transportation, construction, maintenance, well logging, directional drilling, rig instrumentation, data collection and other support services in selected domestic and international markets. We provide logistics services for onshore drilling in Canada using helicopters and fixed-winged aircraft. 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 also invest in oil and gas exploration, development and production activities and have 49% ownership interests in joint ventures in the U.S., Canada and International areas.

The majority of our business is conducted through our various Contract Drilling operating segments, which include our drilling, workover and well-servicing operations, on land and offshore. Our oil and gas exploration, development and production operations are included in a category labeled Oil and Gas for segment reporting purposes. 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 a category labeled Other Operating Segments for segment reporting purposes.

During the third quarter of 2007 we sold our Sea Mar business to an unrelated third party. Accordingly, the accompanying consolidated statements of income, and certain accompanying notes to the consolidated financial statements, have been updated to retroactively reclassify the operating results of this Sea Mar business, previously included in Other Operating Segments, as a discontinued operation for all periods presented. See Note 11 Discontinued Operation for additional discussion.

As used in the Report, we, us, our, the Company and Nabors means Nabors Industries Ltd. and, where the co requires, includes our subsidiaries.

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 of America (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 U.S. 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, 2007. In our management s opinion, the consolidated financial statements contain all adjustments necessary to present fairly our financial position as of September 30, 2008 and the results of our operations for the three and nine months ended September 30, 2008 and 2007, and our cash flows for the nine months ended September 30, 2008 and 2007, in accordance with GAAP. Interim results for the three and nine months ended September 30, 2008 may not be indicative of results that will be realized for the full year ending December 31, 2008.

Our independent registered public accounting firm has performed a review of, and issued a report on, these consolidated interim financial statements in accordance with standards established by the Public Company Accounting

Oversight Board (PCAOB).

Pursuant to Rule 436(c) under the Securities Act of 1933, as amended (the Securities Act), this report should not be considered a part of any registration statement prepared or certified within the meanings of Sections 7 and 11 of the Securities Act.

Principles of Consolidation

Our consolidated financial statements include the accounts of Nabors, all majority-owned and non-majority owned subsidiaries required to be consolidated under Financial Accounting Standards Board (FASB) Interpretation No. 46(R), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46R). Our consolidated financial statements exclude majority-owned entities for which we do not have either (1) the ability to control the operating and financial decisions and policies of that entity or (2) a controlling financial interest in a variable interest entity (VIE). 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 their operating and financial policies, are accounted for using the equity method. Our share of the net income of these entities is recorded as Earnings from unconsolidated affiliates in our consolidated statements of income, and our investment in these entities is included in other long-term assets as a single amount in our consolidated balance sheets. Investments in net assets of unconsolidated affiliates accounted for using the equity method totaled $514.2 million and $383.4 million as of September 30, 2008 and December 31, 2007, respectively. Similarly, investments in certain offshore funds classified as non-marketable are accounted for using the equity method of accounting based on our ownership interest in each fund. Our share of the gains and losses of these funds is recorded in investment income in our consolidated statements of income, and our investments in these funds are included in long-term investments in our consolidated balance sheets.

Recent Accounting Pronouncements

In September 2006 the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. SFAS No. 157 is effective with respect to financial assets and liabilities for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS No. 157 applies prospectively to financial assets and liabilities. There is a one-year deferral for the implementation of SFAS No. 157 for nonfinancial assets and liabilities measured on a nonrecurring basis. Effective January 1, 2008, we adopted the provisions of SFAS No. 157 relating to financial assets and liabilities. The new disclosures regarding the level of pricing observability associated with financial instruments carried at fair value is provided in Note 3 to the accompanying unaudited consolidated financial statements. The adoption of SFAS No. 157 with respect to financial assets and liabilities did not have a material financial impact on our consolidated results of operations or financial condition. We are currently evaluating the impact of implementation with respect to nonfinancial assets and liabilities measured on a nonrecurring basis on our consolidated financial statements, which will be primarily limited to asset impairments including goodwill, intangible assets and other long-lived assets, assets acquired and liabilities assumed in a business combination and asset retirement obligations.

In October 2008 the FASB issued Staff Position (FSP) SFAS No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active. This FSP clarifies the application of SFAS No. 157 in an inactive market and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP was effective October 10, 2008 and must be applied to prior periods for which financial statements have not been issued. The application of this FSP did not have a material impact to our consolidated financial statements.

In February 2007 the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. The adoption of SFAS No. 159 did not have a material impact on our consolidated results of operations or financial condition as we have not elected to apply the provisions to our financial instruments or other eligible items that are not required to be measured at fair value.

In March 2008 the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment to FASB Statement No. 133 (SFAS No. 161). This statement is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced qualitative and quantitative disclosures regarding derivative instruments, gains and losses on such instruments and their effects on an entity s financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. We are currently evaluating the impact that this pronouncement may have on our consolidated financial statements.

In May 2008 the FASB issued FSP APB No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) . The FSP clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants . The FSP requires that convertible debt instruments be accounted for with a liability component based on the fair value of a similar nonconvertible debt instrument and an equity component based on the excess of the initial proceeds from the convertible debt instrument over the liability component. Such excess represents a debt discount which is then amortized as additional non-cash interest expense over the convertible debt instrument s expected life. The FSP will be effective for Nabors financial statements issued for fiscal years and interim periods beginning after December 15, 2008, and will be applied retrospectively to all convertible debt instruments within its scope that are outstanding for any period presented in such financial statements. We intend to adopt the FSP on January 1, 2009 on a retrospective basis and apply it to our applicable convertible debt instruments. Although we are currently evaluating the impact that this FSP will have on our consolidated financial statements, we believe that the retrospective application of the FSP will have a significant effect in reducing reported net income and diluted earnings per share for the years ended December 31, 2007 and 2008. In addition, we believe net income and diluted earnings per share is expected to be materially reduced in future years in which Nabors Delaware s $2.75 billion senior exchangeable notes due May 2011 are included in our consolidated financial statements. After adopting this FSP, we currently estimate that we will record additional non-cash interest expense, net of capitalized interest, which will reduce our pre-tax income by approximately $100-110 million and reduce net income by approximately $60-70 million for the year ended December 31, 2009.

Note 3 Financial Instruments

Effective January 1, 2008, we adopted the provisions of SFAS No. 157, Fair Value Measurements , which among other things, requires enhanced disclosures about assets and liabilities carried at fair value.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best information available. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The use of unobservable inputs is intended to allow for fair value determinations in situations in which there is little, if any, market activity for the asset or liability at the measurement date. We are able to classify fair value balances based on the observability of those inputs. SFAS No. 157 establishes a fair value hierarchy such that Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market, Level 2 measurements include quoted market prices for identical assets or liabilities in an active market which have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets, and Level 3 measurements include those that are unobservable and of a highly subjective measure.

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 September 30, 2008. As required by SFAS No. 157, 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

At Fair Value as of September 30, 2008

(*In thousands*)	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments:				
Available-for-sale equity securities	$ 107,453	$	$	$ 107,453
Available-for-sale debt securities	51,003	35,282		86,285
Trading securities	22,895			22,895
Total investments	$ 181,351	$ 35,282	$	$ 216,633
Liabilities:				
Derivative contract	$	$ 281	$	$ 281
Written put option	2,800			2,800

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Note 4 Share-Based Compensation

The Company has several share-based employee compensation plans, which are more fully described in Note 3 of our Annual Report on Form 10-K for the year ended December 31, 2007.

Total share-based compensation expense, which includes both stock options and restricted stock, totaled $13.0 million and $8.4 million for the three months ended September 30, 2008 and 2007, respectively, and $32.9 million and $24.7 million for the nine months ended September 30, 2008 and 2007, respectively. Share-based compensation expense has been allocated to our various operating segments (Note 12).

During the nine months ended September 30, 2008, the Company awarded 1,997,422 shares of restricted stock to its employees, directors and executive officers. These awards had an aggregate value at their date of grant of $62.3 million and vest over a period of three to five years.

During October 2008 the Company awarded 2,606,452 and 851,246 shares of restricted stock to its Chairman and Chief Executive Officer; and its Deputy Chairman, President and Chief Operating Officer, respectively. These awards had an aggregate value at the date of grant of $47.2 million and will vest over a period of approximately three years. See Note 8 regarding employment contracts.

Note 5 Debt

In May 2008 Nabors Industries, Inc. (Nabors Delaware), our wholly-owned subsidiary, called for redemption all of its $700 million zero coupon senior exchangeable notes due 2023 and paid cash of $171.8 million and $528.2 million to the noteholders in June 2008 and July 2008, respectively. The total amount paid to effect the redemption and related exchange was $700 million in cash and the issuance of approximately 5.25 million of our common shares with a fair value of $249.8 million, the price equal to the principal amount of the notes plus the excess of the exchange value of the notes over their principal amount. Nabors Delaware was required to pay noteholders cash up to the principal amount of the notes, and at its option, consideration in the form of either cash or our common shares for any amount above the principal amount of the notes required to be paid pursuant to the terms of the applicable indenture. The number of common shares issued was equal to the amount due in excess of the principal amount of the notes divided by the average of the volume weighted average price of our common shares for the five or ten trading day period beginning on the second business day following the day the notes were surrendered for exchange. The notes were exchangeable into the equivalent value of 28.5306 common shares per $1,000 principal amount of the notes. As our $700 million zero coupon senior exchangeable notes due 2023 could be put to us on June 15, 2008, the outstanding principal amount of $700 million was included in current liabilities in our balance sheet as of June 30, 2007. The redemption of the notes did not result in any gain or loss as the amount of cash paid for redemption of the notes was equal to their carrying amount. The excess of the exchange value of the notes over the carrying amount was recorded as a reduction to capital in excess of par value in our consolidated statement of changes in shareholders equity. A deferred tax liability of $81.8 million recorded during the five year period that the notes were outstanding was reclassified to and increased our capital in excess of par value account. This reclassification reflects the permanent income tax savings to the Company relating to the notes.

In June 2008 Nabors Delaware called for redemption the full $82.8 million aggregate principal amount at maturity of its zero coupon senior convertible debentures due 2021 and in July 2008, paid cash of $60.6 million; equal to the issue price of $50.4 million plus accrued original issue discount of $10.2 million. The redemption of the debentures did not result in any gain or loss as the debentures were redeemed at a price equal to their carrying value on July 7, 2008.

On February 20, 2008, Nabors Delaware completed a private placement of $575 million aggregate principal amount of 6.15% senior notes due 2018 with registration rights, which are unsecured and are fully and unconditionally guaranteed by us. The issue of senior notes was resold by the initial purchasers to qualified institutional buyers under Rule 144A and Regulation S of the Securities Act outside of the United States. The senior notes bear interest at a rate of 6.15% per year, payable semiannually on February 15 and August 15 of each year, beginning August 15, 2008. The senior notes will mature on February 15, 2018.

The senior notes are unsecured and are effectively junior in right of payment to any of Nabors Delaware s future secured debt. The senior notes rank equally with any of Nabors Delaware s other existing and future unsubordinated debt and are senior in right of payment to any of Nabors Delaware s future senior subordinated debt. Our guarantee of the senior notes is unsecured and ranks equal in right of payments to all of our unsecured and unsubordinated indebtedness from time to time outstanding. The senior notes are subject to redemption by Nabors Delaware, in whole or in part, at any time at a redemption price equal to the greater of (i) 100% of the principal amount of the senior notes then outstanding to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest, determined in the manner set forth in the indenture. In the event of a change in control, as defined in the indenture, the holders of senior notes may require Nabors Delaware to purchase all or any part of each senior note in cash equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase, except to the extent Nabors Delaware have exercised its right to redeem the senior notes. Nabors Delaware intends to use the proceeds of the offering of the senior notes for general corporate purposes, including the repayment of debt.

On July 22, 2008, Nabors Delaware completed a private placement of $400 million aggregate principal amount of 6.15% senior notes due 2018 with registration rights, which are unsecured and are fully and unconditionally guaranteed by us. These new senior notes were an additional issuance under the indenture pursuant to which Nabors Delaware issued $575 million 6.15% senior notes due 2018 on February 20, 2008 and are subject to the same rates, terms and conditions and together will be treated as a single class of debt securities under the indenture. The $400 million aggregate principal amount of 6.15% senior notes due 2018 was resold by the initial purchasers to qualified institutional buyers under Rule 144A of the Securities Act. The senior notes bear interest at a rate of 6.15% per year, payable semiannually on February 15 and August 15 of each year, beginning August 15, 2008. The senior notes will mature on February 15, 2018. We intend to use the proceeds of the offering for general corporate purposes.

On August 20, 2008, we and Nabors Delaware filed a registration statement on Amendment No. 1 to Form S-4 with the SEC with respect to an offer to exchange the combined $975 million aggregate principal amount of 6.15% senior notes due 2018 for other notes which would be registered and have terms substantially identical in all material respects to these notes pursuant to the applicable registration rights agreement, including being fully and unconditionally guaranteed by us. On September 2, 2008, the registration statement was declared effective by the SEC and the exchange offer expired on October 9, 2008. On October 16, 2008, Nabors Delaware issued $974,965,000 registered 6.15% senior notes due 2018 in exchange for an equal amount of its unregistered 6.15% senior notes due 2018 that were properly tendered.

The debt of one of our subsidiaries is coming due in August 2009. Accordingly, the outstanding principal amount of the $225 million 4.875% senior notes has been reclassified from long-term debt to current portion of long-term debt in our balance sheet as of September 30, 2008.

Since the completion of the quarter ended September 30, 2008, we purchased $100 million par value of Nabors Delaware s $2.75 billion 0.94% senior exchangeable notes due 2011 in the open market for cash of $75.9 million.

Note 6 Income Taxes

Effective January 1, 2007, we adopted the provisions of the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. In connection with the adoption of FIN 48, the Company recognized increases to its tax reserves for uncertain tax positions and interest and penalties which was accounted for as an increase to other long-term liabilities and as a reduction to retained earnings at January 1, 2007. We recognize interest and penalties related to income tax matters in the income tax expense line item in our consolidated statements of income.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Internationally, income tax returns from 1995 through 2006 are currently under examination. The Company anticipates that several of these audits could be finalized within 12 months. It is reasonably possible that the amount of the unrecognized benefits with respect to certain of our unrecognized tax positions could significantly increase or decrease within 12 months. However, based on the current status of examinations, and the protocol for finalizing audits with the relevant tax authorities, which could include formal legal proceedings, it is not possible to estimate the future impact of the amount of changes, if any, to recorded uncertain tax positions at September 30, 2008. Due to examinations and a change in circumstances regarding unrecognized tax benefits, we released certain tax reserves totaling $11.9 million during the three and nine months ended September 30, 2008.

The Company has recorded a deferred tax asset of approximately $98.5 million as of September 30, 2008 relating to net operating loss carryforwards that have an indefinite life in one foreign jurisdiction. A valuation allowance of approximately $94.6 million has been recognized because the Company believes it is more likely than not that substantially all of the deferred tax asset will not be realized.

Note 7 Common Shares

During the nine months ended September 30, 2008 and 2007, our employees exercised vested options to acquire 2.5 million and 4.5 million of our common shares, respectively, resulting in proceeds of $56.6 million and $60.4 million, respectively.

During the nine months ended September 30, 2008, we repurchased 7.5 million of our common shares in the open market for $268.4 million. During the nine months ended September 30, 2007, there were no repurchases of common shares in the open market. From time to time, treasury shares may be reissued. When shares are reissued, we use the weighted average cost method for determining cost. The difference between the cost of the shares and the issuance price is added to or deducted from our capital in excess of par value account.

In June 2008 in connection with the redemption of Nabors Delaware s $700 million zero coupon senior exchangeable notes due 2023, we issued 0.5 million of our treasury shares with a fair value of $21.2 million, representing a portion of the shares issued to satisfy the obligation to pay the excess over the principal amount of such notes that were exchanged. In July 2008 we issued an additional 4.8 million of our treasury shares with a fair value of $228.6 million to satisfy the obligation to the remaining noteholders to pay the excess over the principal amount of such notes that were exchanged. The treasury shares issued related to the redemption of the $700 million zero coupon senior exchangeable notes had a cost basis of $181.2 million. See Note 5 for additional discussion.

Note 8 Commitments and Contingencies

Commitments

Employment Contracts

Nabors Chairman and Chief Executive Officer, Eugene M. Isenberg, and its Deputy Chairman, President and Chief Operating Officer, Anthony G. Petrello, have employment agreements which were amended and restated effective October 1, 1996 and which currently are due to expire on September 30, 2010.

Mr. Isenberg s employment agreement was originally negotiated with a creditors committee in 1987 in connection with the reorganization proceedings of Anglo Energy, Inc., which subsequently changed its name to Nabors. These contractual arrangements subsequently were approved by the various constituencies in those reorganization proceedings, including equity and debt holders, and confirmed by the United States Bankruptcy Court.

Mr. Petrello s employment agreement was first entered into effective October 1, 1991. Mr. Petrello s employment agreement was agreed upon as part of arm s length negotiations with the Board before he joined Nabors in October 1991, and was reviewed and approved by the Compensation Committee of the Board and the full Board of Directors at that time.

The employment agreements for Messrs. Isenberg and Petrello were amended in 1994 and 1996. These amendments were approved by the Compensation Committee of the Board and the full Board of Directors at that time.

The employment agreements provide for an initial term of five years with an evergreen provision which automatically extended the agreement for an additional one-year term on each anniversary date, unless Nabors provided notice to the contrary ten days prior to such anniversary. In March 2006 the Board of Directors exercised its election to fix the expiration date of the employment agreements for Messrs. Isenberg and Petrello, and accordingly, these agreements will expire at the end of their current term at September 30, 2010.

In addition to a base salary, the employment agreements provide for annual cash bonuses in an amount equal to 6% and 2%, for Messrs. Isenberg and Petrello, respectively, of Nabors net cash flow (as defined in the respective employment agreements) in excess of 15% of the average shareholders equity for each fiscal year. (Mr. Isenberg s cash bonus formula originally was set at 10% in excess of a 10% return on shareholders equity and he has voluntarily reduced it over time to its 6% in excess of 15% level.) Mr. Petrello s bonus is subject to a minimum of $700,000 per year. In 17 of the last 18 years, Mr. Isenberg has agreed voluntarily to accept a lower annual cash bonus (i.e., an amount lower than the amount provided for under his employment agreement) in light of his overall compensation package. Mr. Petrello has agreed voluntarily to accept a lower annual cash bonus (i.e., an amount lower than the amount provided for under his employment agreement) in light of his overall compensation package in 14 of the last 17 years.

For the three months ended March 31, 2007, Messrs. Isenberg and Petrello voluntarily agreed to a reduction of the cash bonus in an amount equal to 3% and 1.5%, respectively, of Nabors net cash flow (as defined in their respective employment agreements). Mr. Isenberg voluntarily agreed to the same reduction for the three months ended June 30, 2007 and agreed to a $3 million reduction in the amount of his annual cash bonus for the three months ended September 30, 2007. For the remainder of 2007 through the expiration date of the employment agreement, the annual cash bonus will be 6% and 2%, respectively, for Messrs. Isenberg and Petrello of Nabors net cash flow in excess of 15% of the average shareholders equity for each fiscal year.

For 2008, the estimated annual cash bonuses for Messrs. Isenberg and Petrello pursuant to the formula described in their employment agreements are $71.0 million and $23.2 million, respectively. In October 2008, consistent with historical practice, they agreed to accept a portion of their bonus in restricted stock awards and were awarded 2,606,452 and 851,246 shares of restricted stock, respectively. These stock awards have a value at the date of grant of $35.6 million and $11.6 million, respectively, for Messrs. Isenberg and Petrello, and will vest over a period of approximately three years. The remaining cash portion of the bonus will be based upon actual 2008 financial results and is expected to be paid near year end.

Messrs. Isenberg and Petrello also are eligible for awards under Nabors equity plans and may participate in annual long-term incentive programs and pension and welfare plans, on the same basis as other executives; and may receive special bonuses from time to time as determined by the Board.

Termination in the event of death, disability, or termination without cause. In the event that either Mr. Isenberg s or Mr. Petrello s employment agreement is terminated (i) upon death or disability (as defined in the respective employment agreements), (ii) by Nabors prior to the expiration date of the employment agreement for any reason other than for Cause (as defined in the respective employment agreements) or (iii) by either individual for Constructive Termination Without Cause (as defined in the respective employment agreements), each would be entitled to receive within 30 days of the triggering event (a) all base salary which would have been payable through the expiration date of the contract or three times his then current base salary, whichever is greater; plus (b) the greater of (i) all annual cash bonuses which would have been payable through the expiration date; (ii) three times the highest bonus (including the imputed value of grants of stock awards and stock options), paid during the last three fiscal years prior to termination; or (iii) three times the highest annual cash bonus payable for each of the three previous fiscal years prior to termination, regardless of whether the amount was paid. In computing any amount due under (b)(i) and (iii) above, the calculation is made without regard to the 2006 Amendment reducing Mr. Isenberg s bonus percentage as described above. If, by way of example, these provisions had applied at September 30, 2008, Mr. Isenberg would have been entitled to a payment of approximately $264 million, subject to a true-up equal to the amount of cash bonus he would have earned under the formula during the remaining term of the agreement, based upon actual results, but the payment would not be less than approximately $264 million. Similarly, with respect to Mr. Petrello, had these provisions applied at September 30, 2008, Mr. Petrello would have been entitled to a payment of approximately $103 million, subject to a true-up equal to the amount of cash bonus he would have earned under the formula during the remaining term of the agreement, based upon actual results, but the payment would not be less than approximately $103 million. These payment amounts are based on historical data and are not intended to be estimates of future payments required under the agreements. Depending upon future operating results, the true-up could result in the payment of amounts which are significantly higher. The Company does not have insurance to cover its obligations in the event of death, disability, or termination without cause for either Messrs. Isenberg or Petrello and the Company has not recorded an expense or accrued a liability relating to these potential obligations. In addition, the affected individual is entitled to receive (a) any unvested restricted stock outstanding, which shall immediately and fully vest; (b) any unvested outstanding stock options, which shall immediately and fully vest; (c) any amounts earned, accrued or owing to the executive but not yet paid (including executive benefits, life insurance, disability benefits and reimbursement of expenses and perquisites), which shall be continued through the later of the expiration date or three years after the termination date; (d) continued participation in medical, dental and life insurance coverage until the executive receives equivalent benefits or coverage through a subsequent employer or until the death of the executive or his spouse, whichever is later; and (e) any other or additional benefits in accordance with applicable plans and programs of Nabors. For Messrs. Isenberg and Petrello, the value of unvested restricted stock was approximately $31 million and $16 million, respectively, as of September 30, 2008. Neither Messrs. Isenberg nor Petrello had unvested stock options as of September 30, 2008. Estimates of the cash value of Nabors obligations to Messrs. Isenberg and Petrello under (c), (d) and (e) above are included in the payment amounts above.

As noted above in March 2006 the Board of Directors exercised its election to fix the expiration date of the employment agreements for Messrs. Isenberg and Petrello such that each of these agreements expires at the end of their respective current term at September 30, 2010. Messrs. Isenberg and Petrello have informed the Board of Directors that they have reserved their rights under their employment agreements with respect to the notice setting the expiration dates of their employment agreements, including whether such notice could trigger an acceleration of certain payments pursuant to their employment agreements.

Termination in the event of a Change in Control. In the event that Messrs. Isenberg s or Petrello s termination of employment is related to a Change in Control (as defined in their respective employment agreements), they would be entitled to receive a cash amount equal to the greater of (a) one dollar less than the amount that would constitute an excess parachute payment as defined in Section 280G of the Internal Revenue Code, or (b) the cash amount that would be due in the event of a termination without cause, as described above. If, by way of example, there was a change of control event that applied on September 30, 2008, then the payments to Messrs. Isenberg and Petrello would be approximately $264 million and $103 million, respectively. These payment amounts are based on historical data and are not intended to be estimates of future payments required under the agreements. Depending upon future operating results, the true-up could result in the payment of amounts which are significantly higher but the payment would not be less than $264 million and $103 million, respectively. In addition, they would receive (a) any unvested restricted stock outstanding, which shall immediately and fully vest; (b) any unvested outstanding stock options, which shall immediately and fully vest; (c) any amounts earned, accrued or owing to the executive but not yet paid (including executive benefits, life insurance, disability benefits and reimbursement of expenses and perquisites), which shall be continued through the later of the expiration date or three years after the termination date; (d) continued participation in medical, dental and life insurance coverage until the executive receives equivalent benefits or coverage through a subsequent employer or until the death of the executive or his spouse, whichever is later; and (e) any other or additional benefits in accordance with applicable plans and programs of Nabors. For Messrs. Isenberg and Petrello, the value of unvested restricted stock was approximately $31 million and $16 million, respectively, as of September 30, 2008. Neither Messrs. Isenberg nor Petrello had unvested stock options as of September 30, 2008. The cash value of Nabors obligations to Messrs. Isenberg and Petrello under (c), (d) and (e) above are included in the payment amounts above. Also, they would receive additional stock options immediately exercisable for five years to acquire a number of shares of common stock equal to the highest number of options granted during any fiscal year in the previous three fiscal years, at an option exercise price equal to the average closing price during the 20 trading days prior to the event which resulted in the change of control. If, by way of example, there was a change of control event that applied at September 30, 2008, Mr. Isenberg would have received 3,366,666 options valued at approximately $28 million and Mr. Petrello would have received 1,683,332 options valued at approximately $14 million, in each case based upon a Black-Scholes analysis. Finally, in the event that an excise tax was applicable, they would receive a gross-up payment to make them whole with respect to any excise taxes imposed by Section 4999 of the Internal Revenue Code. With respect to the preceding sentence, by way of example, if there was a change of control event that applied on September 30, 2008, and assuming that the excise tax was applicable to the transaction, then the additional payments to Messrs. Isenberg and Petrello for the gross-up would be up to approximately $106 million and $43 million, respectively.

Other Obligations. In addition to salary and bonus, each of Messrs. Isenberg and Petrello receive group life insurance at an amount at least equal to three times their respective base salaries, various split-dollar life insurance policies, reimbursement of expenses, various perquisites and a personal umbrella insurance policy in the amount of $5 million. Premiums payable under the split-dollar life insurance policies were suspended as a result of the adoption of the Sarbanes-Oxley Act of 2002.

Oil and Gas Joint Ventures

On September 22, 2006, we entered into an agreement with First Reserve Corporation to form a joint venture, NFR Energy LLC (NFR), to invest in oil and gas exploration opportunities worldwide. First Reserve Corporation is a private equity firm specializing in the energy industry. Each party initially made a non-binding commitment to fund its proportionate share of $1.0 billion in equity. During 2007, joint venture operations in the U.S., Canada and International areas were divided among three separate joint venture entities, including NFR, Stone Mountain Ventures Partnership (Stone Mountain) and Remora Energy International LP (Remora), respectively. We hold a 49% ownership interest in each of these joint ventures. Each joint venture pursues development and exploration projects with both existing customers of ours and with other operators in a variety of forms including operated and non-operated working interests, joint ventures, farm-outs and acquisitions. As of September 30, 2008, we had made capital contributions of approximately $410.1 million to our joint venture operations with First Reserve Corporation. In October 2008 we made additional capital contributions of $114.8 million to these joint ventures for their acquisitions of oil and gas properties.

Contingencies

Income Tax Contingencies

We are subject to income taxes in both the United States and numerous foreign 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 under audit 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 that which is reflected in our income tax provisions and accruals. Based on the results of an audit or litigation, a material effect on our financial position, income tax provision, net income, or cash flows in the period or periods for which that determination is made could result.

It is possible that future changes to tax laws (including tax treaties) could have an impact on our ability to realize the tax savings recorded to date as well as future tax savings as a result of our corporate reorganization, depending on any responsive action taken by us.

On September 14, 2006, Nabors Drilling International Limited (NDIL), a wholly-owned Bermuda subsidiary of Nabors, received a Notice of Assessment (the Notice) from the Mexican Servicio de Administracion Tributaria (the SAT) in connection with the audit of NDIL s Mexican branch for tax year 2003. The Notice proposes to deny a depreciation expense deduction that relates to drilling rigs operating in Mexico in 2003, as well as a deduction for payments made to an affiliated company for the provision of labor services in Mexico. The amount assessed by the SAT is approximately $19.8 million (including interest and penalties). Nabors and its tax advisors previously concluded that the deduction of said amounts was appropriate and more recently that the position of the SAT lacks merit. NDIL s Mexican branch took similar deductions for depreciation and labor expenses in 2004, 2005, 2006, 2007 and 2008. It is likely that the SAT will propose the disallowance of these deductions upon audit of NDIL s Mexican branch s 2004, 2005, 2006, 2007 and 2008 tax years.

Self-Insurance Accruals

We are self-insured for certain losses relating to workers compensation, employers liability, general liability, automobile liability and property damage. Effective April 1, 2008, with our insurance renewal, certain changes have been made to our self-insured retentions. Automobile liability is subject to a $1.0 million per occurrence deductible. Our hurricane coverage for U.S. Gulf of Mexico exposures is subject to a $10.0 million deductible. We are insured for $55.0 million over the deductible at 85.5%. Accordingly, we are self-insuring 14.5% of this exposure.

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 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.

On February 6, 2007, a purported shareholder derivative action entitled *Kenneth H. Karstedt v. Eugene M. Isenberg, et al* was filed in the United States District Court for the Southern District of Texas against the Company s officers and directors, and against the Company as a nominal defendant. The complaint alleged that stock options were priced retroactively and were improperly accounted for, and alleged various causes of action based on that assertion. The complaint sought, among other things, payment by the defendants to the Company of damages allegedly suffered by it and disgorgement of profits. On March 5, 2007, another purported shareholder derivative action entitled *Gail McKinney v. Eugene M. Isenberg, et al* was also filed in the United States District Court for the Southern District of Texas. The complaint made substantially the same allegations against the same defendants and sought the same elements of damages. The two purported derivative actions were consolidated into one proceeding. On December 31, 2007, the Company and the individual defendants agreed with the plaintiffs-shareholders to settle the derivative action. Under the terms of the proposed settlement, the Company and the individual defendants have implemented or will implement certain corporate governance reforms and adopt certain modifications to our equity award policy with no financial accounting impact and our Compensation Committee charter. The Company and its insurers have agreed to pay up to $2.85 million to plaintiffs counsel for their attorneys fees and the reimbursement of their expenses and costs. The Court granted preliminary approval of the settlement on March 13, 2008. On May 14, 2008, following shareholder notification, the Court granted final approval of the proposed settlement.

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, a vendor which provides freight forwarding and customs clearance services to certain 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 certain transactions with this vendor and their review is ongoing. The Audit Committee of our Board of Directors 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 amounts paid to and by Panalpina in connection with the obtaining of permits for the temporary importation of equipment and clearance of goods and materials through customs. Both the U.S. Securities and Exchange Commission and the U.S. Department of Justice have been advised of the Company s investigation. The ultimate outcome of this review or the effect of implementing any further measures which may be necessary to ensure full compliance with the applicable laws cannot be determined at this time.

Off-Balance Sheet Arrangements (Including Guarantees)

We are a party to certain 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 in 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. We have also guaranteed payment of contingent consideration in conjunction with an acquisition in 2005. Potential contingent consideration is based on future operating results of the acquired business. In addition, we have provided indemnifications to certain third parties which serve as guarantees. 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 and performance guarantees issued by Nabors:

	Maximum Amount				
(In thousands)	**Remainder of 2008**	**2009**	**2010**	**Thereafter**	**Total**
Financial standby letters of credit and other financial surety instruments	$ 23,339	$ 107,618	$ 2,028	$ 750	$ 133,735
Contingent consideration in acquisition		1,417	1,417	1,416	4,250
Total	$ 23,339	$ 109,035	$ 3,445	$ 2,166	$ 137,985

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Note 9 Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share amounts)	**2008**	**2007**	**2008**	**2007**
Net income (numerator):				
Income from continuing operations, net of tax basic	$ 210,299	$ 195,763	$ 635,166	$ 673,515
Add interest expense on assumed conversion of our zero coupon convertible/exchangeable senior debentures/notes, net of tax:				
$2.75 billion due 2011 (1)				
$82.8 million due 2021 (2)				
$700 million due 2023 (3)				
Adjusted income from continuing operations, net of tax diluted	210,299	195,763	635,166	673,515
Income from discontinued operations, net of tax		22,265		35,024
Total adjusted net income	$ 210,299	$ 218,028	$ 635,166	$ 708,539
Earnings per share:				
Basic from continuing operations	$ .75	$ .70	$ 2.28	$ 2.42
Basic from discontinued operations		.08		.12
Total Basic	$ .75	$ .78	$ 2.28	$ 2.54
Diluted from continuing operations	$ .73	$ .68	$ 2.21	$ 2.35
Diluted from discontinued operations		.08		.12
Total Diluted	$ .73	$ .76	$ 2.21	$ 2.47
Shares (denominator):				
Weighted-average number of shares outstanding basic (4)	279,373	280,152	278,225	278,782
Net effect of dilutive stock options, warrants and restricted stock awards based on the treasury stock method	8,217	7,817	7,533	8,112
Assumed conversion of our zero coupon convertible/exchangeable senior debentures/notes:				
$2.75 billion due 2011 (1)				
$82.8 million due 2021 (2)				

$700 million due 2023 (3)				1,710	
Weighted-average number of shares outstanding	diluted	287,590	287,969	287,468	286,894

(1) Diluted earnings per share for the three and nine months ended September 30, 2008 and 2007 do not include any incremental shares issuable upon exchange of the $2.75 billion 0.94% senior exchangeable notes due 2011. The number of shares that we would be required to issue upon exchange consists of only the incremental shares that would be issued above the principal amount of the notes, as we are required to pay cash up to the principal amount of the notes exchanged. We would only issue an incremental number of shares upon exchange of these notes. Such shares are only included in the calculation of the weighted-average number of shares outstanding in our diluted earnings per share calculation, when our stock price

exceeds $45.83 as of the last trading day of the quarter and the average price of our shares for the ten consecutive trading days beginning on the third business day after the last trading day of the quarter exceeds $45.83, which did not occur on either September 30, 2008 or 2007.

(2) In June 2008 Nabors Delaware called for redemption of the full $82.8 million aggregate principal amount at maturity of its zero coupon senior convertible debentures due 2021 and in July 2008, paid cash of $60.6 million; an amount equal to the issue price of $50.4 million plus accrued original issue discount of $10.2 million. No common shares were issued as part of the redemption of the $82.8 million zero coupon convertible senior debentures.

(3) Diluted earnings per share for the

nine months ended September 30, 2008 reflect the conversion of the $700 million zero coupon senior exchangeable notes due 2023. In May 2008 Nabors Delaware called for redemption all of its $700 million zero coupon senior exchangeable notes due 2023 and in June and July 2008 issued an aggregate 5.25 million common shares which equated to the excess of the exchange value of the notes over their principal amount, as cash was required up to the principal amount of the notes exchanged. Diluted earnings per share for the three and nine months ended September 30, 2007 do not include any incremental shares issuable upon exchange of the $700 million zero coupon senior exchangeable notes. Such shares are only included in the calculation of the weighted-average number of shares outstanding in our diluted earnings per share calculation when the price of our shares exceeds $35.05 on the last trading day of the quarter, which did not occur on September 30, 2007.

(4) Includes the following weighted-average number of common shares of Nabors and weighted-average number of exchangeable shares of Nabors (Canada) Exchangeco Inc., respectively: 279.3 million and .1 million shares for the three months ended September 30, 2008; 280.1 million and .1 million shares for the three months ended September 30, 2007; 278.1 million and .1

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million shares for the nine months ended September 30, 2008; and 278.6 million and .2 million shares for the nine months ended September 30, 2007. The exchangeable shares of Nabors Exchangeco 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.

For all periods presented, the computation of diluted earnings per share excludes outstanding stock options and warrants with exercise prices greater than the average market price of Nabors common shares, because the inclusion of such options and warrants would be anti-dilutive. The average number of options and warrants that were excluded from diluted earnings per share that would potentially dilute earnings per share in the future were 2,528,478 and 4,601,925 shares during the three months ended September 30, 2008 and 2007, respectively, and 3,077,595 and 4,629,158 shares during the nine months ended September 30, 2008 and 2007, respectively. In any period during which the average market price of Nabors common shares exceeds the exercise prices of these stock options and warrants, such stock options and warrants will be included in our diluted earnings per share computation using the treasury stock method of accounting. Restricted stock will similarly be included in our diluted earnings per share computation using the treasury stock method of accounting in any period where the amount of restricted stock exceeds the number of shares assumed repurchased in those periods based upon future unearned compensation.

Note 10 Supplemental Balance Sheet and Income Statement Information

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

(In thousands)	September 30, 2008	December 31, 2007
Cash and cash equivalents	$ 621,495	$ 531,306
Short-term investments	216,633	235,745
Long-term investments and other receivables	229,567	359,534
Other current assets	6,089	53,054
Total	$ 1,073,784	$ 1,179,639

As of September 30, 2008, our short-term investments consist of investments in available-for-sale marketable debt and equity securities of $193.7 million and trading securities of $22.9 million and our long-term investments and other receivables consist of investments of $27.1 million in non-marketable securities accounted for by the equity method and $202.5 million in oil and gas financing receivables. Earnings associated with our oil and gas financing receivables are recognized as operating revenues. The September 30, 2008 other current assets amount represents $6.1 million in cash proceeds receivable from brokers from the sale of certain investment securities. As of December 31, 2007, our short-term investments consist entirely of investments in available-for-sale marketable debt securities while our long-term investments and other receivables consist of investments of $236.2 million in non-marketable securities and $123.3 million in oil and gas financing receivables. The December 31, 2007 other current assets amount represents $53.1 million in cash proceeds receivable from brokers from the sale of certain investment securities.

In March 2008 our investment in a privately-held company became a marketable equity security subsequent to a public offering on the Hong Kong Stock Exchange. Accordingly, we have accounted for the marketable equity security in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities and classified a portion of these securities as trading securities and a portion of these securities as available-for-sale securities based on our investment strategy. As of September 30, 2008, the fair market value of the securities classified as trading and available-for-sale was $22.9 million and $62.9 million, respectively. During the three and nine months ended September 30, 2008, we recorded in our income statement a net unrealized loss of $27.4 million and net unrealized gains of $17.2 million, respectively, on the trading portion of the security. During the three and nine months ended September 30, 2008, we recorded dividend income of $5.8 million from this investment.

Accrued liabilities include the following:

(In thousands)	September 30, 2008	December 31, 2007
Accrued compensation	$ 150,076	$ 141,473
Deferred revenue	66,143	91,071
Other taxes payable	32,141	32,539
Workers compensation liabilities	31,440	31,427
Interest payable	21,844	13,165
Warranty accrual	9,032	8,602
Litigation reserves	4,279	5,083
Other accrued liabilities	24,270	25,155
	$ 339,225	$ 348,515

Investment income (loss) includes the following:

(In thousands)	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Interest and dividend income	$ 35,109	$ 32,670
Gains (losses) on marketable and non-marketable securities, net	(6,105)	(40,699)
	$ 29,004	$ (8,029)

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

(In thousands)	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Losses (gains) on sales, retirements and involuntary conversions of long-lived assets	$ 18,476(1)	$ (259)
Litigation reserves	2,379	7,980
Foreign currency transaction losses (gains)	(2,146)	(3,071)
(Gains) losses on derivative instruments	667	196
Other	2,754	(71)
	$ 22,130	$ 4,775

(1) This amount includes involuntary conversion losses recorded as a result of Hurricanes Gustav and Ike during the third quarter of 2008 of approximately $13.7 million.

Comprehensive income for the three and nine months ended September 30, 2008 totaled $84.0 million and $585.9 million, respectively, while comprehensive income for the three and nine months ended September 30, 2007 totaled $280.7 million and $827.7 million, respectively.

Note 11 Discontinued Operation

In August 2007, we sold our Sea Mar business which had previously been included in Other Operating Segments to an unrelated third party for a cash purchase price of $194.3 million, resulting in a pre-tax gain of $49.5 million. The assets included 20 offshore supply vessels and certain related assets, including its right under a vessel construction contract. The operating results of this business for all periods presented are reported as discontinued operations in the accompanying unaudited consolidated statements of income and the respective accompanying notes to the consolidated financial statements. Our condensed statements of income from discontinued operations related to the

Sea Mar business for the three and nine months ended September 30, 2008 and 2007 were as follows:

Condensed Statements of Income

(In thousands)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenues from discontinued operations	$	$ 6,168	$	$ 58,887
Income from discontinued operations				
Income from discontinued operations	$	$ 4,852	$	$ 26,092
Gain on disposal of business		49,500		49,500
Income tax expense		(32,087)		(40,568)
Income from discontinued operations, net of tax	$	$ 22,265	$	$ 35,024

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Note 12 Segment Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2008**	**2007**	**2008**	**2007**
Operating revenues and Earnings from unconsolidated affiliates from continuing operations: (1)				
Contract Drilling: (2)				
U.S. Lower 48 Land Drilling	$ 505,197	$ 416,525	$ 1,351,106	$ 1,295,908
U.S. Land Well-servicing	204,029	180,370	557,392	544,998
U.S. Offshore	68,581	48,895	185,759	164,986
Alaska	38,496	30,854	137,979	115,467
Canada	125,335	132,434	371,969	400,802
International	368,418	296,219	1,014,882	781,963
Subtotal Contract Drilling (3)	1,310,056	1,105,297	3,619,087	3,304,124
Oil and Gas (4)(5)	29,532	35,770	54,924	67,009
Other Operating Segments (6)(7)	171,208	163,397	509,855	433,771
Other reconciling items (8)	(48,301)	(51,476)	(147,597)	(165,342)
Total	$ 1,462,495	$ 1,252,988	$ 4,036,269	$ 3,639,562
Adjusted income (loss) derived from operating activities from continuing operations:(1)(9)				
Contract Drilling:				
U.S. Lower 48 Land Drilling	$ 176,819	$ 130,761	$ 438,012	$ 458,354
U.S. Land Well-servicing	42,433	42,291	104,287	125,752
U.S. Offshore	18,456	9,245	42,897	43,500
Alaska	10,159	4,214	41,408	29,006
Canada	13,396	16,920	41,043	62,056
International	111,048	88,574	303,450	240,001
Subtotal Contract Drilling (3)	372,311	292,005	971,097	958,669
Oil and Gas(4)(5)	17,577	17,868	11,080	22,370
Other Operating Segments (6)	18,375	10,297	49,815	28,630
Total segment adjusted income derived from operating activities	408,263	320,170	1,031,992	1,009,669
Other reconciling items (10)	(42,945)	(32,837)	(113,612)	(101,777)
Adjusted income (loss) derived from operating activities from continuing operations	365,318	287,333	918,380	907,892
Interest expense	(25,506)	(13,450)	(65,291)	(40,235)
Investment income (loss)	(22,235)	(27,466)	29,004	(8,029)

(Losses) gains on sales of long-lived assets, impairment charges and other income (expense), net	(10,875)	(30,524)	(22,130)	(4,775)
Income from continuing operations before income taxes (1)	$ 306,702	$ 215,893	$ 859,963	$ 854,853

(In thousands)	September 30 2008	December 31, 2007
Total assets:		
Contract Drilling: (11)		
U.S. Lower 48 Land Drilling	$ 2,724,392	$ 2,544,629
U.S. Land Well-servicing	734,831	725,845
U.S. Offshore	477,691	452,505
Alaska	321,606	283,121
Canada	1,161,097	1,398,363
International	2,972,621	2,577,057
Subtotal Contract Drilling	8,392,238	7,981,520
Oil and Gas (12)	992,625	646,837
Other Operating Segments (13)	590,117	610,041
Other reconciling items (10)	800,797	864,984
Total assets	$ 10,775,777	$ 10,103,382

(1) All segment information excludes the Sea Mar business, which has been reclassified as a discontinued operation.

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

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(3) Includes earnings (losses), net from unconsolidated affiliates, accounted for by the equity method, of $.1 million and $3.4 million for the three months ended September 30, 2008 and 2007, respectively, and $9.7 million and $5.9 million for the nine months ended September 30, 2008 and 2007, respectively.

(4) Represents our oil and gas exploration, development and production operations.

(5) Includes earnings (losses), net from unconsolidated affiliates, accounted for by the equity method, of $7.1 million and ($2.0) million for the three months ended September 30, 2008 and 2007, respectively, and ($17.6) million and

($2.8) million for the nine months ended September 30, 2008 and 2007, 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 by the equity method, of $.7 million and $1.3 million for the three months ended September 30, 2008 and 2007, respectively, and $7.4 million and $15.5 million for the nine months ended September 30, 2008 and 2007, respectively.

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

(9)

Adjusted income 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 from unconsolidated affiliates. Such amounts should not be used as a substitute to those amounts reported under accounting principles generally accepted in the United States of America (GAAP). However, management evaluates the performance of our business units and the consolidated company based on several criteria, including adjusted income derived from operating activities, because it believes that this financial measure is an accurate reflection of the ongoing profitability of our Company. A reconciliation of this non-GAAP measure to income 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, assets and capital expenditures.

(11) Includes $59.8 million and $47.3 million of investments in unconsolidated affiliates accounted for by the equity method as of September 30, 2008 and December 31, 2007, respectively, and $21.4 million of investments in unconsolidated affiliates accounted for by the cost method as of

December 31, 2007.

(12) Includes $389.6 million and $274.1 million of investments in unconsolidated affiliates accounted for by the equity method as of September 30, 2008 and December 31, 2007, respectively.

(13) Includes $64.8 million and $62.0 million of investments in unconsolidated affiliates accounted for by the equity method as of September 30, 2008 and December 31, 2007, respectively.

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Note 13 Condensed Consolidating Financial Information

Nabors has fully and unconditionally guaranteed all of the issued public debt securities of Nabors Delaware, a wholly-owned subsidiary, and Nabors and Nabors Delaware have fully and unconditionally guaranteed the $225 million 4.875% senior notes due 2009 issued by Nabors Holdings 1, ULC (Nabors Holdings), our indirect wholly-owned subsidiary.

The following condensed consolidating financial information is included so that separate financial statements of Nabors Delaware and Nabors Holdings 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 September 30, 2008 and December 31, 2007, statements of income for each of the three and nine month periods ended September 30, 2008 and 2007, and the consolidating statements of cash flows for the nine month periods ended September 30, 2008 and 2007 of (a) Nabors, parent/guarantor, (b) Nabors Delaware, issuer of public debt securities guaranteed by Nabors and guarantor of the $225 million 4.875% senior notes issued by Nabors Holdings, (c) Nabors Holdings, issuer of the $225 million 4.875% senior notes, (d) the non-guarantor subsidiaries, (e) consolidating adjustments necessary to consolidate Nabors and its subsidiaries and (f) Nabors on a consolidated basis.

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Condensed Consolidating Balance Sheets

(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
			September 30, 2008			
			ASSETS			
Current assets:						
Cash and cash equivalents	$ 8,765	$ 398,170	$ 1,259	$ 213,301	$	$ 621,495
Short-term investments				216,633		216,633
Accounts receivable, net				1,161,426		1,161,426
Inventory				129,079		129,079
Deferred income taxes				23,737		23,737
Other current assets	152	1,073	376	213,930		215,531
Total current assets	8,917	399,243	1,635	1,958,106		2,367,901
Long-term investments and other receivables				229,567		229,567
Property, plant and equipment, net				7,166,048		7,166,048
Goodwill				354,517		354,517
Intercompany receivables	352,081	905,217	152,081	19,918	(1,429,297)	
Investments in affiliates	4,641,308	4,752,040	374,560	2,791,076	(12,044,767)	514,217
Other long-term assets		22,948	270	120,309		143,527
Total assets	$ 5,002,306	$ 6,079,448	$ 528,546	$ 12,639,541	$ (13,474,064)	$ 10,775,777
			LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:						
Current portion of long-term debt	$	$	$ 224,762	$ 63	$	$ 224,825
Trade accounts payable	1	24		353,353		353,378
Accrued liabilities	5,691	19,960	1,409	312,165		339,225
Income taxes payable		102,096	4,524	68,030		174,650
	5,692	122,080	230,695	733,611		1,092,078

Total current liabilities						
Long-term debt		3,986,124		598		3,986,722
Other long-term liabilities				256,517		256,517
Deferred income taxes		16,304	67	427,475		443,846
Intercompany payable				1,429,297	(1,429,297)	
Total liabilities	5,692	4,124,508	230,762	2,847,498	(1,429,297)	5,779,163
Shareholders equity	4,996,614	1,954,940	297,784	9,792,043	(12,044,767)	4,996,614
Total liabilities and shareholders equity	$ 5,002,306	$ 6,079,448	$ 528,546	$ 12,639,541	$ (13,474,064)	$ 10,775,777

(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
	December 31, 2007					
			ASSETS			
Current assets:						
Cash and cash equivalents	$ 10,659	$ 2,753	$ 4	$ 517,890	$	$ 531,306
Short-term investments				235,745		235,745
Accounts receivable, net				1,039,238		1,039,238
Inventory				133,786		133,786
Deferred income taxes				12,757		12,757
Other current assets	136	1,039	376	250,729		252,280
Total current assets	10,795	3,792	380	2,190,145		2,205,112
Long-term investments and other receivables				359,534		359,534
Property, plant and equipment, net				6,632,612		6,632,612
Goodwill				368,432		368,432
Intercompany receivables	361,832	1,224,222		19,918	(1,605,972)	
Investments in affiliates	4,148,256	4,429,139	304,450	2,306,797	(10,783,800)	404,842
Other long-term assets		22,180	638	110,032		132,850
Total assets	$ 4,520,883	$ 5,679,333	$ 305,468	$ 11,987,470	$ (12,389,772)	$ 10,103,382
			LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:						
Current portion of long-term debt	$	$ 700,000	$	$	$	$ 700,000
Trade accounts payable	2	24		348,498		348,524
Accrued liabilities	6,760	8,877	4,151	328,727		348,515
Income taxes payable		71,761	2,411	22,921		97,093
Total current liabilities	6,762	780,662	6,562	700,146		1,494,132

Long-term debt		3,081,871	224,562			3,306,433
Other long-term liabilities		1,900		244,814		246,714
Deferred income taxes		15,131	16	526,835		541,982
Intercompany payable			193	1,605,779	(1,605,972)	
Total liabilities	6,762	3,879,564	231,333	3,077,574	(1,605,972)	5,589,261
Shareholders equity	4,514,121	1,799,769	74,135	8,909,896	(10,783,800)	4,514,121
Total liabilities and shareholders equity	$ 4,520,883	$ 5,679,333	$ 305,468	$ 11,987,470	$ (12,389,772)	$ 10,103,382

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Condensed Consolidating Statements of Income

	Three Months Ended September 30, 2008					
(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
Revenues and other income:						
Operating revenues	$	$	$	$ 1,454,562	$	$ 1,454,562
Earnings from unconsolidated affiliates				7,933		7,933
Earnings (losses) from consolidated affiliates	212,252	168,416	3,677	166,471	(550,816)	
Investment income (loss)	123	1,811	3	(24,172)		(22,235)
Intercompany interest income	1,000	16,636	3,293		(20,929)	
Total revenues and other income	213,375	186,863	6,973	1,604,794	(571,745)	1,440,260
Costs and other deductions:						
Direct costs				805,533		805,533
General and administrative expenses	5,500	309	3	117,220	(384)	122,648
Depreciation and amortization		150		161,190		161,340
Depletion				7,656		7,656
Interest expense		25,869	2,860	(3,223)		25,506
Intercompany interest expense				20,929	(20,929)	
Losses (gains) on sales of long-lived assets, impairment charges and other expense (income), net	(2,424)	2,861	6,250	3,804	384	10,875
Total costs and other deductions	3,076	29,189	9,113	1,113,109	(20,929)	1,133,558
Income from continuing operations before income taxes	210,299	157,674	(2,140)	491,685	(550,816)	306,702
Income tax (benefit) expense		(3,975)	(685)	101,063		96,403
	210,299	161,649	(1,455)	390,622	(550,816)	210,299

Income from continuing operations, net of tax						
Income from discontinued operations, net of tax						
Net income	$ 210,299	$ 161,649	$ (1,455)	$ 390,622	$ (550,816)	$ 210,299

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	Three Months Ended September 30, 2007					
(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
Revenues and other income:						
Operating revenues	$	$	$	$ 1,250,299	$	$ 1,250,299
Earnings from unconsolidated affiliates				2,689		2,689
Earnings from consolidated affiliates	204,052	107,763	3,684	118,464	(433,963)	
Investment income (loss)	170	39		(27,675)		(27,466)
Intercompany interest income	1,333	22,544	1		(23,878)	
Total revenues and other income	205,555	130,346	3,685	1,343,777	(457,841)	1,225,522
Costs and other deductions:						
Direct costs				722,058		722,058
General and administrative expenses	3,954	83	5	102,056	(123)	105,975
Depreciation and amortization		150		124,939		125,089
Depletion				12,533		12,533
Interest expense		12,811	2,860	(2,221)		13,450
Intercompany interest expense	5,846			18,032	(23,878)	
Losses (gains) on sales of long-lived assets, impairment charges and other expense (income), net	(8)	1,189		29,220	123	30,524
Total costs and other deductions	9,792	14,233	2,865	1,006,617	(23,878)	1,009,629
Income from continuing operations before income taxes	195,763	116,113	820	337,160	(433,963)	215,893
Income tax (benefit) expense		3,090	262	16,778		20,130
Income from continuing operations, net of tax	195,763	113,023	558	320,382	(433,963)	195,763

Income from discontinued operations, net of tax	22,265	22,265		44,530	(66,795)	22,265
Net income	$ 218,028	$ 135,288	$ 558	$ 364,912	$ (500,758)	$ 218,028

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(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
	Nine Months Ended September 30, 2008					
Revenues and other income:						
Operating revenues	$	$	$	$ 4,036,820	$	$ 4,036,820
Earnings (losses) from unconsolidated affiliates				(551)		(551)
Earnings (losses) from consolidated affiliates	644,305	413,231	15,658	421,214	(1,494,408)	
Investment income (loss)	318	1,938	3	26,745		29,004
Intercompany interest income	3,000	53,478	9,016		(65,494)	
Total revenues and other income	647,623	468,647	24,677	4,484,228	(1,559,902)	4,065,273
Costs and other deductions:						
Direct costs				2,293,481		2,293,481
General and administrative expenses	14,881	583	32	336,228	(841)	350,883
Depreciation and amortization		450		444,391		444,841
Depletion				28,684		28,684
Interest expense		64,752	8,580	(8,041)		65,291
Intercompany interest expense				65,494	(65,494)	
Losses (gains) on sales of long-lived assets, impairment charges and other expense (income), net	(2,424)	2,729	7,759	13,225	841	22,130
Total costs and other deductions	12,457	68,514	16,371	3,173,462	(65,494)	3,205,310
Income from continuing operations before income taxes	635,166	400,133	8,306	1,310,766	(1,494,408)	859,963
Income tax (benefit) expense		(4,847)	2,657	226,987		224,797
Income from continuing operations, net of tax	635,166	404,980	5,649	1,083,779	(1,494,408)	635,166

Income from discontinued operations, net of tax						
Net income	$ 635,166	$ 404,980	$ 5,649	$ 1,083,779	$ (1,494,408)	$ 635,166

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(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
	Nine Months Ended September 30, 2007					
Revenues and other income:						
Operating revenues	$	$	$	$ 3,620,996	$	$ 3,620,996
Earnings from unconsolidated affiliates				18,566		18,566
Earnings from consolidated affiliates	688,748	312,350	13,949	341,672	(1,356,719)	
Investment income (loss)	504	96		(8,629)		(8,029)
Intercompany interest income	2,989	63,208	2		(66,199)	
Total revenues and other income	692,241	375,654	13,951	3,972,605	(1,422,918)	3,631,533
Costs and other deductions:						
Direct costs				2,043,459		2,043,459
General and administrative expenses	12,473	96	7	307,685	(437)	319,824
Depreciation and amortization		450		339,619		340,069
Depletion				28,318		28,318
Interest expense		38,366	8,592	(6,723)		40,235
Intercompany interest expense	6,261			59,938	(66,199)	
Losses (gains) on sales of long-lived assets, impairment charges and other expense (income), net	(8)	223		4,123	437	4,775
Total costs and other deductions	18,726	39,135	8,599	2,776,419	(66,199)	2,776,680
Income from continuing operations before income taxes	673,515	336,519	5,352	1,196,186	(1,356,719)	854,853
Income tax (benefit) expense		8,943	1,712	170,683		181,338
Income from continuing operations, net of tax	673,515	327,576	3,640	1,025,503	(1,356,719)	673,515

Income from discontinued operations, net of tax	35,024	35,024		70,048	(105,072)	35,024
Net income	$ 708,539	$ 362,600	$ 3,640	$ 1,095,551	$ (1,461,791)	$ 708,539

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Condensed Consolidating Statements of Cash Flows

	Nine Months Ended September 30, 2008					
(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
Net cash provided by (used for) operating activities	$ 39,878	$ 592,292	$ (162,293)	$ 735,709	$ (158,126)	$ 1,047,460
Cash flows from investing activities:						
Purchases of investments				(239,720)		(239,720)
Sales and maturities of investments				484,327		484,327
Investment in unconsolidated affiliates				(136,804)		(136,804)
Capital expenditures				(1,100,836)		(1,100,836)
Proceeds from sales of assets and insurance claims				47,094		47,094
Cash paid for investments in consolidated affiliates	(85,800)	(150,626)		(163,548)	399,974	
Net cash provided by (used for) investing activities	(85,800)	(150,626)		(1,109,487)	399,974	(945,939)
Cash flows from financing activities:						
Increase (decrease) in cash overdrafts				11,888		11,888
Proceeds from long-term debt		962,901				962,901
Debt issuance costs		(6,606)				(6,606)
Proceeds from issuance of common shares	56,630					56,630
Reduction in long-term debt		(760,556)		(32)		(760,588)
Repurchase of common shares		(247,357)		(20,996)		(268,353)
Purchase of restricted stock	(12,602)					(12,602)
Tax benefit related to the exercise of stock options		5,369				5,369
			163,548	236,426	(399,974)	

Proceeds from parent contributions						
Cash dividends paid				(158,126)	158,126	
Net cash (used for) provided by financing activities	44,028	(46,249)	163,548	69,160	(241,848)	(11,361)
Effect of exchange rate changes on cash and cash equivalents				29		29
Net (decrease) increase in cash and cash equivalents	(1,894)	395,417	1,255	(304,589)		90,189
Cash and cash equivalents, beginning of period	10,659	2,753	4			