NABORS INDUSTRIES LTD
Form 10-K
February 29, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-32657

NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**980363970**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
Crown House Second Floor **4 Par-la-Ville Road** **Hamilton, HM08**	
Bermuda	**N/A**
(Address of principal executive offices)	*(Zip Code)*

(441) 292-1510

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Name of each exchange on which registered
Common shares, $.001 par value per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

None.

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO þ

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. YES þ NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer þ Accelerated Filer ¨ Non-accelerated Filer ¨ Smaller Reporting Company ¨

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

The aggregate market value of the 265,089,538 common shares, par value $.001 per share, held by non-affiliates of the registrant, based upon the closing price of our common shares as of the last business day of our most recently completed second fiscal quarter, June 30, 2011, of $24.64 per share as reported on the New York Stock Exchange, was $6,531,806,216. Common shares held by each officer and director and by each person who owns 5% or more of the outstanding common shares have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of common shares, par value $.001 per share, outstanding as of February 24, 2012 was 288,679,432.

DOCUMENTS INCORPORATED BY REFERENCE (to the extent indicated herein)

Specified portions of the definitive Proxy

Statement to be distributed in connection with our 2012 Annual General Meeting of Shareholders (Part III).

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NABORS INDUSTRIES LTD.

Form 10-K Annual Report

For the Year Ended December 31, 2011

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Our internet address is *www.nabors.com*. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the SEC). In addition, a glossary of drilling terms used in this document and documents relating to our corporate governance (such as committee charters, governance guidelines and other internal policies) can be found on our website. The SEC maintains an internet site (*www.sec.gov*) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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PART I

ITEM 1. ***BUSINESS***

Introduction

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

- We actively market approximately 499 land drilling rigs for oil and gas land drilling operations in the U.S. Lower 48 states, Alaska, Canada, South America, Mexico, the Middle East, the Far East, the South Pacific, Russia and Africa.

- We actively market approximately 581 rigs for land well-servicing and workover work in the United States and approximately 174 rigs for land well-servicing and workover work in Canada.

We are also a leading provider of offshore platform workover and drilling rigs, and actively market 39 platform, 12 jackup and four barge rigs in the United States, including the Gulf of Mexico, and multiple international markets.

In addition to the foregoing services:

- We provide hydraulic fracturing, cementing, nitrogen and acid pressure pumping services with over 730,000 hydraulic horsepower in key basins throughout the United States and Canada.

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

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

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

- We have invested in oil and gas exploration, development and production activities through both our wholly owned subsidiaries and our oil and gas joint ventures in which we hold 49-50% ownership interests.

Nabors was formed as a Bermuda exempted company on December 11, 2001. Through predecessors and acquired entities, Nabors has been continuously operating in the drilling sector since the early 1900s. Our principal executive offices are located at Crown House, 4 Par-la-Ville Road, Second Floor, Hamilton, HM08, Bermuda, and our phone number there is (441) 292-1510.

Our Rig Fleet

Land Rigs. A land-based drilling rig generally consists of engines, a drawworks, a mast (or derrick), pumps to circulate the drilling fluid (mud) under various pressures, blowout preventers, drill string and related equipment. The engines power the different pieces of equipment, including a rotary table or top drive that turns the drill string, causing the drill bit to bore through the subsurface rock layers. Rock cuttings are carried to the surface by the circulating drilling fluid. The intended well depth, bore hole diameter and drilling site conditions are the principal factors that determine the size and type of rig most suitable for a particular drilling job.

Special-purpose drilling rigs used to perform workover services consist of a mobile carrier, which includes an engine, drawworks and a mast, together with other standard drilling accessories and

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specialized equipment for servicing wells. These rigs are specially designed for major repairs and modifications of oil and gas wells, including standard drilling functions. A well-servicing rig is specially designed for periodic maintenance of oil and gas wells for which service is required to maximize the productive life of the wells. The primary function of a well-servicing rig is to act as a hoist so that pipe, sucker rods and down-hole equipment can be run into and out of a well, although they also can perform standard drilling functions. Because of size and cost considerations, these specially designed rigs are used for these operations rather than the larger drilling rigs typically used for the initial drilling job.

Land-based drilling rigs are moved between well sites and between geographic areas of operations using our fleet of cranes, loaders and transport vehicles or those of third-party service providers. Well-servicing rigs are typically self-propelled, while heavier capacity workover rigs are either self-propelled or trailer-mounted and include auxiliary equipment, which is either transported on trailers or moved with trucks.

Platform Rigs. Platform rigs provide offshore workover, drilling and re-entry services. Our platform rigs have drilling and/or well-servicing or workover equipment and machinery arranged in modular packages that are transported to, and assembled and installed on, fixed offshore platforms owned by the customer. Fixed offshore platforms are steel tower-like structures that either stand on the ocean floor or are moored floating structures. The top portion, or platform, sits above the water level and provides the foundation upon which the platform rig is placed.

Jackup Rigs. Jackup rigs are mobile, self-elevating drilling and workover platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the hull, which contains the drilling and/or workover equipment, jacking system, crew quarters, loading and unloading facilities, storage areas for bulk and liquid materials, helicopter landing deck and other related equipment. The rig legs may operate independently or have a mat attached to the lower portion of the legs in order to provide a more stable foundation in soft bottom areas. Many of our jackup rigs are of cantilever design a feature that permits the drilling platform to be extended out from the hull, allowing it to perform drilling or workover operations over adjacent, fixed platforms. Nabors shallow workover jackup rigs generally are subject to a maximum water depth of approximately 125 feet, while some of our jackup rigs may drill in water depths as shallow as 13 feet. Nabors also has deeper water jackup rigs that are capable of drilling at depths between eight feet and 150 to 250 feet. The water depth limit of a particular rig is determined by the length of its legs and by the operating environment. Moving a rig from one drill site to another involves lowering the hull down into the water until it is afloat and then jacking up its legs with the hull floating. The rig is then towed to the new drilling site.

Inland Barge Rigs. One of Nabors barge rigs is a full-size drilling unit. We also own two workover inland barge rigs. These barges are designed to perform plugging and abandonment, well-service or workover services in shallow inland, coastal or offshore waters. Our barge rigs can operate at depths between three and 20 feet.

Additional information regarding the geographic markets in which we operate and our business segments can be found in Note 22 Segment Information in Part II, Item 8. Financial Statements and Supplementary Data.

Types of Drilling Contracts

On land in the U.S. Lower 48 states and Canada, we typically enter into contracts with durations ranging from one to three years. Under these contracts, our rigs are committed to one customer over that term. Most of our recent contracts for newly constructed rigs have three-year terms. Contracts relating to offshore drilling and land drilling in Alaska and international markets generally provide for longer terms, usually from one to five years. Offshore workover projects are often contracted on a single-well basis. We generally are awarded drilling contracts through competitive bidding, although we occasionally enter into contracts by direct negotiation. Most of our single-well contracts are subject to termination by the customer on short notice, but some can be firm for a number of wells or a period of time, and may provide for early termination compensation in certain

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circumstances. Contract terms and rates differ depending on a variety of factors, including competitive conditions, the geographical area, the geological formation to be drilled, the equipment and services to be supplied, the on-site drilling conditions and the anticipated duration of the work to be performed.

In recent years, all of our drilling contracts have been daywork contracts. A daywork contract generally provides for a basic rate per day when drilling (the dayrate for our providing a rig and crew) and for lower rates when the rig is moving, or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond our control. In addition, daywork contracts may provide for a lump-sum fee for the mobilization and demobilization of the rig, which in most cases approximates our incurred costs. A daywork contract differs from a footage contract (in which the drilling contractor is paid on the basis of a rate per foot drilled) and a turnkey contract (in which the drilling contractor is paid for drilling a well to a specified depth for a fixed price).

Pressure Pumping Services

We provide a wide range of wellsite solutions to oil and natural gas companies, consisting primarily of technical pumping services, including hydraulic fracturing, a process sometimes used in the completion of oil and gas wells whereby water, sand and chemicals are injected under pressure into subsurface formations to stimulate gas and oil production, and down-hole surveying services. Other technical services include completion, production and rental tool services. Additionally, we provide fluid logistics services, including those related to the transportation, storage and disposal of fluids that are used in the drilling, development and production of hydrocarbons.

During the year ended December 31, 2011 approximately 2.9% of revenues from our Pressure Pumping operating segment came from a Nabors consolidated entity and an unconsolidated Nabors affiliate. Our proportionate share of any profits resulting from sales to affiliates were eliminated in consolidation.

Well-servicing and Workover Services

Although some wells in the United States flow oil to the surface without mechanical assistance, most are in mature production areas that require pumping or some other form of artificial lift. Pumping oil wells characteristically require more maintenance than flowing wells because of the operation of the mechanical pumping equipment.

Well-servicing/Maintenance Services. We provide maintenance services on the mechanical apparatus used to pump or lift oil from producing wells. These services include, among other activities, repairing and replacing pumps, sucker rods and tubing. They also occasionally include drilling services. We provide the rigs, equipment and crews for these tasks, which are performed on both oil and natural gas wells, but which are more commonly required on oil wells. Maintenance services typically take less than 48 hours to complete. Rigs generally are provided to customers on a call-out basis. We are paid an hourly rate and work typically is performed five days a week during daylight hours.

Workover Services. Producing oil and natural gas wells occasionally require major repairs or modifications, called workovers. Workovers may be required to remedy failures, modify well depth and formation penetration to capture hydrocarbons from alternative formations, clean out and recomplete a well when production has declined, repair leaks or convert a depleted well to an injection well for secondary or enhanced recovery projects. Workovers normally are carried out with a rig that includes standard drilling accessories such as rotary drilling equipment, mud pumps, mud tanks and blowout preventers plus other specialized equipment for servicing rigs. A workover may last anywhere from a few days to several weeks. We are paid a daily rate and work is generally performed seven days a week, 24 hours a day.

Completion Services. The kinds of activities necessary to carry out a workover operation are essentially the same as those required to complete a well when it is first drilled. The completion process may

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involve selectively perforating the well casing at the depth of discrete producing zones, stimulating and testing these zones and installing down-hole equipment. The completion process may take a few days to several weeks. We are paid an hourly rate and work is generally performed seven days a week, 24 hours a day.

Production and Other Specialized Services. We also can provide other specialized services, including onsite temporary fluid storage; the supply, removal and disposal of specialized fluids used during certain completion and workover operations; and the removal and disposal of salt water that often accompanies the production of oil and natural gas. We also provide plugging services for wells from which the oil and natural gas has been depleted or further production has become uneconomical. We are paid an hourly or a per-unit rate, as applicable, for these services.

Oil and Gas Investments

In our Oil and Gas operating segment, we have invested in oil and gas exploration, development and production operations in the United States, Canada and Colombia.

During 2007, three joint ventures were formed for operations in these areas. Our joint venture in Canada was dissolved in June 2011, and our joint venture in Colombia monetized its assets during 2011. In addition, we hold a 49.7% ownership interest in a U.S. entity, NFR Energy LLC (NFR Energy). We account for these investments using the equity method of accounting. Our joint ventures pursue development and exploration projects with both existing Nabors customers and other operators in a variety of forms, including operated and non-operated working interests, joint ventures, farm-outs and acquisitions. Our oil and gas exploration, development and production operations have focused on the exploration for and the acquisition, development and production of natural gas, oil and natural gas liquids in Alaska, Arkansas, California, Louisiana, Oklahoma, Mississippi, Montana, North Dakota, Texas, Utah and Wyoming. Outside of the United States, we own or have interests in the Canadian provinces of Alberta and British Columbia and in Colombia.

During the fourth quarter of 2011, we announced our intention to dispose of a significant portion of our oil and gas investment portfolio. In addition to the sales of certain of our oil and gas assets in Colombia during 2011, we sold our working interest in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California.

Additional information about our oil and gas activities can be found in Part II, Item 2. Properties and Item 8. Notes 4 Discontinued Operations and 24 Supplemental Information on Oil and Gas Exploration and Production Activities.

Other Services

Canrig Drilling Technology Ltd., our drilling technologies and well services subsidiary, manufactures top drives, which are installed on both onshore and offshore drilling rigs. We market our top drives throughout the world. We rent top drives and catwalks, and provide installation, repair and maintenance services to our customers. We also offer rig instrumentation equipment, including proprietary RIGWATCH™ software and computerized equipment that monitors a rig s real-time performance. Our ROCKIT™ directional drilling system is experiencing high growth in the marketplace. In addition, we specialize in daily reporting software for drilling operations, making this data available through the internet. We also provide mudlogging services. Canrig Drilling Technology Canada Ltd., one of our Canadian subsidiaries, manufactures catwalks which are installed on both onshore and offshore drilling rigs. Ryan Directional Services, Inc., another one of our subsidiaries, manufactures and sells directional drilling and rig instrumentation equipment and provides data collection services to oil and gas exploration and service companies. Peak Oilfield Service Company (Peak), one of our subsidiaries in Alaska, provides heavy equipment to move drilling rigs, water, other fluids and construction materials, primarily on Alaska s North Slope and in the Cook Inlet region. Peak also provides construction and maintenance for ice roads, pads, facilities, equipment, drill sites and pipelines. Nabors also has a 50%

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membership interest in Alaska Interstate Construction, L.L.C., a general contractor involved in the construction of roads, bridges, dams, drill sites and other facility sites, as well as the provision of mining support in Alaska; the other member of Alaska Interstate Construction, L.L.C. is a subsidiary of Cook Inlet Region, Inc. Revenues are derived from services to companies engaged in mining and public works.

Our Customers

Our customers include major oil and gas companies, national oil and gas companies and independent oil and gas companies. No customer accounted for more than 10% of our consolidated revenues in 2011 or 2010.

Our Employees

As of December 31, 2011, we employed approximately 26,080 people, of whom approximately 2,666 were employed by unconsolidated affiliates. We believe our relationship with our employees is generally good.

Some rig employees in Argentina and Australia are represented by collective bargaining units.

Seasonality

Our Canada and Alaska drilling and workover operations are subject to seasonal variations as a result of weather conditions and generally experience reduced levels of activity and financial results during the second quarter of each year. In addition, our pressure pumping operations located in the Appalachian, Mid-Continent, and Rocky Mountain regions of the United States can be adversely affected by seasonal weather conditions, primarily in the spring, as many municipalities impose weight restrictions on the paved roads that lead to our jobsites due to the muddy conditions caused by spring thaws. Global warming could lengthen these periods of reduced activity, but we cannot currently estimate to what degree. Our overall financial results reflect the seasonal variations experienced in these operations. Seasonality does not materially impact the remaining portions of our business.

Research and Development

Research and development constitutes a growing part of our overall business. The effective use of technology is critical to maintaining our competitive position within the drilling industry. We expect to continue developing technology internally and acquiring technology through strategic acquisitions.

Industry/Competitive Conditions

To a large degree, our businesses depend on the level of capital spending by oil and gas companies for exploration, development and production activities. A sustained increase or decrease in the price of natural gas or oil could have a material impact on the exploration, development and production activities of our customers and could materially affect our financial position, results of operations and cash flows. See Part I, Item 1A. Risk Factors *Fluctuations in oil and natural gas prices could adversely affect drilling activity and our revenues, cash flows and profitability*.

Our industry remains competitive. The number of available rigs exceeds demand in many of our markets, resulting in strong price competition. Many rigs can be readily moved from one region to another in response to changes in levels of activity, which may result in an oversupply of rigs in those areas. Many of the total available contracts are currently awarded on a bid basis, which further increases competition based on price. The land drilling, workover, pressure pumping and well-servicing market is generally more competitive than the offshore market due to the larger number of rigs and market participants.

From 2005 through most of 2008, demand was strong for drilling services driven by a sustained increase in the level of commodity prices; supply of and demand for land drilling services were largely in balance in the

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United States and other markets, with demand actually exceeding supply in some of our markets. This resulted in an increase in rates being charged for rigs across our North American, Offshore and International markets. In late 2008, falling oil prices and the declines in natural gas prices forced a curtailment of drilling-related expenditures by many companies and resulted in an oversupply of rigs in the markets where we operate. During 2009 and the first half of 2010, this continued decline in drilling and related activity impacted our key markets. In the latter half of 2010 and during 2011, gas prices remained depressed, while oil prices steadily rose, which increased demand for our drilling and well-servicing activities in North America as the market shifted to oil-and liquids-rich shale plays. Gas prices are likely to remain weak throughout 2012, principally due to a warm winter exacerbated by increasing supply attributable to rigs associated with the increased oil- and liquids-rich production. Our International markets were much slower to respond to the improving oil prices of 2010 and early 2011 and were further dampened when we renewed three of the four expiring contracts relating to our Arabian Gulf jackup rigs at lower rates due to a more competitive market. Our International markets are improving, and the deployment of several large projects and other rigs returning to work should improve results in 2012.

In all of our geographic markets, we believe price and the availability and condition of equipment are the most significant factors in determining which drilling contractor is awarded a job. Other factors include the availability of trained personnel possessing the required specialized skills; the overall quality of service and safety record; and the ability to offer ancillary services. Increasingly, the ability to deliver rigs with new technology and features is becoming a competitive factor. In international markets, experience in operating in certain environments, as well as customer alliances, have been factors in the selection of Nabors.

Certain competitors are present in more than one of our operating regions, although no one competitor operates in all of these areas. In the U.S. Lower 48 states, we compete with Helmerich and Payne, Inc. and Patterson-UTI Energy, Inc., and several hundred other competitors with national, regional or local rig operations. In our U.S. Land Well-servicing operating segment, we compete with Basic Energy Services, Inc., Key Energy Services, Inc., Complete Energy Services, Inc., Forbes Energy Services Ltd. and numerous other competitors having smaller regional or local rig operations. In Canada and U.S. Offshore, we compete with many firms of varying size, several of which have more significant operations in those areas than Nabors. Elsewhere, we compete directly with various contractors at each location where we operate. Our Pressure Pumping operating segment competes with small and mid-sized independent contractors, as well as major oilfield services companies with operations outside of the United States. We believe that the market for land drilling, well-servicing and workover and pressure pumping contracts will continue to be competitive for the foreseeable future.

Our other operating segments represent a relatively smaller part of our business, and we have numerous competitors in each area. Our Canrig Drilling Technology Ltd. subsidiary is one of the three major manufacturers of top drives. Its largest competitors in that market are National Oilwell Varco, Inc. and Tesco Corporation. Its largest competitors in the manufacture of rig instrumentation systems are Pason Systems Inc. and National Oilwell Varco s Totco subsidiary. Mudlogging services are provided by a number of entities that serve the oil and gas industry on a regional basis. In the U.S. Lower 48 states, there are hundreds of rig transportation companies in each of our operating regions. In Alaska, Peak principally competes with CH2M_Hill for drilling support services. Other competitors include ASR Energy Services and Alaska Frontier Constructors. Peak is one of the premier ice road contractors with the largest fleet of all terrain vehicles used during the winter exploration months. Alaska Interstate Construction principally competes with large general contractors, including Granite Construction Company and Quality Asphalt Paving & Sealcoating Inc. on public works projects and Alaska Frontier Constructors, ASRC and CH2M_Hill on resource development projects.

Our Business Strategy

Our strategy is to position Nabors to grow and prosper when market conditions are good and to mitigate adverse effects when market conditions are bad. We have maintained a financial posture that allows us to

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capitalize on market weakness and strength by adding to our business base, thereby enhancing our upside potential. The principal elements of our strategy to build shareholder value are to:

- Maintain a strong and flexible balance sheet;
- Take advantage of opportunities as they arise;
- Leverage our global infrastructure;
- Achieve superior health, safety and environmental performance;
- Achieve superior operational performance;
- Focus on delivering value-added services to our customers;
- Enhance and leverage our technology position; and
- Achieve returns well above our cost of capital.

Beginning in 2005, we took advantage of the robust rig market in the United States and elsewhere to obtain a high volume of contracts for newly constructed rigs. A large portion of these rigs are subject to long-term contracts with creditworthy customers with the most significant impact occurring in our U.S. Lower 48 Land operations. This will not only expand our operations with the latest state-of-the-art rigs, which should better weather downturns in market activity, but eventually replace the oldest and least capable rigs in our existing fleet. However, this positive trend in the rig market slowed in the fourth quarter of 2008 and throughout the first half of 2010 due to the continued steady decline in natural gas and oil prices. As a result of lower commodity prices, many of our customers drilling programs were reduced and the demand for additional rigs was substantially reduced. In the latter half of 2010, commodity prices strengthened and our drilling activity improved. During 2011, oil commodity prices steadily rose and the related impact on demand for our drilling and well-servicing activities increased especially in the oil- and liquids-rich shale plays. We believe the deployment of our newer and higher-margin rigs under long-term contracts enhances our competitive position as market conditions improve.

Our current focus is to improve flexibility in our balance sheet, increase earnings and reduce our net debt. We are evaluating each business line for its strategic fit, execution effectiveness and return hurdles. In addition, we are:

- Emphasizing term contracts and execution in core businesses;
- Imposing higher hurdles for new projects;
- Optimizing intra-company synergies and technological advancements;

Improving capital allocation and return on capital expenditures; and

Monetizing nonperforming and nonstrategic assets.

Acquisitions and Divestitures

We have grown from a land drilling business centered in the U.S. Lower 48 states, Canada and Alaska to an international business with operations on land and offshore in many of the major oil and gas markets in the world. At the beginning of 1990, our fleet consisted of 44 actively marketed land drilling rigs in Canada, Alaska and in various international markets. Today, our worldwide fleet of actively marketed rigs consists of 499 land drilling rigs, 755 rigs for land well-servicing and workover work in the United States and Canada, offshore platform rigs, jackup units, barge rigs and a large component of trucks and fluid hauling vehicles. This growth was fueled in part by strategic acquisitions. Although Nabors continues to examine opportunities, there can be no assurance that attractive rigs or other acquisition opportunities will continue to be available, that the pricing will be economical or that we will be successful in making such acquisitions in the future.

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As noted above, we may sell a subsidiary or group of assets outside of our core markets or business if it is strategically or economically advantageous for us to do so.

Acquisitions

In September 2010, we acquired through a tender offer and merger all of the outstanding common stock of Superior Well Services, Inc. (Superior) at a cash purchase price of $22.12 per share, or approximately $681.3 million in the aggregate. The purchase price was allocated to the net tangible and intangible assets acquired and liabilities assumed based on their fair value at the acquisition date. The excess of the purchase price over such fair values was $335.0 million and was recorded as goodwill. Superior provides a wide range of wellsite solutions to oil and natural gas companies, primarily technical pumping services and down-hole surveying services.

On December 31, 2010, we purchased the business of Energy Contractors LLC (Energy Contractors) for a total cash purchase price of $53.4 million. The assets were comprised of vehicles and rig equipment and are included in our U.S. Land Well-servicing operating segment. The purchase price was allocated to the net tangible and intangible assets acquired based on their preliminary fair value estimates as of December 31, 2010. The excess of the purchase price over the fair value of the assets acquired was recorded as goodwill in the amount of $4.2 million.

In June 2011, the equity owners of Stone Mountain Venture Partnership (SMVP) dissolved the partnership in Canada, and a proportionate share of the assets and liabilities were conveyed to us in exchange for our ownership interest. The assets are presented as held for sale and the operating results in discontinued operations for all periods presented.

On July 31, 2011, we paid $65 million in cash to acquire the remaining 50 percent equity interest of Peak, making it a wholly owned subsidiary on this date. Previously, we held a 50 percent equity interest with a carrying value of $38.1 million that we had accounted for as an equity method investment. As a result of the acquisition, we consolidated the assets and liabilities of Peak during the third quarter of 2011 based on their respective fair values. The excess of the estimated fair value of the assets and liabilities over the net carrying value of our previously held equity interest resulted in a gain of $13.1 million and is reflected in losses (gains) on sales and retirements of long-lived assets and other expense (income) for the year ended December 31, 2011.

Divestitures

On August 8, 2007, we sold our Sea Mar business which had previously been included in Other Operating Segments. The assets included 20 offshore supply vessels and related assets, including a right under a vessel construction contract. The operating results of this business for years ended December 31, 2007 and before are accounted for as discontinued operations.

On April 28, 2011, we sold some of our wholly owned oil and gas assets, previously included in our oil and gas operating segment, in Colombia. We received proceeds of $89.2 million from this sale and recognized a gain of approximately $39.6 million.

During the second quarter of 2011, our unconsolidated oil and gas joint venture, Remora Energy International LP (Remora), completed sales of its oil and gas assets in Colombia. Remora received gross proceeds of approximately $333.1 million from these sales and made cash distributions to us in the amount of $143.0 million with a final distribution expected upon dissolution of the joint venture.

On December 14, 2011, we sold our 25% working interest in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California. We received proceeds of approximately $71.6 million from the sale and a commitment from the purchaser to continue utilizing our rigs. We recognized a gain of approximately $7.2 million. These assets were previously included in our oil and gas operating segment.

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The accompanying consolidated statements of income (loss) and notes to the consolidated financial statements have been updated to retroactively reclassify the operating results of the divested assets as discontinued operations for all periods presented. See Note 4 Discontinued Operations for additional discussion in Part II, Item 8. Financial Statements and Supplementary Data.

Environmental Compliance

We do not currently anticipate that compliance with currently applicable environmental regulations and controls will significantly change our competitive position, capital spending or earnings during 2012. We believe we are in material compliance with applicable environmental rules and regulations, and the cost of such compliance is not material to our business or financial condition. For a more detailed description of the environmental laws and regulations applicable to our operations, see Part I, Item 1A. Risk Factors *Changes to or noncompliance with governmental regulation or exposure to environmental liabilities could adversely affect Nabors results of operations.*

ITEM 1A. ***RISK FACTORS***

In addition to the other information set forth elsewhere in this report, the following factors should be carefully considered when evaluating Nabors. The risks described below are not the only ones facing Nabors. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Our business, financial condition or results of operations could be materially adversely affected by any of these risks.

Fluctuations in oil and natural gas prices could adversely affect drilling activity and our revenues, cash flows and profitability

Our operations depend on the level of spending by oil and gas companies for exploration, development and production activities. Both short-term and long-term trends in oil and natural gas prices affect these levels. Oil and natural gas prices, as well as the level of drilling, exploration and production activity, can be highly volatile. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, affect both the demand for, and the supply of, oil and natural gas. Weather conditions, governmental regulation (both in the United States and elsewhere), levels of consumer demand, the availability of pipeline capacity, and other factors beyond our control may also affect the supply of and demand for oil and natural gas. Volatility in oil and natural gas prices is likely to continue in the foreseeable future, especially given the general contraction in the world s economy that began during 2008. We believe that any prolonged suppression of oil and natural gas prices could continue to depress the level of exploration and production activity, which could result in a corresponding decline in demand for our services. Lower oil and natural gas prices have also caused some of our customers to seek to terminate, renegotiate or fail to honor our drilling contracts and affected the fair market value of our rig fleet, which in turn has resulted in impairments of our assets. A sustained or further decline in oil and natural gas prices could adversely impact our cash forecast models used to determine whether the carrying value of our long-lived assets exceed our future cash flows, which could result in future impairment to our long-lived assets. A prolonged period of lower oil and natural gas prices could affect our ability to retain skilled rig personnel and affect our ability to access capital to finance and grow our business. There can be no assurances as to the future level of demand for our services or future conditions in the oil and natural gas and oilfield services industries.

Uncertain or negative global economic conditions could continue to adversely affect our results of operations

The substantial volatility and extended declines in oil and natural gas prices in recent years in response to a weakened global economic environment have adversely affected our results of operations. In addition, economic

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conditions have resulted in substantial uncertainty in the capital markets and both access to and terms of available financing. During 2009 through the first half of 2010, many of our customers curtailed their drilling programs, which, in many cases, resulted in a decrease in demand for drilling rigs and a reduction in dayrates and utilization. Additionally, some customers terminated drilling contracts prior to the expiration of their terms. A prolonged period of lower oil and natural gas prices could continue to impact our industry and our business, including our future operating results and the ability to recover our assets, including goodwill, at their stated values. In addition, some of our customers could experience an inability to pay suppliers, including us, in the event they are unable to access the capital markets to fund their business operations. Likewise, our suppliers may be unable to sustain their current level of operations, fulfill their commitments and/or fund future operations and obligations. Each of these could adversely affect our operations.

As a holding company, we depend on our subsidiaries to meet our financial obligations

We are a holding company with no significant assets other than the stock of our subsidiaries. In order to meet our financial needs, we rely exclusively on repayments of interest and principal on intercompany loans that we have made to our operating subsidiaries and income from dividends and other cash flow from our subsidiaries. There can be no assurance that our operating subsidiaries will generate sufficient net income to pay us dividends or sufficient cash flow to make payments of interest and principal to us. In addition, from time to time, our operating subsidiaries may enter into financing arrangements that contractually restrict or prohibit these types of upstream payments. There can also be adverse tax consequences associated with paying dividends.

We have a substantial amount of debt outstanding

As of December 31, 2011, we had long-term debt outstanding of approximately $4.6 billion, including $275.3 million in current maturities, and cash and cash equivalents and short-term investments of $539.5 million. Our ability to service our debt obligations depends in large part upon the level of cash flows generated by our subsidiaries operations, possible dispositions of non-core assets, availability under our unsecured revolving credit facilities and our ability to access the capital markets. As of December 31, 2011, we had $540 million available under revolving credit facilities. We calculate our leverage in relation to capital (i.e., shareholders equity) utilizing two commonly used ratios:

Gross funded debt to capital, which is calculated by dividing (x) funded debt by (y) funded debt *plus* deferred tax liabilities (net of deferred tax assets) *plus* capital. Funded debt is the sum of (1) short-term borrowings, (2) the current portions of long-term debt and (3) long-term debt; and

Net funded debt to capital, which is calculated by dividing (x) net funded debt by (y) net funded debt *plus* deferred tax liabilities (net of deferred tax assets) *plus* capital. Net funded debt is funded debt *minus* the sum of cash and cash equivalents and short-term investments.

At December 31, 2011, our gross funded debt to capital ratio was 0.43:1 and our net funded debt to capital ratio was 0.40:1.

Our access to borrowing capacity could be affected by the recent instability in the global financial markets

Our ability to access capital markets or to otherwise obtain sufficient financing is enhanced by our senior unsecured debt ratings as provided by Fitch Ratings, Moody s Investor Service and Standard & Poor s and our historical ability to access those markets as needed. A credit downgrade may impact our future ability to access credit markets, which is important for purposes of both meeting our financial obligations and funding capital requirements to finance and grow our businesses.

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We operate in a highly competitive industry with excess drilling capacity, which may adversely affect our results of operations

The oilfield services industry is very competitive. Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Many drilling, workover and well-servicing rigs can be moved from one region to another in response to changes in levels of activity and market conditions, which may result in an oversupply of rigs in an area. In many markets where we operate, the number of rigs available for use exceeds the demand for rigs, resulting in price competition. Most drilling and workover contracts are awarded on the basis of competitive bids, which also results in price competition. The land drilling market generally is more competitive than the offshore drilling market because there are larger numbers of rigs and competitors.

The nature of our operations presents inherent risks of loss that could adversely affect our results of operations

Our operations are subject to many hazards inherent in the drilling, workover and well-servicing and pressure pumping industries, including blowouts, cratering, explosions, fires, loss of well control, loss of or damage to the wellbore or underground reservoir, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental and natural resources damage and damage to the property of others. Our offshore operations are also subject to the hazards of marine operations including capsizing, grounding, collision, damage from hurricanes and heavy weather or sea conditions and unsound ocean bottom conditions. Our operations are also subject to risks of war, civil disturbances or other political events.

Accidents may occur, we may be unable to obtain desired contractual indemnities, and our insurance may prove inadequate in certain cases. The occurrence of an event not fully insured or indemnified against, or the failure or inability of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not be available to cover any or all of these risks. Even if available, insurance may be inadequate or insurance premiums or other costs may rise significantly in the future making insurance prohibitively expensive. We expect to continue to face upward pressure in our insurance renewals; our premiums and deductibles may be higher, and some insurance coverage may either be unavailable or more expensive than it has been in the past. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of a deductible or self-insured retention. We may choose to increase the levels of deductibles (and thus assume a greater degree of risk) from time to time in order to minimize our overall costs.

The profitability of our operations could be adversely affected by war, civil disturbance, or political or economic turmoil, fluctuation in currency exchange rates and local import and export controls

We derive a significant portion of our business from global markets, including major operations in Canada, South America, Mexico, the Middle East, the Far East, the South Pacific, Russia and Africa. These operations are subject to various risks, including the risk of war, civil disturbances and governmental activities that may limit or disrupt markets, restrict the movement of funds or result in the deprivation of contract rights or the taking of property without fair compensation. In some countries, our operations may be subject to the additional risk of fluctuating currency values and exchange controls. We are subject to various laws and regulations that govern the operation and taxation of our business and the import and export of our equipment from country to country, the imposition, application and interpretation of which can prove to be uncertain.

The loss of key executives could reduce our competitiveness and prospects for future success

The successful execution of our strategies central to our future success will depend, in part, on a few of our key executive officers. We have an employment agreement with our Deputy Chairman, President and Chief

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Executive Officer, Anthony G. Petrello, with a term through March 30, 2014. If Mr. Petrello s employment is terminated in the event of death or disability, the Company will make a cash payment of $50 million; or in the event of termination without cause or in the event of a change in control, the Company will make a cash payment based on a formula of three times the average of his base salary and annual bonus paid during the three fiscal years preceding the termination. We do not carry significant amounts of key man insurance. The loss of Mr. Petrello could have an adverse effect on our financial condition or results of operations.

Changes to or noncompliance with governmental regulation or exposure to environmental liabilities could adversely affect our results of operations

The drilling of oil and gas wells is subject to various federal, state and local laws, rules and regulations. Our cost of compliance with these laws, rules and regulations may be substantial. For example, federal law imposes on responsible parties a variety of regulations related to the prevention of oil spills, and liability for removal costs and natural resource, real or personal property and certain economic damages arising from such spills. Some of these laws may impose strict liability for these costs and damages without regard to the conduct of the parties. As an owner and operator of onshore and offshore rigs and transportation equipment, we may be deemed to be a responsible party under federal law. In addition, our well-servicing, workover and production services operations routinely involve the handling of significant amounts of materials, some of which are classified as solid or hazardous wastes or hazardous substances. Various state and federal laws govern the containment and disposal of hazardous substances, oilfield waste and other waste materials, the use of underground storage tanks and the use of underground injection wells. We employ personnel responsible for monitoring environmental compliance and arranging for remedial actions that may be required from time to time and also use consultants to advise on and assist with our environmental compliance efforts. Liabilities are recorded when the need for environmental assessments and/or remedial efforts become known or probable and the cost can be reasonably estimated.

The scope of laws protecting the environment has expanded, particularly outside the United States, and this trend is expected to continue. The violation of environmental laws and regulations can lead to the imposition of administrative, civil or criminal penalties, remedial obligations, and in some cases injunctive relief. Violations may also result in liabilities for personal injuries, property and natural resource damage and other costs and claims. We are not always successful in allocating all risks of these environmental liabilities to customers, and it is possible that customers who assume the risks will be financially unable to bear any resulting costs.

Under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, also known as CERCLA or Superfund, and similar state laws and regulations, liability for release of a hazardous substance into the environment can be imposed jointly on the entire group of responsible parties or separately on any one of the responsible parties, without regard to fault or the legality of the original conduct of any party that contributed to the release. Liability under CERCLA may include costs of cleaning up the hazardous substances that have been released into the environment and damages to natural resources.

Changes in environmental laws and regulations may also negatively impact the operations of oil and natural gas exploration and production companies, which in turn could have an adverse effect on us. For example, legislation has been proposed from time to time in the U.S. Congress that would reclassify some oil and natural gas production wastes as hazardous wastes under the Resources Conservation and Recovery Act, which would make the reclassified wastes subject to more stringent handling, disposal and clean-up requirements. Legislators and regulators in the United States and other jurisdictions where we operate also focus increasingly on restricting the emission of carbon dioxide, methane and other greenhouse gases that may contribute to warming of the Earth s atmosphere, and other climatic changes. The U.S. Congress has considered legislation designed to reduce emission of greenhouse gases, and some states in which we operate have passed legislation or adopted initiatives, such as the Regional Greenhouse Gas Initiative in the northeastern United States and the Western Regional Climate Action Initiative, which establish greenhouse gas inventories and/or cap-and-trade programs. Some international initiatives have also been adopted, such as the United Nations Framework Convention on Climate

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Change s Kyoto Protocol , to which the United States is not a party. In addition, the U.S. Environmental Protection Agency (EPA) has published findings that emissions of greenhouses gases present an endangerment to public health and the environment, paving the way for regulations that would restrict emissions of greenhouse gases under existing provisions of the Clean Air Act.

In October 2009, the EPA enacted rules requiring the reporting of greenhouse gas emissions from large sources and suppliers in the United States. In November 2010, the EPA expanded these rules to include offshore oil and natural gas production and onshore oil and natural gas production, processing, transmission, storage and distribution facilities beginning in 2012 for emissions occurring in 2011. The enactment of such hazardous waste legislation or future or more stringent regulation of greenhouse gases could dramatically increase operating costs for oil and natural gas companies and could reduce the market for our services by making many wells and/or oilfields uneconomical to operate.

The U.S. Oil Pollution Act of 1990, as amended, imposes strict liability on responsible parties for removal costs and damages resulting from discharges of oil into U.S. waters. In addition, the Outer Continental Shelf Lands Act provides the federal government with broad discretion in regulating the leasing of offshore oil and gas production sites.

Increased regulation of hydraulic fracturing could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact the demand for fracturing and other services

Superior performs hydraulic fracturing, a process sometimes used in the completion of oil and gas wells whereby water, sand and chemicals are injected under pressure into subsurface formations to stimulate gas and, to a lesser extent, oil production. The EPA and certain other federal agencies have announced that they would study the potential adverse impact that fracturing may have on water quality and public health. On August 11, 2011, the U.S. Department of Energy released its report on hydraulic fracturing, recommending the implementation of a variety of measures to reduce the environmental impacts from shale-gas production. These studies could spur initiatives to regulate hydraulic fracturing under the Safe Drinking Water Act or under newly established legislation. Legislation has also been introduced in the U.S. Congress and adopted or introduced in some states that would require the disclosure of chemicals used in the fracturing process. If enacted, the legislation could require fracturing activities to meet permitting and financial assurance requirements, adhere to certain construction specifications, fulfill monitoring, reporting and recordkeeping requirements and meet plugging and abandonment requirements. Any new laws regulating fracturing activities could cause operational delays or increased costs in exploration and production, which could adversely affect the demand for fracturing services.

Future price declines may result in a writedown of our oil and gas asset carrying values

Our wholly owned oil and gas investment portfolio and our unconsolidated ownership interest in Remora is reflected in assets held for sale. Historically, our proved and unproved properties have been reviewed for impairment of the carrying value based on the successful efforts method of accounting for oil and gas properties; any impairment was expensed in that period. Our unconsolidated oil and gas joint ventures, which we account for under the equity method of accounting, utilize the full-cost method of accounting for costs related to oil and natural gas properties.

The estimated fair value of our proved reserves generally declines when there is a significant and sustained decline in oil and natural gas prices. Any sustained further decline in oil and natural gas prices or reserve quantities could require further writedown of the value of our proved oil and gas properties or our ownership interests in unconsolidated affiliates if the estimated fair value of these properties falls below their net book value, which could cause other future writedowns of capitalized costs and asset impairments that could adversely affect our results of operations.

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Significant exercises of stock options could adversely affect the market price of our common shares

As of February 24, 2012, we had 800,000,000 authorized common shares, of which 318,092,267 shares were outstanding. In addition, 39,129,225 common shares were reserved for issuance pursuant to stock option and employee benefit plans. The sale, or availability for sale, of substantial amounts of our common shares in the public market, whether directly by us or resulting from the exercise of options (and, where applicable, sales pursuant to Rule 144 under the Securities Act), would be dilutive to existing security holders, could adversely affect the prevailing market price of our common shares and could impair our ability to raise additional capital through the sale of equity securities.

Provisions in our organizational documents and executive contracts may deter a change of control transaction and decrease the likelihood of a shareholder receiving a change of control premium

The Board of Directors has the authority to issue a significant number of common shares and up to 25,000,000 preferred shares, as well as to determine the price, rights (including voting rights), conversion ratios, preferences and privileges of the preferred shares, in each case without any vote or action by the holders of our common shares. In addition, our Board of Directors is divided into three classes, with each class serving a staggered three-year term. Although we have announced plans to declassify the Board, its current structure, as well as its ability to issue preferred shares, may discourage, delay or prevent changes in control of Nabors that are not supported by the Board, thereby preventing some of our shareholders from realizing a premium on their shares.

We have an employment agreement with our Deputy Chairman, President and Chief Executive Officer, Anthony G. Petrello. The agreement has a change-in-control provision that could result in a significant cash payment to Mr. Petrello.

We may have additional tax liabilities

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

On September 14, 2006, Nabors Drilling International Limited, one of our wholly owned Bermuda subsidiaries (NDIL), received a Notice of Assessment from Mexico s federal tax authorities in connection with the audit of NDIL s Mexico branch for 2003. The notice proposes to deny depreciation expense deductions relating to drilling rigs operating in Mexico in 2003. The notice also proposes to deny a deduction for payments made to an affiliated company for the procurement of labor services in Mexico. The amount assessed was approximately $19.8 million (including interest and penalties). Nabors and its tax advisors previously concluded that the deductions were appropriate and more recently that the government s position lacks merit. NDIL s Mexico branch took similar deductions for depreciation and labor expenses from 2004 to 2008. On June 30, 2009, the government proposed similar assessments against the Mexico branch of another wholly owned Bermuda subsidiary, Nabors Drilling International II Ltd. (NDIL II) for 2006. We anticipate that a similar assessment will eventually be proposed against NDIL for 2005 through 2008 and against NDIL II for 2007 to 2010. We believe that the potential assessments will range from $6 million to $26 million per year for the period from 2005 to 2009, and in the aggregate, would be approximately $90 million to $95 million. Although we believe that any assessments related to the 2003 and 2005 to 2010 years lack merit, a reserve has been recorded in accordance with accounting principles generally accepted in the United States of America (GAAP). The

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statute of limitations for NDIL s 2004 tax year expired. Accordingly, during the fourth quarter of 2010, we released $7.4 million from our tax reserves, which represented the reserve recorded for that tax year. If these additional assessments were to be made and we ultimately did not prevail, we would be required to recognize additional tax for the amount in excess of the current reserve.

Proposed tax legislation could mitigate or eliminate the benefits of our 2002 reorganization as a Bermuda company

Various bills have been introduced in the U.S. Congress that could reduce or eliminate the tax benefits associated with our reorganization as a Bermuda company. Legislation enacted by the U.S. Congress in 2004 provides that a corporation that reorganized in a foreign jurisdiction on or after March 4, 2003 be treated as a domestic corporation for U.S. federal income tax purposes. Nabors reorganization was completed on June 24, 2002. There have been and we expect that there may continue to be legislation proposed by the U.S. Congress from time to time which, if enacted, could limit or eliminate the tax benefits associated with our reorganization.

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

Legal proceedings could affect our financial condition and results of operations

We are subject to legal proceedings and governmental investigations from time to time that include employment, tort, intellectual property and other claims, and purported class action and shareholder derivative actions. We are also subject to complaints and allegations from former, current or prospective employees from time to time, alleging violations of employment-related laws. Lawsuits or claims could result in decisions against us that could have an adverse effect on our financial condition or results of operations.

The profitability of our operations could be adversely affected by turmoil in the global financial markets

The changes in general financial and political conditions, including the U.S. government budget, the downgrade by Standard & Poor s of the credit rating of U.S. government securities and concerns over the European sovereign debt crisis and banking industry has created a great deal of uncertainty in the recovery of the world economy. If global economic uncertainties continue over a prolonged period of time or develop adversely, there could be a material adverse impact on our credit ratings and liquidity and those of our customers and other worldwide business partners. If global oil and gas prices were to decline rapidly, it could lead our customers to curtail their operations or expansion and cause difficulties for us and our customers to forecast future capital expenditures, which in turn could negatively impact the worldwide rig count and our future financial results.

We do not currently intend to pay dividends on our common shares

We have not paid any cash dividends on our common shares since 1982 and have no current intention to do so. However, we can give no assurance that we will not reevaluate our position on dividends in the future.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

Not applicable.

ITEM 2. ***PROPERTIES***

Nabors principal executive offices are located in Hamilton, Bermuda. We own or lease executive and administrative office space in Dubai in the United Arab Emirates; Anchorage, Alaska; Calgary, Canada; Indiana, Pennsylvania and Houston, Texas.

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Many of the international drilling rigs and some of the Alaska rigs in our fleet are supported by mobile camps which house the drilling crews and a significant inventory of spare parts and supplies. In addition, we own various trucks, forklifts, cranes, earth-moving and other construction and transportation equipment, which are used to support our operations. We also own or lease a number of facilities and storage yards used in support of operations in each of our geographic markets.

Nabors and its subsidiaries own certain mineral interests in connection with their investing and operating activities. The operations of our Oil and Gas operating segment focus on the exploration for and the acquisition, development and production of natural gas, oil and natural gas liquids in the United States, the Canada provinces of Alberta and British Columbia, and Colombia.

Our Oil and Gas operating segment includes our wholly owned oil and gas assets and our unconsolidated oil and gas joint ventures. In December 2008, the SEC revised oil and gas reporting disclosures, which clarified that we should consider our equity-method investments when determining whether we have significant oil and gas activities beginning in 2009. A one-year deferral of the disclosure requirements was allowed if an entity became subject to the requirements because of the change to the definition of significant oil and gas activities. When operating results from our wholly owned oil and gas activities were considered with operating results from our unconsolidated oil and gas joint ventures, which we account for under the equity method of accounting, we determined that we had significant oil and gas activities under the new definition at December 31, 2009. Accordingly after the one-year deferral, we began presenting the information with regard to our oil and gas producing activities for the year ended December 31, 2010.

The estimates of net proved oil and gas reserves as of December 31, 2011 were based on reserve reports prepared by independent petroleum engineers. AJM Deloitte prepared reports of estimated proved oil and gas reserves for our wholly owned assets in Canada. Miller and Lents, Ltd. prepared reports of estimated proved oil and gas reserves for both our wholly owned assets and our U.S. joint venture s interests in natural gas and oil properties located in the United States. Cawley, Gillespie & Associates, Inc. prepared reports of estimated proved oil reserves for wholly owned assets located in the Eagle Ford Shale and Giddings field in Grimes County, Texas.

The estimates of net proved oil and gas reserves as of December 31, 2010 were based on reserve reports prepared by the following independent petroleum engineers. AJM Petroleum Consultants prepared reports of estimated proved oil and gas reserves for our wholly owned assets in Canada. Miller and Lents, Ltd. prepared reports of estimated proved oil and gas reserves for both our wholly owned assets and our U.S. joint venture s interests in natural gas and oil properties located in the United States. Netherland, Sewell & Associates, Inc., prepared reports of estimated proved oil reserves for certain properties located in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California. Lonquist & Co., LLC prepared reports of estimated proved oil and gas reserves for our wholly owned assets in Colombia.

Summary of Oil and Gas Reserves

The table below summarizes the proved reserves in each geographic area and by product type for our wholly owned subsidiaries and our proportionate interests in our equity companies. We report proved reserves on the basis of the average of the first-day-of-the-month price for each month during the last 12-month period. Estimates of volumes of proved reserves of natural gas at year end are expressed in billions of cubic feet of natural gas (Bcf) at a pressure base of 14.73 pounds per square inch for natural gas and in millions of barrels (MMBbls) for oil and natural gas liquids.

For our wholly owned properties in the United States and the properties of our unconsolidated U.S. joint venture, the prices used in the reserve reports were $4.12 per thousand cubic feet of natural gas (Mcf) for the 12-month average of natural gas, $57.71 per barrel for natural gas liquids and $96.19 per barrel for oil at December 31, 2011. For our wholly owned properties in Canada, the price used in our reserve reports was $3.85 per mcf for the 12-month average of natural gas at December 31, 2011.

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No major discovery or other favorable or adverse event has occurred since December 31, 2011, that would cause a significant change in the estimated proved reserves as of that date.

	Reserves	
Reserve category	**Liquids (MMBbls)**	**Natural Gas (Bcf)**
As of December 31, 2011:		
Proved		
Developed		
Consolidated Subsidiaries		
United States	.9(2)	13.6
Canada		8.2
Colombia		
Total Consolidated	.9	21.8
Equity Companies(1)		
United States	6.3	256.4(3)
Canada		(4)
Colombia	(5)	
Total Equity Companies	6.3	256.4
Total Developed	7.2	278.2
Undeveloped		
Consolidated Subsidiaries		
United States	.9	3.3
Canada		
Colombia		
Total Consolidated	.9	3.3
Equity Companies(1)		
United States	9.6	326.1
Canada		
Colombia		
Total Equity Companies	9.6	326.1
Total Undeveloped	10.5	329.4
Total Proved	17.7	607.6
As of December 31, 2010:		
Proved		
Developed		
Consolidated Subsidiaries		
United States	2.7(2)	17.1
Canada		5.5
Colombia	1.6	
Total Consolidated	4.3	22.6
Equity Companies(1)		
United States	3.0	147.1
Canada		5.2
Colombia	0.5	
Total Equity Companies	3.5	152.3

Total Developed	7.8	174.9
Undeveloped		
Consolidated Subsidiaries		
United States	18.5	2.7
Canada		
Colombia	0.4	
Total Consolidated	18.9	2.7
Equity Companies(1)		
United States	4.9	405.7
Canada		
Colombia	1.4	
Total Equity Companies	6.3	405.7
Total Undeveloped	25.2	408.4
Total Proved	33.0	583.3

(1) Represents our proportionate interests in our equity companies.

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(2) On December 14, 2011, we sold our 25% working interest in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California. We received approximately $71.6 million in cash from the sale. During 2010, we purchased our 25% working interest and at December 31, 2010, proved reserves in Cat Canyon were estimated at 20.8 MMBbls.

(3) Relates to acquisitions of properties with 360.4 Bcfe and drilling of non-proved properties of 122.2 Bcfe. In addition, negative revisions of 384 Bcfe were noted primarily resulting from proved undeveloped reserves being reclassified to non-proved status in accordance with the SEC five-year guidance for recording proved reserves.

(4) Relates to SMVP that was dissolved in June 2011, and of proved reserves of 4.8 Bcfe that was exchanged for our ownership interest.

(5) Relates to the sale of Remora s assets which resulted in a decrease in proved reserves of 9.5 Bcfe.

In the preceding reserve information, consolidated subsidiary and our proportionate interests in our equity company reserves are reported separately. However, we operate our business with the same view of equity company reserves as for reserves from consolidated subsidiaries.

The estimation of proved reserves, which is based on the requirement of reasonable certainty, is an ongoing process based on rigorous technical evaluations, commercial and market assessments and detailed analysis of well information such as flow rates and reservoir pressure declines. Furthermore, we record proved reserves only for projects that have received significant funding commitments by management made toward the development of the reserves. Although we are reasonably certain that proved reserves will be produced, the timing and amount recovered can be affected by a number of factors including completion of development projects, reservoir performance, regulatory approvals and significant changes in projections of long-term oil and natural gas price levels.

Technologies Used in Establishing Proved Reserves Additions in 2011

Proved reserves were based on estimates generated through the integration of available and appropriate data, utilizing well established technologies that have been demonstrated in the field to yield repeatable and consistent results.

Data used in these integrated assessments included information obtained directly from the subsurface via wellbores, such as well logs, reservoir core samples, fluid samples, static and dynamic pressure information, production test data, and surveillance and performance information. The data utilized also included subsurface information obtained through indirect measurements including high-quality 2-D and 3-D seismic data, calibrated with available well control. Where applicable, surface geological information was also utilized. The tools used to interpret the data included proprietary seismic processing software, proprietary reservoir modeling and simulation software and commercially available data analysis packages.

In some circumstances, where appropriate analog reservoirs were available, reservoir parameters from these analogs were used to increase the quality of and confidence in the reserves estimates.

Internal Controls over Proved Reserves

Our Oil and Gas operating segment is managed by and staffed with individuals who have an average of more than 20 years of technical experience in the petroleum industry. We maintain computerized records of our reserve estimates and production data. Appropriate controls, including limitations on access and updating capabilities, are in place to ensure data integrity. We engage qualified third-party reservoir engineers and perform reviews to ensure reserve estimations include all properties owned and are based on correct working and net revenue interests. Key components of the reserve estimation process include technical evaluations and analysis of

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well and field performance and a rigorous peer review. No changes may be made to reserve estimates unless these changes have been thoroughly reviewed and evaluated by authorized personnel at Nabors. After all changes are made, senior management reviews the estimates for final endorsement.

Proved Undeveloped Reserves

At December 31, 2011, approximately 392 billion cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one barrel of crude oil or natural gas liquids, (Bcfe) of our proved reserves were classified as proved undeveloped, which represented 55% of the 714 Bcfe reported in proved reserves. This amount is inclusive of both consolidated subsidiaries and equity company reserves. At December 31, 2011, our wholly owned reserves are reported as assets held for sale. Our unconsolidated U.S. joint venture only adds PUDs that will be developed within a five-year time horizon. Progress was made in converting proved undeveloped reserves into proved developed reserves in 2011. During 2011, we completed development work that resulted in the transfer of approximately 63.047 Bcfe from proved undeveloped to proved developed reserves. We spent approximately $.4 million and our unconsolidated U.S. joint venture provided approximately $89 million associated with the development of PUDs in 2011.

Oil and Gas Production, Production Prices and Production Costs

Oil and Gas Production

The table below summarizes production by final product sold, average production sales price and average production cost, each by geographic area for the years ended December 31, 2011 and 2010. Production costs are costs to operate and maintain our wells and related equipment and include the cost of labor, well-service and repair, location maintenance, power and fuel, transportation, cost of product, property taxes and production-related general and administrative costs.

	United States		Canada		Colombia		Total	
	Liquids (MMBbls)	Natural Gas (Bcf)	Liquids (MMBbls)	Natural Gas (Bcf)	Liquids (MMBbls)	Natural Gas (Bcf)	Liquids (MMBbls)	Natural Gas (Bcf)
As of December 31, 2011:								
Oil and natural gas liquids production								
Consolidated Subsidiaries	.140	2.944		2.117	.111	.011	.251	5.072
Equity Companies(1)	.409	18.634		.380	.316		.725	19.014
Average production sales prices:								
Consolidated Subsidiaries	$ 88.94	$ 4.09	$	$ 3.33	$ 111.57	$ 5.00	$ 98.91	$ 3.77
Equity Companies(1)	$ 58.16	$ 4.03	$	$ 3.48	$ 84.47	$	$ 69.63	$ 4.02
Average production costs ($/bce):								
Consolidated Subsidiaries		$ 3.35/Mcfe(2)		$ 12.96/Mcfe	$ 32.98/Boe(2)			
Equity Companies(1)		$ 1.32/Mcfe		$ 11.99/Mcfe	$ 33.49/Boe			
As of December 31, 2010:								
Oil and natural gas liquids production								
Consolidated Subsidiaries	.073	3.533		3.058	.230		.303	6.591
Equity Companies(1)	.249	12.338		1.535	.273		.522	13.873
Average production sales prices:								
Consolidated Subsidiaries	$ 63.77	$ 4.19	$	$ 3.69	$ 72.25	$	$ 70.19	$ 2.71
Equity Companies(1)	$ 74.86	$ 4.43	$	$ 3.93	$ 73.90	$	$ 58.59	$ 4.11
Average production costs ($/bce):								
Consolidated Subsidiaries		$ 2.14/Mcfe		$ 2.60/Mcfe	$ 34.42Bboe			
Equity Companies(1)		$ 1.33/Mcfe		$ 5.89/Mcfe	$ 33.60/Boe			

(1) Represents our proportionate interests in our equity companies.

(2) Reflects the thousand cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one barrel of crude oil or natural gas liquids, or as Mcfe and reflects the barrel of oil equivalent or as Boe .

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Drilling and Other Exploratory and Development Activities

During 2011 and 2010, our drilling program focused on proven and emerging oil and natural gas basins in the United States. Our drilling program includes development activities with properties located in the United States, Canada and Colombia that are being actively marketed. The following tables provide the number of oil and gas wells completed during 2011 and 2010.

Number of Net Productive and Exploratory Wells Drilled

	Net Productive Exploratory Wells Drilled	Net Dry Exploratory Wells Drilled
For the year ended December 31, 2011:		
Consolidated Subsidiaries		
United States	5.14	3.63
Canada	3.00	4.00
Colombia		
Total Consolidated	8.14	7.63
Equity Companies(1)		
United States		
Canada		
Colombia		
Total Equity Companies		
For the year ended December 31, 2010:		
Consolidated Subsidiaries		
United States	1.9	
Canada		
Colombia	4.2	
Total Consolidated	6.1	
Equity Companies(1)		
United States	0.9	
Canada		
Colombia	3.3	2.1
Total Equity Companies	4.2	2.1

(1) Represents our proportionate interests in our equity companies.

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	Net Productive Development Wells Drilled	Net Dry Development Wells Drilled
For the year ended December 31, 2011:		
Consolidated Subsidiaries		
United States	2.04	3.28
Canada		
Colombia	2.00	1.40
Total Consolidated	4.04	4.68
Equity Companies(1)		
United States	10.45	
Canada		
Colombia		
Total Equity Companies	10.45	
For the year ended December 31, 2010:		
Consolidated Subsidiaries		
United States	1.2	0.1
Canada		
Colombia		
Total Consolidated	1.2	0.1
Equity Companies(1)		
United States	9.5	
Canada		
Colombia	1.6	
Total Equity Companies	11.1	

(1) Represents our proportionate interests in our equity companies.

Present Activities

The following table provides the number of wells in the process of drilling as of December 31, 2011.

Wells Drilling

	United States		Canada		Colombia		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Consolidated Subsidiaries	13.00	4.11					13.00	4.11
Equity Companies(1)	10.45	10.45					10.45	10.45

(1) Represents our proportionate interests in our equity companies.

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Oil and Gas Properties, Wells, Operations and Acreage

Gross and Net Productive Wells

	For the year ended December 31, 2011	
	Gross	Net
Consolidated Subsidiaries		
United States	419.0	48.9
Canada	7.0	7.0
Colombia	3.0	1.5
Total Consolidated	429.0	57.4
Equity Companies(1)		
United States	537.1	408.7
Canada		
Colombia		
Total Equity Companies	537.1	408.7

(1) Represents our proportionate interests in our equity companies.

Gross and Net Developed Acreage

	December 31, 2011							
	United States		Canada		Colombia		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Consolidated Subsidiaries	201,414	26,577	5,197	4,877			206,611	31,454
Equity Companies(1)	225,743	123,896					225,743	124,394

(1) Represents our proportionate interests in our equity companies.

Gross and Net Undeveloped Acreage

	December 31, 2011							
	United States		Canada		Colombia		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Consolidated Subsidiaries	586,701	202,187	50,673	44,402	581,450	280,946	1,218,824	527,535
Equity Companies(1)	368,767	189,002					368,767	189,002

(1) Represents our proportionate interests in our equity companies.

Lease Expirations of Net Acreage

	United States			Canada			Colombia		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Consolidated Subsidiaries(2)	36,327	16,811	11,749	12,517					
Equity Companies(1)(3)	33,916	57,251	26,036						

(1) Represents our proportionate interests in our equity companies.

(2) The carrying value of leases at December 31, 2011 was approximately $105.8 million.

(3) The carrying value of our proportionate share of leases at December 31, 2011 was approximately $103.7 million.

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Although our drilling program includes development activities with properties that are being actively marketed, we plan to continue the terms of some of these licenses and concession areas through operational or administrative actions. We believe the amount of undeveloped acreage that will be abandoned or lease allowed to expire at the end of the lease term is immaterial to our operations.

Additional information about our properties can be found in Notes 2 Summary of Significant Accounting Policies, 9 Property, Plant and Equipment (each, under the caption Property, Plant and Equipment), 18 Commitments and Contingencies (under the caption Operating Leases), and 24 Supplemental Information on Oil and Gas Exploration and Production Activities in Part II, Item 8. Financial Statements and Supplementary Data. The revenues and property, plant and equipment by geographic area for the years ended December 31, 2011, 2010 and 2009, can be found in Note 22 Segment Information. A description of our rig fleet is included under the caption Introduction in Part I, Item 1. Business.

Management believes that our existing equipment and facilities are adequate to support our current level of operations as well as an expansion of drilling operations in those geographical areas where we may expand.

ITEM 3. ***LEGAL PROCEEDINGS***

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can 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. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

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

A court in Algeria entered a judgment of approximately $19.7 million against us related to alleged customs infractions in 2009. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment is excessive. We have asserted the lack of legally required notice as a basis for challenging the judgment on appeal to the Algeria Supreme Court. Based upon our understanding of applicable law and precedent, we believe that this challenge will be successful. We do not believe that a loss is probable and have not accrued any amounts related to this matter. In November 2011, we received a notice from the Algeria Supreme Court that a decision is expected in March 2012. If we are ultimately required to pay a fine or judgment related to this matter, the amount of the loss could range from approximately $140,000 to $19.7 million.

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

On September 21, 2011, we received an informal inquiry from the SEC related to perquisites and personal benefits received by the officers and directors of Nabors, including their use of non-commercial aircraft. Our Audit Committee and Board of Directors have been apprised of this inquiry and we are cooperating with the SEC. The ultimate outcome of this process cannot be determined at this time.

Nabors Industries Ltd. and its Board of Directors have been sued by purported shareholders in three separate shareholder s derivative lawsuits filed in federal and state court in Houston, Texas. The cases were filed on November 18, 2011, January 9, 2012, and November 30, 2011, and are pending, respectively, before Judges Ewing Werlein and Gray Miller in the United States Southern District of Texas, Houston Division, and Judge Mike Miller of the 11th Judicial District Court of Harris County, Texas. The case filed on January 9, 2012 was voluntarily dismissed on January 31, 2012. The other cases remain pending. The allegations of each lawsuit were substantially similar, alleging that the members of the Board breached their fiduciary duties to the Company, wasted corporate assets, and committed oppressive conduct against the shareholders by agreeing to and/or acquiescing in certain compensation arrangements with two senior officers of the Company, Eugene M. Isenberg and Anthony G. Petrello. The remaining lawsuits seek relief that includes an award of monetary damages in an unspecified amount, disgorgement by Messrs. Isenberg and Petrello of allegedly excessive compensation in an unspecified amount of at least $90 million, and equitable relief to reform Nabors compensation practices. The ultimate outcome of these lawsuits cannot be determined at this time.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

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PART II

ITEM 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

STOCK PERFORMANCE GRAPH

The following graph illustrates comparisons of five-year cumulative total returns among Nabors, the S&P 500 Index and the Dow Jones Oil Equipment and Services Index. Total return assumes $100 invested on December 31, 2006 in shares of Nabors, the S&P 500 Index, and the Dow Jones Oil Equipment and Services Index. It also assumes reinvestment of dividends and is calculated at the end of each calendar year, December 31, 2007 2011.

	2007	2008	2009	2010	2011
Nabors Industries Ltd.	**92**	**40**	**74**	**79**	**58**
S&P 500 Index	105	66	84	97	99
Dow Jones Oil Equipment and Services Index	145	59	97	124	109

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Market and Share Prices

Our common shares are traded on the New York Stock Exchange under the symbol NBR . At February 24, 2012, there were approximately 1,427 shareholders of record. We have not paid any cash dividends on our common shares since 1982 and currently have no intentions to do so. However, we can give no assurance that we will not reevaluate our position on dividends in the future.

The following table sets forth the reported high and low sales prices of our common shares as reported on the New York Stock Exchange for the periods indicated.

	Share Price	
Calendar Year	**High**	**Low**
2010		
First quarter	27.05	18.74
Second quarter	22.82	16.90
Third quarter	19.13	15.54
Fourth quarter	23.93	17.36
2011		
First quarter	30.70	21.50
Second quarter	32.47	22.43
Third quarter	27.63	12.26
Fourth quarter	20.69	11.05

The following table provides information relating to Nabors repurchase of common shares during the three months ended December 31, 2011:

Period	**Total Number of Shares Purchased(1)**	**Average Price Paid per Share(1)**	**Total Number of Shares Purchased as Part of Publicly Announced Program**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program(2)**
			(In thousands, except per share amounts)	
October 1 October 31				
November 1 November 30	<1	$ 18.69		
December 1 December 31	420	$ 18.24		

(1) Shares were withheld from employees and directors to satisfy certain tax withholding obligations due in connection with grants of stock under our 2003 Employee Stock Plan and option exercises from our 1996 Employee Stock Plan. The 2003 Employee Stock Plan, 1998 Employee Stock Plan, 1999 Stock Option Plan for Non-employee Directors and 1996 Employee Stock Plan provide for the withholding of shares to satisfy tax obligations, but do not specify a maximum number of shares that can be withheld for this purpose. These shares were not purchased as part of a publicly announced program to purchase common shares.

(2) We do not intend to make further purchases of our common shares under a share repurchase program that was authorized by the Board of Directors in July 2006.

See Part III, Item 12. for a description of securities authorized for issuance under equity compensation plans.

Dividend Policy

See Part I, Item 1A. Risk Factors *We do not currently intend to pay dividends on our common shares* and Part II, Item 5. I. Market and Share Prices.

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Shareholder Matters

Bermuda has exchange controls which apply to residents in respect of the Bermuda dollar. As an exempted company, Nabors is considered to be nonresident for such controls; consequently, there are no Bermuda governmental restrictions on our ability to make transfers and carry out transactions in all other currencies, including currency of the United States.

There is no reciprocal tax treaty between Bermuda and the United States regarding withholding taxes. Under existing Bermuda law there is no Bermuda income or withholding tax on dividends paid by Nabors to its shareholders. Furthermore, no Bermuda tax is levied on the sale or transfer (including by gift and/or on the death of the shareholder) of Nabors common shares (other than by shareholders resident in Bermuda).

ITEM 6. *SELECTED FINANCIAL DATA*

	Year Ended December 31,				
Operating Data(1)(2)	**2011**	**2010**	**2009**	**2008**	**2007**
	(In thousands, except per share amounts and ratio data)				
Revenues and other income:					
Operating revenues	$ 6,060,351	$ 4,134,483	$ 3,662,220	$ 5,394,225	$ 4,755,957
Earnings (losses) from unconsolidated affiliates	56,647	33,267	(155,432)	(192,548)	20,980
Investment income (loss)	19,940	7,263	25,522	21,383	(16,301)
Total revenues and other income	6,136,938	4,175,013	3,532,310	5,223,060	4,760,636
Costs and other deductions:					
Direct costs	3,775,964	2,400,519	1,981,504	3,063,257	2,720,898
General and administrative expenses	489,892	338,720	421,492	473,885	429,994
Depreciation and amortization	924,094	760,962	663,958	609,155	463,985
Interest expense	256,633	272,712	266,047	196,726	154,934
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	4,514	47,238	11,982	15,143	11,614
Impairments and other charges	198,072	61,292	118,543	145,447	
Total costs and other deductions	5,649,169	3,881,443	3,463,526	4,503,613	3,781,425
Income (loss) from continuing operations before income taxes	487,769	293,570	68,784	719,447	979,211
Income tax expense (benefit)	142,605	36,950	(63,937)	200,186	178,655
Subsidiary preferred stock dividend	3,000	750			
Income (loss) from continuing operations, net of tax	342,164	255,870	132,721	519,261	800,556
Income (loss) from discontinued operations, net of tax	(97,440)	(161,090)	(218,609)	(39,597)	64,726
Net income (loss)	244,724	94,780	(85,888)	479,664	865,282
Less: Net (income) loss attributable to noncontrolling interest	(1,045)	(85)	342	(3,927)	420
Net income (loss) attributable to Nabors	$ 243,679	$ 94,695	$ (85,546)	$ 475,737	$ 865,702
Earnings (losses) per share:					
Basic from continuing operations	$ 1.19	$ .90	$ .47	$ 1.83	$ 2.85
Basic from discontinued operations	(.34)	(.57)	(.77)	(.14)	.23
Total Basic	$ .85	$ .33	$ (.30)	$ 1.69	$ 3.08

Diluted from continuing operations	$ 1.17	$ .88	$ .46	$ 1.79	$ 2.78
Diluted from discontinued operations	(.34)	(.55)	(.76)	(.14)	.22
Total Diluted	$ .83	$ .33	$ (.30)	$ 1.65	$ 3.00
Weighted-average number of common shares outstanding:					
Basic	287,118	285,145	283,326	281,622	281,238
Diluted	292,484	289,996	286,502	288,236	288,226
Capital expenditures and acquisitions of businesses(3)	$ 2,247,735	$ 1,878,063	$ 990,287	$ 1,578,241	$ 1,945,932
Interest coverage ratio(4)	8.1:1	7.0:1	7.4:1	22.6:1	37.3:1

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Balance Sheet Data(1)(2)	2011	2010	As of December 31, 2009	2008	2007
			(In thousands, except ratio data)		
Cash, cash equivalents and short-term investments(5)	$ 539,489	$ 801,190	$ 1,090,851	$ 586,111	$ 820,105
Working capital	1,285,752	458,550	1,568,042	1,037,734	719,674
Property, plant and equipment, net	8,629,946	7,815,419	7,646,050	7,331,959	6,669,013
Total assets	12,912,140	11,646,569	10,644,690	10,517,899	10,139,783
Long-term debt	4,348,490	3,064,126	3,940,605	3,600,533	2,894,659
Shareholders equity	5,587,815	5,328,162	5,167,656	4,904,106	4,801,579
Funded debt to capital ratio:					
Gross(6)	0.43:1	0.42:1	0.41:1	0.41:1	0.39:1
Net(7)	0.40:1	0.38:1	0.33:1	0.37:1	0.33:1

(1) All periods present the operating activities of our wholly owned oil and gas assets in the United States, Canada and Colombia, including equity interests in Canada and Colombia, as well as the Nabors Blue Sky Ltd. and Sea Mar businesses as discontinued operations.

(2) Our acquisitions results of operations and financial position have been included beginning on the respective dates of acquisition and include Peak (July 2011), SMVP (June 2011), Energy Contractors (December 2010) and Superior (September 2010).

(3) Represents capital expenditures and the total purchase price of acquisitions.

(4) The interest coverage ratio is a trailing 12-month quotient of the sum of (x) income (loss) from continuing operations, net of tax, net income (loss) attributable to noncontrolling interest, interest expense, subsidiary preferred stock dividends, depreciation and amortization, impairments and other charges, income tax expense (benefit) and our proportionate share of writedowns from our unconsolidated oil and gas joint venture *less* investment income (loss) *divided* by (y) the sum of cash interest expense and subsidiary preferred stock dividends. This ratio is a method for calculating the amount of operating cash flows available to cover cash interest expense. The interest coverage ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

(5) The December 31, 2008 and 2007 amounts include $1.9 million and $53.1 million, respectively, in cash proceeds receivable from brokers from the sale of certain long-term investments that are included in other current assets.

(6) The gross funded debt to capital ratio is calculated by dividing (x) funded debt by (y) funded debt *plus* deferred tax liabilities (net of deferred tax assets) *plus* capital. Funded debt is the sum of (1) short-term borrowings, (2) the current portion of long-term debt and (3) long-term debt. Capital is defined as shareholders equity. The gross funded debt to capital ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

(7) The net funded debt to capital ratio is calculated by dividing (x) net funded debt by (y) net funded debt *plus* deferred tax liabilities (net of deferred tax assets) *plus* capital. Net funded debt is funded debt *minus* the sum of cash and cash equivalents and short-term investments. The net funded debt to capital ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

ITEM 7. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

Management Overview

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

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We have grown from a land drilling business centered in the U.S. Lower 48 states, Canada and Alaska to an international business with operations on land and offshore in many of the major oil and gas markets in the world. Our worldwide fleet of actively marketed rigs consists of 499 land drilling rigs, 755 rigs for land well-servicing and workover work in the United States and Canada, offshore platform rigs, jackup units, barge rigs and a large component of trucks and fluid hauling vehicles. We have invested in oil and gas exploration, development and production activities in the United States, Canada and Colombia, but have announced our intention to dispose of a significant portion of our oil and gas portfolio in an expeditious and prudent manner.

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

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

The magnitude of customer spending on new and existing wells is the primary driver of our business. Our customers spending is determined principally by their internally generated cash flow and to a lesser extent by joint venture arrangements and funding from the capital markets. In our U.S. Lower 48 Land Drilling, Canadian Drilling and Pressure Pumping business units, operations have traditionally been driven by natural gas prices but the majority of current activity is being driven by the price of oil and natural gas liquids from unconventional reservoirs (shales). In our Alaskan, International, U.S. Offshore (Gulf of Mexico), Canadian Well-servicing and U.S. Land Well-servicing business units, operations are driven by oil prices. The following table sets forth natural gas and oil price data per Bloomberg for the last three years:

	Year Ended December 31,			Increase / (Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
Commodity prices:							
Average Henry Hub natural gas spot price ($/thousand cubic feet (mcf))	$ 4.00	$ 4.37	$ 3.94	$ (.37)	(8)%	$ .43	11%
Average West Texas intermediate crude oil spot price ($/barrel)	$ 95.05	$ 79.51	$ 61.99	$ 15.54	20%	$ 17.52	28%

Beginning in the fourth quarter of 2008, there was a significant reduction in the demand for natural gas and oil that was caused, at least in part, by the significant deterioration of the global economic environment including the extreme volatility in the capital and credit markets. Weaker demand throughout 2009 and into the first half of 2010 resulted in sustained lower natural gas and oil prices, which led to a sharp decline in the demand for drilling and workover services. During the latter half of 2010 and throughout 2011, commodity prices strengthened and demand for drilling activity improved. Continued fluctuations in the demand for natural gas and oil, among other factors including supply, could contribute to continued price volatility which may continue to affect demand for our services and could materially affect our future financial results.

Operating revenues and Earnings (losses) from unconsolidated affiliates for the year ended December 31, 2011 totaled $6.1 billion, representing an increase of $1.9 billion, or 47% as compared to the year ended December 31, 2010. Adjusted income derived from operating activities and net income (loss) from continuing operations for the year ended December 31, 2011 totaled $927.0 million and $342.2 million ($1.17 per diluted share), respectively, representing increases of 39% and 34%, respectively, compared to the year ended December 31, 2010.

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Operating revenues and Earnings (losses) from unconsolidated affiliates for the year ended December 31, 2010 totaled $4.2 billion, representing an increase of $661.0 million, or 19% as compared to the year ended December 31, 2009. Adjusted income derived from operating activities and net income (loss) from continuing operations for the year ended December 31, 2010 totaled $667.5 million and $255.9 million ($.88 per diluted share), respectively, representing increases of 52% and 93%, respectively, compared to the year ended December 31, 2009.

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

Our net income from continuing operations during 2011 was negatively impacted by $198.1 million in impairments and other charges, $100 million of which related to a provision for a contingent liability that existed on December 31, 2011 for a potential termination payment to our former Chief Executive Officer. See Note 3 for further discussion and subsequent developments. The remaining $98.1 million was comprised of a provision for retirement of long-lived assets recorded by multiple operating segments. This related to the decommissioning and retirement of assets previously utilized in our U.S. Lower 48 Land Drilling, International and U.S. Well-servicing operations and the amounts are reflected in the Impairments and other charges line in our consolidated statements of income (loss).

During 2010, operating results improved over 2009 primarily due to the incremental revenue and positive operating results from our Pressure Pumping operating segment and increased drilling activity in 2010 in our U.S. Lower 48 Land Drilling and Canada Well-servicing operations relating to increased drilling activity in oil and the liquids-oil shale plays. Our U.S. Well-servicing business also improved with continuing strong crude oil prices, which led to increased activity. However, our operating results and activity levels were negatively impacted in our U.S. Offshore, Alaska and International operations.

Our U.S. Offshore operations were improving during the first half of 2010 until the Gulf of Mexico explosion and oil spill occurred mid-year, which resulted in temporary suspension of offshore drilling and further delays in our customers ability to obtain permits, which limited the use of our assets. Specifically, operating results were impacted because our customers suspended most of their operations in the Gulf of Mexico, largely as a result of their inability to obtain government permits. Our Alaska operating segment was negatively impacted because the largest operator in the area curtailed and suspended drilling operations, creating a surplus of rigs in the market and causing price competition. Our International results were flat as the increase of land rig activity was essentially offset by contract renewals on our jackup rigs at significantly lower average dayrates.

Our net income from continuing operations during 2010 was negatively impacted by impairments and other charges of $61.3 million. We recognized goodwill impairment and recorded provisions for retirement of long-lived assets of approximately $10.7 million and $27.4 million, respectively, to assets in our U.S. Offshore operating segment, primarily driven by current market conditions in the Gulf of Mexico. Additionally, we recorded impairments of $23.2 million relating to asset retirements across our U.S. Lower 48 Land, U.S. Well-servicing and U.S. Offshore Contract Drilling segments. Discontinued operations include impairments of $54.3 million relating to an oil and gas financing receivable and $137.8 million under application of the successful-efforts method of accounting for our wholly owned oil and gas-related assets.

Our net income from continuing operations during 2009 was negatively impacted by impairments and other charges of $118.5 million. The impairments and other charges included recognition of other-than-temporary impairments of $54.3 million relating to our available-for-sale securities, and a provision for retirement totaling

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$64.2 million to long-lived assets from our U.S. Offshore, Alaska, Canada and International contract drilling segments.

During 2011, we sold some of our wholly owned oil and gas assets in Colombia and received proceeds of $89.2 million. Additionally, Remora completed sales of its oil and gas assets in Colombia for gross proceeds of $333.1 million and has made cash distributions to us totaling $143.0 million during 2011 with a final distribution expected upon dissolution of the joint venture. We sold our working interest in properties located in California and received proceeds of $71.6 million. Our discontinued operations also include impairments of $255.0 million relating to oil and gas-centered assets and $7.9 million relating to carrying value aircraft and other drilling equipment.

We expect our operating results for 2012 to increase from levels realized during 2011, driven by the anticipated sustained higher oil prices and the related impact on drilling and well-servicing activity and dayrates, along with the contributions from our Pressure Pumping operating segment. The key factors supporting our projections are:

- An increase in drilling in oil- and liquids-rich areas incremental to traditional dry gas regions by our U.S. Lower 48 Land and Canada Drilling and Well-servicing operations;
- The extent of current term contracts in both our Lower 48 rig and pressure-pumping segments, combined with new deployments in 2012, should serve to mitigate the impact of a potentially more rapid reduction in gas drilling activity arising from weaker natural gas pricing;
- Our expectation of a continued increase from ancillary well-site services, primarily technical pumping services and down-hole surveying services, resulting from our Pressure Pumping operating segment; and
- The anticipated positive impact on our overall level of drilling and well-servicing activity and margins resulting from our new and upgraded rigs and equipment added to our fleet over the past five years, which we expect will enhance our competitive position as market conditions improve.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Reportable segments:							
Operating revenues and Earnings (losses) from unconsolidated affiliates from continuing operations:(1)							
Contract Drilling:(2)							
U.S. Lower 48 Land Drilling	$ 1,698,620	$ 1,294,853	$ 1,082,531	$ 403,767	31%	$ 212,322	20%
U.S. Land Well-servicing	701,223	444,665	412,243	256,558	58%	32,422	8%
U.S. Offshore	170,727	123,761	157,305	46,966	38%	(33,544)	(21)%
Alaska	129,894	179,218	204,407	(49,324)	(28)%	(25,189)	(12)%
Canada	574,754	389,229	298,653	185,525	48%	90,576	30%
International	1,104,461	1,093,608	1,265,097	10,853	1%	(171,489)	(14)%
Subtotal Contract Drilling(3)	4,379,679	3,525,334	3,420,236	854,345	24%	105,098	3%
Pressure Pumping(4)	1,237,306	321,295		916,011	285%	321,295	100%
Oil and Gas(5)(6)	59,685	18,657	(182,654)	41,028	220%	201,311	110%
Other Operating Segments(7)(8)	674,206	427,154	417,531	247,052	58%	9,623	2%

Other reconciling items(9)	(233,878)	(124,690)	(148,325)	(109,188)	(88)%	23,635	16%
Total	$ 6,116,998	$ 4,167,750	$ 3,506,788	$ 1,949,248	47%	$ 660,962	19%

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	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Adjusted income (loss) derived from operating activities from continuing operations:(1)(10)							
Contract Drilling:							
U.S. Lower 48 Land Drilling	$ 414,317	$ 274,215	$ 294,679	$ 140,102	51%	$ (20,464)	(7)%
U.S. Land Well-servicing	74,725	31,597	28,950	43,128	136%	2,647	9%
U.S. Offshore	843	9,245	30,508	(8,402)	(91)%	(21,263)	(70)%
Alaska	27,671	51,896	62,742	(24,225)	(47)%	(10,846)	(17)%
Canada	94,637	22,970	(7,019)	71,667	312%	29,989	427%
International	123,813	254,744	365,566	(130,931)	(51)%	(110,822)	(30)%
Subtotal Contract Drilling(3)	736,006	644,667	775,426	91,339	14%	(130,759)	(17)%
Pressure Pumping(4)	229,125	66,651		162,474	244%	66,651	100%
Oil and Gas(5)(6)	59,685	18,657	(182,654)	41,028	220%	201,311	110%
Other Operating Segments(8)(9)	55,617	42,401	35,319	13,216	31%	7,082	20%
Other reconciling items(11)	(153,385)	(104,827)	(188,257)	(48,558)	(46)%	83,430	44%
Total	$ 927,048	$ 667,549	$ 439,834	$ 259,499	39%	$ 227,715	52%
Interest expense	(256,633)	(272,712)	(266,047)	16,079	6%	(6,665)	(3)%
Investment income (loss)	19,940	7,263	25,522	12,677	175%	(18,259)	(72)%
Gains (losses) on sales and retirements of long-lived assets and other income (expense), net	(4,514)	(47,238)	(11,982)	42,724	90%	(35,256)	(294)%
Impairments and other charges(12)	(198,072)	(61,292)	(118,543)	(136,780)	(223)%	57,251	48%
Income (loss) from continuing operations before income taxes	487,769	293,570	68,784	194,199	66%	224,786	327%
Income tax expense (benefit)	142,605	36,950	(63,937)	105,655	286%	100,887	158%
Subsidiary preferred stock dividend	3,000	750		2,250	300%	750	100%
Income (loss) from continuing operations, net of tax	342,164	255,870	132,721	86,294	34%	123,149	93%
Income (loss) from discontinued operations, net of tax	(97,440)	(161,090)	(218,609)	63,650	40%	57,519	26%
Net income (loss)	244,724	94,780	(85,888)	149,944	158%	180,668	210%
Less: Net (income) loss attributable to noncontrolling interest	(1,045)	(85)	342	(960)	n/m(16)	(427)	(125)%
Net income (loss) attributable to Nabors	$ 243,679	$ 94,695	$ (85,546)	$ 148,984	157%	$ 180,241	211%
Rig activity:							
Rig years:(13)							
U.S. Lower 48 Land Drilling	200.2	174.5	149.4	25.7	15%	25.1	17%
U.S. Offshore	9.6	9.4	11.0	0.2	2%	(1.6)	(15)%
Alaska	4.9	7.4	10.0	(2.5)	(34)%	(2.6)	(26)%
Canada	39.8	29.8	19.7	10.0	34%	10.1	51%
International(14)	105.3	97.8	100.2	7.5	8%	(2.4)	(2)%
Total rig years	359.8	318.9	290.3	40.9	13%	28.6	10%

Rig hours:(15)							
U.S. Land Well-servicing	791,956	643,813	590,878	148,143	23%	52,935	9%
Canada Well-servicing	184,908	172,589	143,824	12,319	7%	28,765	20%
Total rig hours	976,864	816,402	734,702	160,462	20%	81,700	11%

(1) All periods present the operating activities of our wholly owned oil and gas assets in the United States, Canada and Colombia, including equity interests in Canada and Colombia, as well as the Nabors Blue Sky Ltd. business as discontinued operations.

(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 using the equity method, of $(1.2) million, $6.9 million and $9.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

(4) Includes operating results of the Superior acquisition beginning September 10, 2010.

(5) Represents our oil and gas exploration, development and production operations. Includes our proportionate share of full-cost ceiling test writedowns recorded by our unconsolidated U.S. oil and gas joint venture of $(15.6) million and $(189.3) million for the years ended December 31, 2011 and 2009, respectively.

(6) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $59.7 million, $18.7 million and $(182.6) million for the years ended December 31, 2011, 2010 and 2009, respectively. Additional information is provided in Note 24 Supplemental Information on Oil and Gas Exploration and Production Activities in Part II, Item 8. Financial Statements and Supplementary Data.

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

(8) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $(1.9) million, $7.7 million and $17.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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

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

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

(12) Represents impairments and other charges recorded during the years ended December 31, 2011, 2010 and 2009, respectively.

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

(14) International rig years include our equivalent percentage ownership of rigs owned by unconsolidated affiliates, which totaled 2.1 years, 2.2 years and 2.5 years during the years ended December 31, 2011, 2010 and 2009, respectively.

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

(16) The percentage is so large that it is not meaningful.

Segment Results of Operations

Contract Drilling

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

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Operating revenues	$ 1,698,620	$ 1,294,853	$ 1,082,531	$ 403,767	31%	$ 212,322	20%
Adjusted income derived from operating activities	$ 414,317	$ 274,215	$ 294,679	$ 140,102	51%	$ (20,464)	(7)%
Rig years	200.2	174.5	149.4	25.7	15%	25.1	17%

Operating results increased from 2010 to 2011 primarily due to higher average dayrates and increases in drilling activity, driven by deployment of rigs into oil- and liquids-rich shale areas. The increase was partially offset by higher operating costs associated with increased drilling activity, as well as higher depreciation expense related to new rigs placed into service since January 2010.

Operating revenues increased from 2009 to 2010 primarily due to higher average dayrates and utilization. The increase was partially offset by the decrease in early contract termination revenue. Operating revenues related to early contract termination during 2010 were $23.2 million as compared to $108.5 million in 2009.

Adjusted income derived from operating activities decreased from 2009 to 2010 due to an increase in operating costs associated with the increased drilling activity. Operating results were negatively impacted by higher depreciation expense related to capital expansion projects completed in previous years.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Operating revenues	$ 701,223	$ 444,665	$ 412,243	$ 256,558	58%	$ 32,422	8%
Adjusted income derived from operating activities	$ 74,725	$ 31,597	$ 28,950	$ 43,128	136%	$ 2,647	9%
Rig hours	791,956	643,813	590,878	148,143	23%	52,935	9%

Operating results increased from 2010 to 2011 primarily due to increases in rig and truck utilization facilitated by capital invested to increase rig and truck fleets as well as frac tank counts. Equipment utilization and price improvements experienced in 2011 were primarily driven by sustained higher oil prices.

Operating results increased from 2009 to 2010 primarily due to an increase in rig utilization driven by higher oil prices. The increase in operating results also reflects lower general and administrative costs and depreciation expense.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Operating revenues	$ 170,727	$ 123,761	$ 157,305	$ 46,966	38%	$ (33,544)	(21)%
Adjusted income derived from operating activities	$ 843	$ 9,245	$ 30,508	$ (8,402)	(91)%	$ (21,263)	(70)%
Rig years	9.6	9.4	11.0	0.2	2%	(1.6)	(15)%

Operating revenues increased from 2010 to 2011 as a result of higher workover activities by the Sundowner® platform and jackup rigs and from profits related to a major construction project. Adjusted income

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derived from operating activities decreased from 2010 to 2011 primarily due to lower utilization for the MODS® rigs and SuperSundowner™ platform rigs. Drilling permits have been subject to a lengthy and stringent safety and environmental review process since the Gulf of Mexico blowout in mid-2010.

The decrease in operating results from 2009 to 2010 primarily resulted from receiving standby rates and lower utilization for the MODS® rigs, SuperSundowner™ platform rigs and Sundowner® platform rigs. Drilling activities significantly declined as our customers suspended their operations in the Gulf of Mexico, largely as a result of their inability to procure government permits.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Operating revenues and Earnings from unconsolidated affiliates	$ 129,894	$ 179,218	$ 204,407	$ (49,324)	(28)%	$ (25,189)	(12)%
Adjusted income derived from operating activities	$ 27,671	$ 51,896	$ 62,742	$ (24,225)	(47)%	$ (10,846)	(17)%
Rig years	4.9	7.4	10.0	(2.5)	(34)%	(2.6)	(26)%

The decreases in operating results from 2010 to 2011 and from 2009 to 2010 were primarily due to lower average dayrates and drilling activity. While drilling activity levels decreased significantly during 2010, operating results decreased only slightly due to the acceleration of recognized deferred revenues from a significant contract that terminated.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Operating revenues	$ 574,754	$ 389,229	$ 298,653	$ 185,525	48%	$ 90,576	30%
Adjusted income (loss) derived from operating activities	$ 94,637	$ 22,970	$ (7,019)	$ 71,667	312%	$ 29,989	427%
Rig years Drilling	39.8	29.8	19.7	10.0	34%	10.1	51%
Rig hours Well-servicing	184,908	172,589	143,824	12,319	7%	28,765	20%

Operating results increased from 2010 to 2011 primarily as a result of increases in drilling and well-servicing activity and drilling dayrates and well-servicing hourly rates. The increased drilling and well-servicing activity in Western Canada is the result of renewed interest in oil exploration, supported by strong oil commodity prices. Operating results were negatively impacted by higher drilling costs for well-servicing in 2011 for preparing service rigs for high utilization and additional labor costs for crew travel, retention and training.

Operating results increased from 2009 to 2010 primarily as a result of an overall increase in drilling and well-servicing activity, which offset the decline in average drilling dayrates and well-servicing hourly rates. The increased drilling activity in Western Canada was the result of renewed interest in oil exploration supported by sustained improved oil prices. The well-servicing hourly rate decreased during 2010 as a result of customer discounts to maintain market share. Our operating results were also positively impacted during 2010 by cost reduction efforts, mainly in general and administrative expenses.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Operating revenues and Earnings from unconsolidated affiliates	$ 1,104,461	$ 1,093,608	$ 1,265,097	$ 10,853	1%	$ (171,489)	(14)%
Adjusted income derived from operating activities	$ 123,813	$ 254,744	$ 365,566	$ (130,931)	(51)%	$ (110,822)	(30)%
Rig years	105.3	97.8	100.2	7.5	8%	(2.4)	(2)%

Operating revenues and Earnings from unconsolidated affiliates increased from 2010 to 2011 as a result of increases in the utilization of our overall rig fleet albeit at lower margins. Adjusted income derived from operating activities decreased from 2010 to 2011 primarily from the decreases in average dayrates and lower utilization of our jackup rigs in Saudi Arabia and other drilling activities in Qatar and Australia.

The decrease in operating results from 2009 to 2010 resulted primarily from year-over-year decreases in average dayrates and lower utilization of rigs in Saudi Arabia, Mexico, Kazakhstan, and Oman, driven by changes in our customers drilling programs and longer lead times for formalization of project requirements in our key markets. Operating results were further negatively impacted by higher depreciation expense related to capital expansion projects completed in recent years.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages and rig activity)						
Operating revenues	$ 1,237,306	$ 321,295	$	$ 916,011	285%	$ 321,295	100%
Adjusted income derived from operating activities	$ 229,125	$ 66,651	$	$ 162,474	244%	$ 66,651	100%

Operating results reflect our acquisition of Superior for the year ended December 31, 2011 and the period September 10, 2010 through December 31, 2010. See Note 5 Acquisitions in Part II, Item 8. Financial Statements and Supplementary Data.

Oil and Gas. The results of operations for this segment reflect our proportionate share of earnings and losses from our unconsolidated U.S. oil and gas joint venture. The results were as follows:

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
Earnings (losses) from unconsolidated affiliates	$ 59,685	$ 18,657	$ (182,654)	$ 41,028	220%	$ 201,311	110%

Earnings (losses) from unconsolidated affiliates increased from 2010 to 2011 as a result of operating activities from our unconsolidated U.S. oil and gas joint venture. During 2011, operating results included bargain purchase gains from multiple acquisitions of developed and undeveloped acreage. Our proportionate share of the gains totaled $49.5 million. A full-cost ceiling writedown of $15.6 million, representing our proportionate share, partially offset the positive operating results.

Earnings (losses) from unconsolidated affiliates increased from 2009 to 2010 because our unconsolidated U.S. oil and gas joint venture recorded a full-cost ceiling test writedown during 2009, of which our proportionate

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share totaled $189.3 million. The writedown resulted from the application of the full-cost method of accounting for costs related to oil and natural gas properties. Operating results for our U.S. oil and gas joint venture, excluding the full-cost ceiling test writedown, improved from 2009 to 2010.

Other Operating Segments

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2010 to 2009		2009 to 2008	
	(In thousands, except percentages)						
Operating revenues and Earnings from unconsolidated affiliates	$ 674,206	$ 427,154	$ 417,531	$ 247,052	58%	$ 9,623	2%
Adjusted income derived from operating activities	$ 55,617	$ 42,401	$ 35,319	$ 13,216	31%	$ 7,082	20%

The increase in operating results from 2010 to 2011 and from 2009 to 2010 primarily resulted from higher demand in the United States and Canada drilling markets for top-drives, rig instrumentation and data collection services from oil and gas exploration companies and higher third-party rental and rigwatch units, which generate higher margins, partially offset by a continued decline in customer demand for our construction services in Alaska.

Discontinued Operations

During 2010, we began actively marketing our oil and gas assets in the Horn River basin in Canada and in the Llanos basin in Colombia. These assets included our 49.7% ownership interest in Remora, and then 50.0% ownership interest in SMVP, both of which we accounted for using the equity method of accounting. All of these assets are included in our Oil and Gas operating segment.

In June 2011, the equity owners of SMVP dissolved the partnership and a proportionate share of the assets and liabilities were conveyed to us in exchange for our ownership interest. We continue to market these assets for sale and believe that they are properly reflected in our assets held for sale balances at December 31, 2011.

During 2011, we sold some of our wholly owned oil and gas assets in Colombia. We received proceeds of $89.2 million from this sale and recognized a gain of approximately $39.6 million. Additionally during 2011, Remora completed sales of its oil and gas assets in Colombia. Remora received gross proceeds of approximately $333.1 million from these sales and has made cash distributions to us in the amount of $143.0 million, with a final distribution expected upon dissolution of the joint venture.

During the fourth quarter of 2011, we announced our intention to dispose of a significant portion of our oil and gas portfolio, and accordingly reclassified the carrying value of our wholly owned U.S. oil and gas assets to assets held for sale at December 31, 2011. During the fourth quarter of 2011, we also determined that one of our Canadian subsidiaries that provides logistics services for onshore drilling using helicopter and fixed-wing aircraft met the accounting criteria of assets held for sale. Based on quoted market prices, the carrying value of the assets was adjusted to its fair value, resulting in an impairment of $7.9 million, which is included in discontinued operations for the year ended December 31, 2011. We reclassified the adjusted carrying value of these assets to assets held for sale at December 31, 2011.

On December 14, 2011, we sold our 25% working interest in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California. We received proceeds of approximately $71.6 million from the sale and recognized a gain of approximately $7.2 million.

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At December 31, 2011, our consolidated balance sheet included a current liability of discontinued operations of $54.3 million that is included in other liabilities and a noncurrent liability of discontinued operations of $71.4 million that is included in other long-term liabilities.

The operating results from the assets discussed above for all periods presented are retroactively presented and accounted for as discontinued operations in the accompanying audited consolidated statements of income (loss)**.** Our condensed statements of income (loss) from discontinued operations for the years ended December 31, 2011, 2010 and 2009 were as follows:

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
Revenues	$ 78,826	$ 77,992	$ 30,136	$ 834	1%	$ 47,856	159%
Earnings (losses) from unconsolidated affiliates	$ 76,541(1)	$ (10,638)	$ (59,249)(2)	$ 87,179	820%	$ 48,611	82%
Income (loss) from discontinued operations, net of tax							
Income (loss) from discontinued operations, net of tax	$ (97,440)(3)	$ (161,090)(4)(7)	$ (218,609)(5)(6)	$ 63,650	40%	$ 57,519	26%

(1) Includes approximately $83 million of equity in earnings during 2011 for our proportionate share of Remora s net income, inclusive of the gains recognized for asset sales during 2011.

(2) Includes our proportionate share of full-cost ceiling test writedowns of $47.8 million in 2009.

(3) Includes impairments of $255.0 million to write down the carrying value of our wholly owned oil and gas-centered assets, including $27.2 million related to an oil and gas financing receivable that was deemed uncollectible.

(4) Includes impairments of $192.2 million related to our wholly owned oil and gas assets. Of this total, $137.8 million represented writedowns to the carrying value of some acreage in the United States, which we currently do not have future plans to develop due to sustained low natural gas prices, and certain exploratory wells in Colombia, which we determined were uneconomical to develop in the foreseeable future. The remaining $54.3 million related to impairment of an oil and gas financing receivable and was determined using discounted cash flow models, a Level 3 measurement, and involved assumptions based on estimated cash flows for proved and probable reserves, undeveloped acreage value, and current and expected natural gas prices.

(5) Includes impairments totaling $205.9 million to some of our wholly owned oil and gas assets. We recognized an impairment of $149.1 million to a financing receivable as a result of commodity price deterioration and the lower price environment lasting longer than expected. The prolonged period of lower prices significantly reduced demand for future gas production and development in the Barnett Shale area of north central Texas and influenced our decision not to expend capital to develop on some of the undeveloped acreage. Annual impairment tests on our U.S. wholly owned oil and gas properties resulted in impairment charges of $56.8 million to write down the carrying value of some acreage that we do not have future plans to develop.

(6) Includes $14.7 million to impair the remaining goodwill balance of Nabors Blue Sky Ltd. as a result of our annual goodwill impairment tests. We determined the impairment charge was necessary due to the continued downturn in the oil and gas industry in Canada and the lack of certainty regarding eventual recovery in the value of these operations.

(7) Includes $7.5 million of impairment to our aircraft and some drilling equipment during the year ended December 31, 2010. These impairment charges resulted from annual impairment tests on long-lived assets.

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Additional discussion of our policy pertaining to the calculations of our annual impairment tests, including any impairment of goodwill, is set forth in Critical Accounting Estimates below in this section or in Note 2 Summary of Significant Accounting Policies in Part II, Item 8. Financial Statements and Supplementary Data. Additional information relating to discontinued operations is provided in Notes 4 Discontinued Operations and 24 Supplemental Information on Oil and Gas Exploration and Production Activities in Part II, Item 8. Financial Statements and Supplementary Data. A further protraction of lower commodity prices or an inability to sell these assets in a timely manner could result in recognition of future impairment charges.

OTHER FINANCIAL INFORMATION

General and administrative expenses

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
General and administrative expenses	$ 489,892	$ 338,720	$ 421,492	$ 151,172	45%	$ (82,772)	(20)%
General and administrative expenses as a percentage of operating revenues	8.1%	8.2%	11.5%	(.1)%	1%	(3.3)%	(29)%

General and administrative expenses increased from 2010 to 2011 primarily as a result of increases in wages to support a higher headcount as a result of (i) our Superior acquisition in September 2010 and (ii) increased operations for a majority of our operating segments. As a percentage of operating revenues, general and administrative expenses decreased from 2010 to 2011.

General and administrative expenses decreased from 2009 to 2010 primarily as a result of significant decreases in wage-related expenses and other cost-reduction efforts across all business units.

Depreciation and amortization, and depletion expense

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
Depreciation and amortization expense	$ 924,094	$ 760,962	$ 663,958	$ 163,132	21%	$ 97,004	15%

Depreciation and amortization expense increased from 2010 to 2011 and from 2009 to 2010 as a result of the incremental depreciation expense from (i) pressure pumping assets acquired in September 2010, (ii) newly constructed rigs recently placed into service and (iii) rig upgrades and other capital expenditures made during 2010 and 2011.

Interest expense

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
Interest expense	$ 256,633	$ 272,712	$ 266,047	$ (16,079)	(6)%	$ 6,665	3%

Interest expense decreased from 2010 to 2011 as a result of repurchases during 2010 and the redemption in May 2011 for a total of $2.6 billion in par value of the 0.94% senior exchangeable notes over 2010 and 2011. The decrease was partially offset by additional interest related to our August 2011 issuance of 4.625% senior notes due September 2021, a full year of interest on our September 2010 issuance of 5.0% senior notes due September 2020 and interest on amounts outstanding on our revolving credit facilities.

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Interest expense increased from 2009 to 2010 as a result of the interest expense related to our September 2010 issuance of 5.0% senior notes due September 2020. The increase was partially offset by a reduction to interest expense resulting from our repurchases of approximately $1.2 billion par value of 0.94% senior exchangeable notes during 2009 and 2010.

Investment income (loss)

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
Investment income (loss)	$ 19,940	$ 7,263	$ 25,522	$ 12,677	175%	$ (18,259)	(72)%

Investment income during 2011 was $19.9 million and included (i) a $12.9 million realized gain relating to one of our overseas fund investments classified as long-term investments, (ii) $5.1 million realized gains from short-term and other long-term investments and (iii) $9.9 million interest and dividend income from our cash, other short-term and long-term investments. Investment income was partially offset by net unrealized losses of $8.0 million from our trading securities.

Investment income during 2010 was $7.3 million and included interest and dividend income of $7.5 million from our cash, other short-term and long-term investments and $4.2 million from gains on sales of short-term and long-term investments, partially offset by net unrealized losses of $4.4 million from our trading securities.

Investment income during 2009 was $25.5 million and included net unrealized gains of $9.8 million from our trading securities and interest and dividend income of $15.8 million from our cash, other short-term and long-term investments.

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

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
Gains (losses) on sales and retirements of long-lived assets and other income (expense), net	$ (4,514)	$ (47,238)	$ (11,982)	$ (42,724)	(90)%	$ 35,256	294%

The amount of losses (gains) on sales and retirements of long-lived assets and other expense (income), net for 2011 was a net loss of $4.5 million and was comprised of (i) increases to our litigation reserves of $11.3 million, (ii) foreign currency exchange losses of approximately $5.5 million and (iii) a net loss on sales and retirements of long-lived assets of approximately $1.9 million. The net loss was partially offset by a $13.1 million gain recognized in connection with our acquisition of the remaining 50 percent equity interest of Peak.

The amount of gains (losses) on sales and retirements of long-lived assets and other income (expense), net for 2010 represented a net loss of $47.2 million and included: (i) foreign currency exchange losses of approximately $18.1 million, (ii) litigation expenses of $6.4 million, (iii) net losses on sales and retirements of long-lived assets of approximately $6.4 million, (iv) acquisition-related costs of $7.0 million and (v) losses of $7.0 million recognized on purchases of our 0.94% senior exchangeable notes due 2011.

The amount of gains (losses) on sales and retirements of long-lived assets and other income (expense), net for 2009 represented a net loss of $12.0 million and included: (i) foreign currency exchange losses of approximately $8.0 million, (ii) litigation expenses of $11.5 million and (iii) net losses on sales and retirements of long-lived assets of approximately $5.9 million. These losses were partially offset by pre-tax gains of $11.5 million recognized on purchases of $964.8 million par value of our 0.94% senior exchangeable notes due 2011.

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Impairments and Other Charges

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
	(In thousands, except percentages)						
Provision for termination payment	$ 100,000	$	$	$ 100,000	100%	$	
Provision for retirement of long-lived assets	98,072	23,213	64,229	74,859	322%	(41,016)	(64)%
Impairment of long-lived assets		27,372		(27,372)	(100)%	27,372	100%
Goodwill impairments		10,707		(10,707)	(100)%	10,707	100%
Other-than-temporary impairment of equity security			18,665			(18,665)	(100)%
Other-than-temporary impairment of securities			35,649			(35,649)	(100)%
Total	$ 198,072	$ 61,292	$ 118,543	$ 136,780	223%	$ (57,251)	(48)%

Provision for termination payment

During the fourth quarter of 2011, we recorded a provision for a contingent liability that existed on December 31, 2011 related to the change of our Chief Executive Officer that occurred in October. This charge resulted from the potential termination payment to our former Chief Executive Officer, Mr. Isenberg, under the terms of his employment contract. Subsequent to December 31, 2011, Mr. Isenberg elected to forego triggering that payment, and as a result, the Company does not owe the termination payment. In connection with that development, the Company announced plans to make charitable contributions to benefit the needs of its employees and other community-based causes. The Company contributed one million Nabors common shares previously held by an affiliate to the Nabors Charitable Foundation, a 501(c)(3) organization, in support of this objective. The election of Mr. Isenberg to forego triggering the potential payment, offset by the charitable contributions described above, will be recorded as a capital contribution during the first quarter of 2012.

Provision for retirement of long-lived assets

During 2011, we recorded a provision for retirement of long-lived assets totaling $98.1 million in multiple operating segments. This related to the decommissioning and retirement of one jackup rig, 116 land rigs, and a number of rigs for well-servicing and trucks. Our U.S. Lower 48 Land Drilling, International and U.S. Land Well-servicing operations recorded $63.2 million, $26.1 million and $8.9 million, respectively. These assets were deemed to be functionally or economically non-competitive for today s market and are being dismantled for parts and scrap.

During 2010, we recorded a provision for retirement of long-lived assets totaling $23.2 million related to the abandonment of certain rig components, comprised of engines, top-drive units, building modules and other equipment that has become obsolete or inoperable in our U.S. Lower 48 Land Drilling, U.S. Land Well-servicing and U.S. Offshore Contract Drilling operating segments.

During 2009, we recorded a provision for retirement of long-lived assets totaling $64.2 million related to assets in our U.S. Offshore, Alaska, Canada and International Contract Drilling operating segments. The retirements included inactive workover jackup rigs in our U.S. Offshore and International operations, the structural frames of some incomplete coiled tubing rigs in our Canada operations and miscellaneous rig components in our Alaska operations.

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Impairments of Long-Lived Assets

We did not record any impairment of long-lived assets in 2011. During 2010, we recognized $27.3 million in impairment charges related to some jackup rigs in our U.S. Offshore operating segment. These impairment charges stemmed from our annual impairment tests on long-lived assets.

The impairments and other charges, inclusive of the provisions for retirement and impairments of long-lived assets, recognized during 2011, 2010 and 2009 were determined necessary as a result of continued lower commodity prices and uncertainty in the oil and gas environment and its related impact on drilling and well-servicing activity and our dayrates. A prolonged period of legislative uncertainty in our U.S. Offshore operations, or continued period of lower natural gas and oil prices and its potential impact on our utilization and dayrates could result in the recognition of future impairment charges to additional assets if future cash flow estimates, based upon information then available to management, indicate that the carrying value of those assets may not be recoverable.

Goodwill Impairments

We did not record any goodwill impairment in 2011. In 2010, we recognized an impairment of approximately $10.7 million relating to our goodwill balance of our U.S. Offshore operating segment. The impairment charge stemmed from our annual impairment test on goodwill, which compared the estimated fair value of each of our reporting units to its carrying value. The estimated fair value of our U.S. Offshore segment was determined using discounted cash flow models involving assumptions based on our utilization of rigs and revenues as well as direct costs, general and administrative costs, depreciation, applicable income taxes, capital expenditures and working capital requirements. We determined that the fair value estimated for purposes of this test represented a Level 3 fair value measurement. The impairment charge was deemed necessary due to the uncertainty of utilization of some of our rigs as a result of changes in our customers plans for future drilling operations in the Gulf of Mexico. Many of our customers suspended drilling operations in the Gulf of Mexico, largely as a result of their inability to obtain government permits. Although the U.S. deepwater drilling moratorium has been lifted, our customers have continued to encounter delays in obtaining government permits. It is uncertain when this will improve. A significantly prolonged period of lower oil and natural gas prices or changes in laws and regulations could adversely affect the demand for and prices of our services, which could result in future goodwill impairment charges for other reporting units due to the potential impact on our estimate of our future operating results. See Critical Accounting Policies below and Note 2 Summary of Significant Accounting Policies (included under the caption Goodwill) in Part II, Item 8. Financial Statements and Supplementary Data.

Other than Temporary Impairments of Debt and Equity Securities

We did not record any other-than-temporary impairments in 2011 or 2010. During 2009, we recorded other-than-temporary impairments to our available-for-sale securities totaling $54.3 million. Of this, $35.6 million was related to an investment in a corporate bond that was downgraded to non-investment grade level by Standard and Poor s and Moody s Investors Service during the year. Our determination that the impairment was other-than-temporary was based on a variety of factors, including the length of time and extent to which the market value had been less than cost, the financial condition of the issuer of the security, and the credit ratings and recent reorganization of the issuer.

The remaining $18.7 million related to an equity security of a public company whose operations are driven in large measure by the price of oil and in which we invested approximately $46 million during the second and third quarters of 2008. During late 2008, demand for oil and gas began to diminish significantly as part of the general deterioration of the global economic environment, causing a broad decline in value of nearly all oil and gas-related equity securities. Because the trading price per share of this security remained below our cost basis for an extended period of time, we determined the investment was other than temporarily impaired and it was appropriate to write down its carrying value to its estimated fair value.

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Income tax rate

	Year Ended December 31,			Increase/(Decrease)			
	2011	2010	2009	2011 to 2010		2010 to 2009	
Effective income tax rate from continuing operations	29%	13%	(93)%	16%	123%	106%	114%

The increase in our effective tax rate from 2010 to 2011 is mainly a result of the increase in the proportion of income generated in the United States versus the international jurisdictions in which we operate. Income generated in the United States is generally taxed at a higher rate than international jurisdictions.

Our effective income tax rate for 2010 and 2009 reflects the disparity between losses in our U.S. operations (attributable primarily to impairments) and income in our other operations primarily in lower tax jurisdictions. Because the U.S. income tax rate is higher than that of other jurisdictions, the tax benefit from our U.S. losses was not proportionately reduced by the tax expense from our other operations. During 2009, the result was a net tax benefit. In 2009, that benefit represented a significant percentage of our consolidated loss from continuing operations before income taxes. Because of the manner in which that number is derived, we do not believe it presents a meaningful basis for comparing our 2009 effective income tax rate to the 2010 effective income tax rate.

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

Various bills have been introduced in Congress that could reduce or eliminate the tax benefits associated with our reorganization as a Bermuda company. Legislation enacted by Congress in 2004 provides that a corporation that reorganized in a foreign jurisdiction on or after March 4, 2003 be treated as a domestic corporation for U.S. federal income tax purposes. Nabors reorganization was completed June 24, 2002. There have been and we expect that there may continue to be legislation proposed by Congress from time to time which, if enacted, could limit or eliminate the tax benefits associated with our reorganization.

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

Liquidity and Capital Resources

Cash Flows

Our cash flows depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Sustained increases or decreases in the price of natural gas or oil could have a material impact on these activities, and could also materially affect our cash flows. Certain sources and uses of cash, such as the level of discretionary capital expenditures, purchases and sales of investments, issuances and repurchases of debt and of our common shares are within our control and are adjusted as necessary based on market conditions. The following is a discussion of our cash flows for the years ended December 31, 2011 and 2010.

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Operating Activities. Net cash provided by operating activities totaled $1.5 billion during 2011 compared to net cash provided by operating activities of $1.1 billion during 2010. Net cash provided by operating activities (operating cash flows) is our primary source of capital and liquidity. Factors affecting changes in operating cash flows are largely the same as those that affect net earnings, with the exception of non-cash expenses such as depreciation and amortization, depletion, impairments, share-based compensation, deferred income taxes and our proportionate share of earnings or losses from unconsolidated affiliates. Net income (loss) adjusted for non-cash components was approximately $1.5 billion and $1.3 billion for the years ended December 31, 2011 and 2010, respectively. Additionally, changes in working capital items such as collection of receivables can be a significant component of operating cash flows. Changes in working capital items used $36.7 million and $202.4 million, respectively, in cash flows for the years ended December 31, 2011 and 2010.

Investing Activities. Net cash used for investing activities totaled $1.9 billion during 2011 compared to net cash used for investing activities of $1.7 billion during 2010. The primary use of cash for investing activities is for capital expenditures related to rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures. During 2011 and 2010, we used cash for capital expenditures totaling $2.0 billion and $930.3 million, respectively.

During 2011, we used cash of $55.5 million to acquire the remaining equity interest of Peak. During 2010, we used cash of $680.2 million and $53.4 million, respectively, to acquire Superior (net of the cash acquired) and the assets of Energy Contractors. During 2011, cash of $71.6 million and $89.2 million was provided in proceeds from sales of our oil and gas assets in the United States and Colombia, respectively. During 2011 and 2010, we provided cash of $112.3 million and $40.9 million, respectively, to our unconsolidated affiliates. Additionally during 2011, we received distributions of $143.0 million from Remora related to proceeds it received from the sale of its oil and gas assets in Colombia.

Financing Activities. Net cash provided by financing activities totaled $163.2 million during 2011 compared to net cash provided by financing activities of $280.3 million during 2010. During 2011, we have drawn $1.6 billion from our revolving credit facilities primarily for the redemption of the remaining $1.4 billion of our 0.94% senior exchangeable notes. During 2011, cash was provided from the receipt of $690.4 million in proceeds, net of debt issuance costs, from the issuance by Nabors Delaware of its 4.625% senior notes due September 2021 in August 2011 and was used to repay amounts then outstanding under the revolving credit facilities.

During 2010, cash was provided from the receipt of $682.3 million in proceeds, net of debt issuance costs, from the issuance by Nabors Delaware of its 5.0% senior notes due September 2020 in September 2010 and we used cash to purchase $273.9 million of our 0.94% senior exchangeable notes and to repay $124.0 million of Superior s revolving credit facility and second lien notes.

During 2011 and 2010, cash was provided by our receipt of proceeds totaling $11.6 million and $8.2 million, respectively, from the exercise by our employees of options to acquire our common shares.

Future Cash Requirements

We expect capital expenditures over the next 12 months to approximate $1.5-1.7 billion. We had outstanding purchase commitments of approximately $1.0 billion at December 31, 2011, primarily for rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures, other operating expenses and purchases of inventory. This amount could change significantly based on market conditions and new business opportunities. The level of our outstanding purchase commitments and our expected level of capital expenditures over the next 12 months represent a number of capital programs that are currently underway or planned. These programs will result in an expansion in the number of land drilling rigs, pressure pumping and well-servicing equipment that we own and operate. We can reduce the planned expenditures if necessary, or increase them if market conditions and new business opportunities warrant it.

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

See our discussion of guarantees issued by Nabors that could have a potential impact on our financial position, results of operations or cash flows in future periods included below under Off-Balance Sheet Arrangements (Including Guarantees).

The following table summarizes our contractual cash obligations as of December 31, 2011:

		Payments due by Period			
	Total	< 1 Year	1-3 Years	3-5 Years	Thereafter
			(In thousands)		
Contractual cash obligations:					
Long-term debt:(1)					
Principal	$ 4,635,000	$ 275,000(2)	$ 860,000(3)	$	$ 3,500,000(4)
Interest	1,823,925	246,213	462,911	462,826	651,975
Operating leases(5)	80,861	25,288	34,423	11,293	9,857
Purchase commitments(6)	962,235	774,617	128,648	58,970	
Employment contracts(5)	14,158	9,752	3,905	501	
Pension funding obligations	1,508	1,508			
Transportation and Processing Contracts(7)	388,699	54,287	134,429	113,175	86,808
Total contractual cash obligations	$ 7,906,386	$ 1,386,665	$ 1,624,316	$ 646,765	$ 4,248,640

The table above excludes liabilities for unrecognized tax benefits totaling $97.0 million as of December 31, 2011 because we are unable to make reasonably reliable estimates of the timing of cash settlements with the respective taxing authorities. Further details on the unrecognized tax benefits can be found in Note 13 Income Taxes in Part II, Item 8. Financial Statements and Supplementary Data.

(1) See Note 12 Debt in Part II, Item 8. Financial Statements and Supplementary Data.

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

(3) Represents amounts drawn on revolving credit facilities, which expire September 2014.

(4) Represents Nabors Delaware s aggregate 6.15% senior notes due February 2018, 9.25% senior notes due January 2019, 5.0% senior notes due September 2020 and 4.625% senior notes due September 2021.

(5) See Note 18 Commitments and Contingencies in Part II, Item 8. Financial Statements and Supplementary Data.

(6) Purchase commitments include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable pricing provisions; and the approximate timing of the transaction.

(7) We have contracts with pipeline companies to pay specified fees based on committed volumes for gas transport and processing, as calculated on a monthly basis. Due to low natural gas prices and our decision to delay drilling, our current available production flowing to pipelines and processing plants does not meet the daily committed volumes required under the contracts. The amounts set forth in the table above reflect the aggregate fees payable under these contracts. See Note 18 Commitments and Contingencies in Part II, Item 8. Financial Statements and Supplementary Data.

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

See Note 18 Commitments and Contingencies in Part II, Item 8. Financial Statements and Supplementary Data for discussion of commitments and contingencies relating to (i) our employment agreement with Mr. Petrello that could result in a significant cash payment of $50 million by the Company if his employment were terminated in the event of death or disability or a cash payment of approximately $31.1 million if his employment were terminated without cause or in the event of a change in control and (ii) off-balance sheet arrangements (including guarantees).

Financial Condition and Sources of Liquidity

Our primary sources of liquidity are cash and cash equivalents, short-term and long-term investments, availability under our various revolving credit facilities, and cash generated from operations. As of December 31, 2011, we had cash and investments of $539.5 million and working capital of $1.3 billion. We also had $540 million of availability remaining from a combined total of $1.4 billion under revolving credit facilities. At December 31, 2010, we had cash and investments of $801.2 million and working capital of $458.6 million.

On August 23, 2011, Nabors Delaware completed a private placement of $700 million aggregate principal amount of 4.625% senior notes due 2021, which are unsecured and fully and unconditionally guaranteed by us. The notes have registration rights. The notes rank equal in right of payment to all of Nabors Delaware s existing and future unsubordinated indebtedness, and senior in right of payment to all of Nabors Delaware s existing and future senior subordinated and subordinated indebtedness. Our guarantee of the notes is unsecured and an unsubordinated obligation and ranks equal in right of payments to all of our unsecured and unsubordinated indebtedness from time to time outstanding. In the event of a change of control triggering event, as defined in the indenture, the holders of the notes may require Nabors Delaware to purchase all or a portion of the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any. The notes are redeemable in whole or in part at any time at the option of Nabors Delaware at a redemption price, plus accrued and unpaid interest, as specified in the indenture. We used a substantial portion of the proceeds from this offering to repay borrowings outstanding under our revolving credit facilities.

As of December 31, 2011, we had $540 million of remaining availability from a combined total of $1.4 billion under our existing revolving credit facilities. The existing revolving credit facilities mature in September 2014, and can be used for general corporate purposes, including capital expenditures and working capital.

During 2011, we sold some of our wholly owned oil and gas assets and received cash proceeds of $160.8 million. Additionally, Remora completed sales of its oil and gas assets and made cash distributions to us in the amount of $143.0 million.

We had six letter-of-credit facilities with various banks as of December 31, 2011. Availability under these facilities as of December 31, 2011 was as follows:

	(In thousands)
Credit available	$ 215,901
Letters of credit outstanding, inclusive of financial and performance guarantees	(80,408)
Remaining availability	$ 135,493

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

Our gross funded debt to capital ratio was 0.43:1 as of December 31, 2011 and 0.42:1 as of December 31, 2010. Our net funded debt to capital ratio was 0.40:1 as of December 31, 2011 and 0.38:1 as of December 31, 2010.

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

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

Our interest coverage ratio was 8.1:1 as of December 31, 2011 and 7.0:1 as of December 31, 2010. The interest coverage ratio is a trailing 12-month quotient of the sum of (x) income (loss) from continuing operations, net of tax, net income (loss) attributable to noncontrolling interest, interest expense, subsidiary preferred stock dividends, depreciation and amortization, impairments and other charges, income tax expense (benefit) and our proportionate share of writedowns from our unconsolidated oil and gas joint venture *less* investment income (loss) *divided* by (y) the sum of cash interest expense and subsidiary preferred stock dividends. This ratio is a method for calculating the amount of operating cash flows available to cover cash interest expense. The interest coverage ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

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

See our discussion of the impact of changes in market conditions on our derivative financial instruments under Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Off-Balance Sheet Arrangements (Including Guarantees)

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

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

	Maximum Amount				
	2012	2013	2014	Thereafter	Total
	(In thousands)				
Financial standby letters of credit and other financial surety instruments	$ 105,055	$ 38	$	$	$ 105,093

Other Matters

Recent Accounting Pronouncements

In December 2008, the SEC issued a Final Rule, Modernization of Oil and Gas Reporting. This rule revised some of the oil and gas reporting disclosures in Regulation S-K and Regulation S-X under the Securities Act and the Exchange Act, as well as Industry Guide 2. Effective December 31, 2009, the FASB issued revised guidance that substantially aligned the oil and gas accounting disclosures with the SEC s Final Rule. The standard requires that entities use 12-month average natural gas and oil prices when calculating the quantities of proved reserves and performing the full-cost ceiling test calculation. The standard also clarified that an entity s equity-method investments must be considered in determining whether it has significant oil and gas activities. The disclosure requirements were effective for registration statements filed on or after January 1, 2010 and for annual financial statements filed on or after December 31, 2009. The FASB provided a one-year deferral of the disclosure requirements if an entity became subject to the requirements because of a change to the definition of significant oil and gas activities. When operating results from our wholly owned oil and gas activities were considered with operating results from our unconsolidated oil and gas joint ventures, which we account for under the equity method of accounting, we had significant oil and gas activities under the new definition. Our oil and gas disclosures for the years ending December 31, 2011 and 2010 are provided in Note 24 Supplemental Information on Oil and Gas Exploration and Production Activities in Part II Item 8. Financial Statements and Supplementary Data.

Effective January 1, 2010, we adopted the revised provisions relating to consolidation of variable interest entities within the Consolidations Topic of the FASB s Accounting Standards Codification (ASC). The revised provisions replaced the quantitative approach to identify a variable interest entity with a qualitative approach that focuses on an entity s control and ability to direct the variable interest entity s activities. The application of these provisions did not have a material impact on our consolidated financial statements.

The FASB issued new guidance relating to revenue recognition for contractual arrangements with multiple revenue-generating activities. The ASC Topic for revenue recognition includes identification of a unit of accounting and how arrangement consideration should be allocated to separate the units of accounting, when applicable. The new guidance, including expanded disclosures, became applicable to us for contracts entered into after June 15, 2010. The adoption of these rules did not have a significant impact on our consolidated financial statements.

In May 2011, the FASB issued an Accounting Standards Update (ASU) to clarify the application of some of the existing fair value measurement and disclosure requirements. These changes are effective for interim and annual periods that begin after December 15, 2011. The disclosure requirements did not have a significant impact on our consolidated financial statements.

In June 2011, the FASB issued an ASU relating to the presentation of other comprehensive income (OCI). This ASU does not change the items that are reported in OCI, but does remove the option to present the components of OCI within the statement of changes in equity. In addition, this ASU will require OCI presentation on the face of the financial statements. These changes are effective for interim and annual periods

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that begin after December 15, 2011, and are applied retrospectively to all periods presented. Early adoption is permitted. We adopted the ASU beginning January 1, 2012, and it did not have an impact on our consolidated financial statements.

In September 2011, the FASB issued a revised ASU relating to goodwill impairment tests. An entity is allowed to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on its qualitative assessment, that it is more likely than not that the fair value is less than its carrying amount. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. We adopted the ASU beginning January 1, 2012 and will apply it to our goodwill impairment tests.

Related-Party Transactions

The Company and Nabors Delaware entered into an agreement with Eugene M. Isenberg, the Chairman of our Board of Directors, on February 2, 2012 but effective December 31, 2011, pursuant to which:

Mr. Isenberg voluntarily terminated both his employment with the Company and his Employment Agreement, and forwent any right to payment in connection with such termination, including a possible payment of $100 million in connection with the Company s appointment of a new chief executive officer on October 28, 2011, which Mr. Isenberg could have treated as a constructive termination under his employment agreement;

Mr. Isenberg will continue as Chairman of the Board, but will not stand for reelection as a director when his term expires in June 2012; at that time, he will be appointed Chairman Emeritus for a three-year term, which will be extended for additional one-year terms unless terminated by him or by the Company, and receive cash compensation equal to other nonemployee directors;

Nabors Delaware will pay $6,600,000 into an escrow account, which will bear interest at the guaranteed rate of 6% per annum compounded daily and will be distributed either to Mr. Isenberg s estate or to the trustees of his revocable trust;

Mr. Isenberg ceases participation in the Company s benefit plans and forfeits any benefits available to him thereunder (including forfeiture of the balance in his deferred bonus account), except as stated below or otherwise required by law:

he and his spouse continue to participate in medical, dental and life insurance coverage until either receives equivalent coverage and benefits under the plans and programs of a subsequent employer or their death;

he remains entitled to distribution of vested account balances in the Company s 401(k) plan and its Deferred Compensation Plan;

he retains certain benefits under the split-dollar life insurance agreements in effect between him and Nabors Delaware

all of Mr. Isenberg s stock option and restricted stock awards were already fully vested and remain subject to the applicable plans and agreements governing them; and

Mr. Isenberg waives all claims or other liabilities related to his Employment Agreement or his termination of employment, and the Company waives certain claims against Mr. Isenberg.

Nabors and certain key employees, including Messrs. Isenberg and Petrello, entered into split-dollar life insurance agreements, pursuant to which we paid a portion of the premiums under life insurance policies with respect to these individuals and, in some instances, members of their families. These agreements provide that we are reimbursed the premium payments upon the occurrence of specified events, including the death of an insured

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individual. We will not be reimbursed for the premium payments paid on behalf of Mr. Isenberg as provided by the agreement entered into on February 2, 2012. Any recovery of premiums paid by Nabors could be limited to the cash surrender value of the policies under certain circumstances. As such, the values of these policies are recorded at their respective cash surrender values in our consolidated balance sheets. We have made premium payments to date totaling $6.3 million related to these policies. The cash surrender value of these policies of approximately $5.8 million and $9.5 million is included in other long-term assets in our consolidated balance sheets as of December 31, 2011 and 2010, respectively.

Under the Sarbanes-Oxley Act of 2002, the payment of premiums by Nabors under the agreements with Messrs. Isenberg and Petrello could be deemed to be prohibited loans by us to these individuals. Consequently, we have paid no premiums related to our agreements with these individuals since the adoption of the Sarbanes-Oxley Act.

In the ordinary course of business, we enter into various rig leases, rig transportation and related oilfield services agreements with our unconsolidated affiliates at market prices. Revenues from business transactions with these affiliated entities totaled $218.4 million, $271.6 million and $327.3 million for the years ended December 31, 2011, 2010 and 2009, respectively. Expenses from business transactions with these affiliated entities totaled $.9 million, $3.4 million and $9.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. Additionally, we had accounts receivable from these affiliated entities of $110.7 million and $97.8 million as of December 31, 2011 and 2010, respectively. We had accounts payable to these affiliated entities of $46.1 million and $12.7 million as of December 31, 2011 and 2010, respectively, and long-term payables with these affiliated entities of $.8 million as of each of December 31, 2011 and 2010, which is included in other long-term liabilities.

In addition to the equity investment in our unconsolidated U.S. oil and gas joint venture, in April 2010 we purchased $20.0 million face value of NFR Energy LLC s 9.75% senior notes. These notes mature in 2017 with interest payable semi-annually on February 15 and August 15. During 2011 and 2010, we recognized $2.0 million and $1.4 million, respectively, in interest income from these notes.

We own an interest in Shona Energy Company, LLC (Shona), a company of which Mr. Payne, an independent member of our Board of Directors, is the Chairman and Chief Executive Officer. During the first quarter of 2010, we purchased shares of Shona s preferred stock and warrants to purchase additional common shares for $.9 million, which we had accounted for under the cost method of accounting. During 2011, Shona became a public company in Canada, with voting common shares listed on the TSX Venture Exchange. As of December 31, 2011, we held a minority interest of approximately 7.55% of the issued and outstanding common shares of Shona. The fair value of this equity security investment is $10.5 million.

Critical Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. We analyze our estimates based on our historical experience and various other assumptions that we believe to be reasonable under the circumstances. However, actual results could differ from our estimates. The following is a discussion of our critical accounting estimates. Management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated financial position or results of operations.

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For a summary of all of our significant accounting policies, see Note 2 Summary of Significant Accounting Policies in Part II, Item 8. Financial Statements and Supplementary Data.

Financial Instruments. As defined in the ASC, fair value is the price that would be received upon a sale of an asset or paid upon a transfer of 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 employ 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 where there is little, if any, market activity for the asset or liability at the measurement date. We are able to classify fair value balances utilizing a fair-value hierarchy based on the observability of those inputs. Under the fair-value hierarchy:

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 that 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.

Depreciation of Property, Plant and Equipment. The drilling, workover and well-servicing and pressure pumping industries are very capital intensive. Property, plant and equipment represented 67% of our total assets as of December 31, 2011, and depreciation constituted 16.4% of our total costs and other deductions for the year ended December 31, 2011.

Depreciation for our primary operating assets, drilling and workover rigs, is calculated based on the units-of-production method. For each day a rig is operating, we depreciate it over an approximate 4,900-day period, with the exception of our jackup rigs which are depreciated over an 8,030-day period, after provision for salvage value. For each day a rig asset is not operating, it is depreciated over an assumed depreciable life of 20 years, with the exception of our jackup rigs, where a 30-year depreciable life is typically used, after provision for salvage value.

Depreciation on our buildings, well-servicing rigs, oilfield hauling and mobile equipment, marine transportation and supply vessels, aircraft equipment, and other machinery and equipment is computed using the straight-line method over the estimated useful life of the asset after provision for salvage value (buildings 10 to 30 years; well-servicing rigs 3 to 15 years; marine transportation and supply vessels 10 to 25 years; aircraft equipment 5 to 20 years; oilfield hauling and mobile equipment and other machinery and equipment 3 to 10 years).

These depreciation periods and the salvage values of our property, plant and equipment were determined through an analysis of the useful lives of our assets and based on our experience with the salvage values of these assets. Periodically, we review our depreciation periods and salvage values for reasonableness given current conditions. Depreciation of property, plant and equipment is therefore based upon estimates of the useful lives and salvage value of those assets. Estimation of these items requires significant management judgment. Accordingly, management believes that accounting estimates related to depreciation expense recorded on property, plant and equipment are critical.

There have been no factors related to the performance of our portfolio of assets, changes in technology or other factors that indicate that these estimates do not continue to be appropriate. Accordingly, for the years ended

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December 31, 2011, 2010 and 2009, no significant changes have been made to the depreciation rates applied to property, plant and equipment, the underlying assumptions related to estimates of depreciation, or the methodology applied. However, certain events could occur that would materially affect our estimates and assumptions related to depreciation. Unforeseen changes in operations or technology could substantially alter management s assumptions regarding our ability to realize the return on our investment in operating assets and therefore affect the useful lives and salvage values of our assets.

Impairment of Long-Lived Assets. As discussed above, the drilling, workover and well-servicing and pressure pumping industry is very capital intensive. We review our assets for impairment annually or when events or changes in circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable. An impairment loss is recorded in the period in which it is determined that the sum of estimated future cash flows, on an undiscounted basis, is less than the carrying amount of the long-lived asset. Impairment charges are recorded using discounted cash flows, which requires the estimation of dayrates and utilization, and such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry. Significant and unanticipated changes to the assumptions could result in future impairments. As the determination of whether impairment charges should be recorded on our long-lived assets is subject to significant management judgment, and an impairment of these assets could result in a material charge on our consolidated statements of income (loss), management believes that accounting estimates related to impairment of long-lived assets are critical.

Assumptions made in the determination of future cash flows are made with the involvement of management personnel at the operational level where the most specific knowledge of market conditions and other operating factors exists. For the years ended December 31, 2011, 2010 and 2009, no significant changes have been made to the methodology utilized to determine future cash flows.

Given the nature of the evaluation of future cash flows and the application to specific assets and specific times, it is not possible to reasonably quantify the impact of changes in these assumptions. A significantly prolonged period of lower oil and natural gas prices could adversely affect the demand for and prices of our services, which could result in future impairment charges.

Impairment of Goodwill and Intangible Assets. Goodwill represented 3.9% of our total assets as of December 31, 2011. We review goodwill and intangible assets with indefinite lives for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of such goodwill and intangible assets exceed their fair value. During the second quarter of 2011, we performed our impairment tests of goodwill and intangible assets for all of our reporting units within our operating segments. These reporting units consist of our contract drilling segments: U.S. Lower 48 Land Drilling, U.S. Land Well-servicing, U.S. Offshore, Alaska, Canada and International; our Pressure Pumping segment; our oil and gas segment; and our other operating segments: Canrig Drilling Technology Ltd., Ryan Directional Services Inc. and Nabors Blue Sky Ltd. The impairment test involves comparing the estimated fair value of the reporting unit to its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss. This second step compares the implied fair value of the reporting unit s goodwill to the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess. During 2011, we concluded that all our operating segment s fair values were substantially in excess of their carrying value with the exception of the U.S. Land Well-servicing and International segments. These operating segments had an excess of fair value over carrying value of approximately 20%. Our impairment test results required the second step measurement for one reporting unit during each of 2010 and 2009.

The fair values calculated in these impairment tests are determined using discounted cash flow models involving assumptions based on our utilization of rigs or aircraft, revenues and earnings from affiliates, as well as direct costs, general and administrative costs, depreciation, applicable income taxes, capital expenditures and working capital requirements. Our discounted cash flow projections for each reporting unit were based on financial forecasts. The future cash flows were discounted to present value using discount rates that are

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determined to be appropriate for each reporting unit. Terminal values for each reporting unit were calculated using a Gordon Growth methodology with a long-term growth rate of 3%. We believe the fair value estimated for purposes of these tests represent a Level 3 fair value measurement.

During 2010 and 2009, we recognized goodwill impairments of approximately $10.7 million and $14.7 million, respectively. The impairment charge during 2010 was recorded in our U.S. Offshore operating segment and was deemed necessary due to the uncertainty of utilization of some of our rigs as a result of changes in our customers plans for future drilling operations in the Gulf of Mexico. Many of our customers had suspended drilling operations in the Gulf of Mexico, largely as a result of their inability to obtain government permits. During 2009, we impaired the remaining goodwill balance of $14.7 million of Nabors Blue Sky Ltd. The impairment charges were deemed necessary due to the continued downturn in the oil and gas industry in Canada and the lack of certainty regarding eventual recovery in the value of these operations. This downturn led to reduced capital spending by our customers and diminished demand for our drilling services and for immediate access to remote drilling sites. A significantly prolonged period of lower oil and natural gas prices or changes in laws and regulations could continue to adversely affect the demand for and prices of our services, which could result in future goodwill impairment charges for other reporting units due to the potential impact on our estimate of our future operating results.

As further discussed above in *Recent Accounting Pronouncements*, we changed the manner in which we initially assess goodwill for impairment during 2012. Under new guidance, we will assess qualitative factors to determine whether to perform the two-step quantitative goodwill impairment tests.

Oil and Gas Properties. Our unconsolidated oil and gas joint ventures, which we account for under the equity method of accounting, utilize the full-cost method of accounting for costs related to oil and natural gas properties. Under this method, all such costs (for both productive and nonproductive properties) are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the units-of-production method. However, these capitalized costs are subject to a ceiling test, which limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and natural gas reserves, discounted at 10%, plus the lower of cost or market value of unproved properties. Future revenues for purposes of the ceiling test are valued using a 12-month average price, adjusted for the impact of derivatives accounted for as cash flow hedges as prescribed by the SEC rules. During 2011 and 2009, our proportionate share of those ventures full-cost ceiling test writedowns was $15.6 million and $237.1 million, respectively. No full-cost ceiling test writedowns were recorded by our unconsolidated oil and gas joint ventures during 2010.

Our wholly owned oil and gas investment portfolio and our unconsolidated ownership interest in Remora is reflected as Assets held for sale in our consolidated balance sheet at December 31, 2011. We evaluate the carrying value of our assets held for sale to the fair value of the assets less costs to sale to determine whether impairment is indicated.

A significantly prolonged period of lower oil and natural gas prices or a reduction to the estimation of reserve quantities could continue to adversely affect the demand for and prices of our services, which could result in future impairment charges to our oil and gas properties.

Oil and Gas Reserves. Evaluations of oil and gas reserves are integral to making investment decisions about oil and gas properties such as whether development should proceed. Oil and gas reserve quantities are also used as the basis for calculating unit-of-production depreciation rates and for evaluating impairment. Oil and gas reserves include both proved and unproved reserves. Consistent with the definitions provided by the SEC, proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, known reservoirs, and under existing economic conditions. Unproved reserves are those with less than reasonable certainty of recoverability and include probable reserves. Probable reserves are reserves that are more likely to be recovered than not.

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Estimation of proved reserves, which is based on the requirement of reasonable certainty, is an ongoing process involving rigorous technical evaluations, commercial and market assessment, and detailed analysis of well information such as flow rates and reservoir pressure declines. Although we are reasonably certain that proved reserves will be produced, the timing and amount recovered can be affected by a number of factors including completion of development projects, reservoir performance, regulatory approvals and significant changes in long-term oil and gas price levels.

Income Taxes. Deferred taxes represent a substantial liability for Nabors. For financial reporting purposes, management determines our current tax liability as well as those taxes incurred as a result of current operations yet deferred until future periods. In accordance with the liability method of accounting for income taxes as specified in the Income Taxes Topic of the ASC, the provision for income taxes is the sum of income taxes both currently payable and deferred. Currently payable taxes represent the liability related to our income tax return for the current year while the net deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities reported on our consolidated balance sheets. The tax effects of unrealized gains and losses on investments and derivative financial instruments are recorded through accumulated other comprehensive income (loss) within equity. The changes in deferred tax assets or liabilities are determined based upon changes in differences between the basis of assets and liabilities for financial reporting purposes and the basis of assets and liabilities for tax purposes as measured by the enacted tax rates that management estimates will be in effect when these differences reverse. Management must make certain assumptions regarding whether tax differences are permanent or temporary and must estimate the timing of their reversal, and whether taxable operating income in future periods will be sufficient to fully recognize any gross deferred tax assets. Valuation allowances are established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the need for valuation allowances, management has considered and made judgments and estimates regarding estimated future taxable income and ongoing prudent and feasible tax planning strategies. These judgments and estimates are made for each tax jurisdiction in which we operate as the calculation of deferred taxes is completed at that level. Further, under U.S. federal tax law, the amount and availability of loss carryforwards (and certain other tax attributes) are subject to a variety of interpretations and restrictive tests applicable to Nabors and our subsidiaries. The utilization of such carryforwards could be limited or effectively lost upon certain changes in ownership. Accordingly, although we believe substantial loss carryforwards are available to us, no assurance can be given concerning the realization of such loss carryforwards, or whether or not such loss carryforwards will be available in the future. These loss carryforwards are also considered in our calculation of taxes for each jurisdiction in which we operate. Additionally, we record reserves for uncertain tax positions that are subject to a significant level of management judgment related to the ultimate resolution of those tax positions. Accordingly, management believes that the estimate related to the provision for income taxes is critical to our results of operations. See Part I, Item 1A. Risk Factors *We may have additional tax liabilities* and Note 13 Income Taxes in Part II, Item 8. Financial Statements and Supplementary Data for additional discussion.

We are subject to income taxes in both the United States and numerous other jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly audited by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that reflected in historical income tax provisions and accruals. An audit or litigation could materially affect our financial position, income tax provision, net income, or cash flows in the period or periods challenged. However, certain events could occur that would materially affect management s estimates and assumptions regarding the deferred portion of our income tax provision, including estimates of future tax rates applicable to the reversal of tax differences, the classification of timing differences as temporary or permanent, reserves recorded for uncertain tax positions and any valuation allowance recorded as a reduction to our deferred tax assets. Management s assumptions related to the preparation of our income tax provision have historically proved to be reasonable in light of the ultimate amount of tax liability due in all taxing jurisdictions.

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For the year ended December 31, 2011, our provision for income taxes from continuing operations was $142.6 million, consisting of $109.7 million of current tax benefit and $32.9 million of deferred tax expense. Changes in management s estimates and assumptions regarding the tax rate applied to deferred tax assets and liabilities, the ability to realize the value of deferred tax assets, or the timing of the reversal of tax basis differences could potentially impact the provision for income taxes and could potentially change the effective tax rate. A 1% change in the effective tax rate from 29% to 30% would increase the current year income tax provision by approximately $4.7 million.

Litigation and Self-Insurance Reserves. Our operations are subject to many hazards inherent in the drilling, workover and well-servicing and pressure pumping industries, including blowouts, cratering, explosions, fires, loss of well control, loss of or damage to the wellbore or underground reservoir, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental and natural resources damage and damage to the property of others. Our offshore operations are also subject to the hazards of marine operations including capsizing, grounding, collision and other damage from hurricanes and heavy weather or sea conditions and unsound ocean bottom conditions. Our operations are subject to risks of war, civil disturbances or other political events.

Accidents may occur, we may be unable to obtain desired contractual indemnities, and our insurance may prove inadequate in certain cases. There is no assurance that such insurance or indemnification agreements will adequately protect us against liability from all of the consequences of the hazards described above. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of a deductible or self-insured retention.

Based on the risks discussed above, it is necessary for us to estimate the level of our liability related to insurance and record reserves for these amounts in our consolidated financial statements. Reserves related to self-insurance are based on the facts and circumstances specific to the claims and our past experience with similar claims. The actual outcome of self-insured claims could differ significantly from estimated amounts. We maintain actuarially determined accruals in our consolidated balance sheets to cover self-insurance retentions for workers compensation, employers liability, general liability and automobile liability claims. These accruals are based on certain assumptions developed utilizing historical data to project future losses. Loss estimates in the calculation of these accruals are adjusted based upon actual claim settlements and reported claims. These loss estimates and accruals recorded in our financial statements for claims have historically been reasonable in light of the actual amount of claims paid.

Because the determination of our liability for self-insured claims is subject to significant management judgment and in certain instances is based on actuarially estimated and calculated amounts, and because such liabilities could be material in nature, management believes that accounting estimates related to self-insurance reserves are critical.

During 2011, 2010 and 2009, no significant changes were made to the methodology utilized to estimate insurance reserves. For purposes of earnings sensitivity analysis, if the December 31, 2011 reserves for insurance were adjusted (increased or decreased) by 10%, total costs and other deductions would change by $16.4 million, or .3%.

Fair Value of Assets Acquired and Liabilities Assumed. We have completed a number of acquisitions in recent years as discussed in Note 7 Fair Value Measurements in Part II, Item 8. Financial Statements and Supplementary Data. In conjunction with our accounting for these acquisitions, it was necessary for us to estimate the values of the assets acquired and liabilities assumed in the various business combinations using various assumptions. These estimates may be affected by such factors as changing market conditions, technological advances in the industry or changes in regulations governing the industry. The most significant assumptions, and the ones requiring the most judgment, involve the estimated fair values of property, plant and

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equipment, and the resulting amount of goodwill, if any. Unforeseen changes in operations or technology could substantially alter management s assumptions and could result in lower estimates of values of acquired assets or of future cash flows. This could result in impairment charges being recorded in our consolidated statements of income (loss). As the determination of the fair value of assets acquired and liabilities assumed is subject to significant management judgment and a change in purchase price allocations could result in a material difference in amounts recorded in our consolidated financial statements, management believes that accounting estimates related to the valuation of assets acquired and liabilities assumed are critical.

The determination of the fair value of assets and liabilities is based on the market for the assets and the settlement value of the liabilities. These estimates are made by management based on our experience with similar assets and liabilities. During 2011, 2010 and 2009, no significant changes were made to the methodology utilized to value assets acquired or liabilities assumed. Our estimates of the fair values of assets acquired and liabilities assumed have proved to be reliable in the past.

Given the nature of the evaluation of the fair value of assets acquired and liabilities assumed and the application to specific assets and liabilities, it is not possible to reasonably quantify the impact of changes in these assumptions.

Share-Based Compensation. We have historically compensated our executives and employees, in part, with stock options and restricted stock. Based on the requirements of the Stock Compensation Topic of the ASC, we account for stock option and restricted stock awards using a fair-value based method, resulting in compensation expense for stock-based awards being recorded in our consolidated statements of income (loss). Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of stock options, the expected volatility of our stock and expected dividends. In addition, judgment is required in estimating the amount of stock-based awards that are expected to be forfeited. Because the determination of these various assumptions is subject to significant management judgment and different assumptions could result in material differences in amounts recorded in our consolidated financial statements, management believes that accounting estimates related to the valuation of stock-based awards are critical.

The assumptions used to estimate the fair market value of our stock options are based on historical and expected performance of our common shares in the open market, expectations with regard to the pattern with which our employees will exercise their options and the likelihood that dividends will be paid to holders of our common shares. During 2011, 2010 and 2009, no significant changes were made to the methodology utilized to determine the assumptions used in these calculations.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We may be exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. This risk arises primarily as a result of potential changes in the fair market value of financial instruments due to adverse fluctuations in foreign currency exchange rates, credit risk, interest rates, and marketable and non-marketable security prices as discussed below.

Foreign Currency Risk. We operate in a number of international areas and are involved in transactions denominated in currencies other than U.S. dollars, which exposes us to foreign exchange rate risk and foreign currency devaluation risk. The most significant exposures arise in connection with our operations in Venezuela and Canada, which usually are substantially unhedged.

At various times, we utilize local currency borrowings (foreign-currency-denominated debt), the payment structure of customer contracts and foreign exchange contracts to selectively hedge our exposure to exchange rate fluctuations in connection with monetary assets, liabilities, cash flows and commitments denominated in certain foreign currencies. A foreign exchange contract is a foreign currency transaction, defined as an agreement to exchange different currencies at a given future date and at a specified rate. A hypothetical 10% decrease in the

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value of all our foreign currencies relative to the U.S. dollar as of December 31, 2011 would result in a $11.1 million decrease in the fair value of our net monetary assets denominated in currencies other than U.S. dollars.

Credit Risk. Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, short-term and long-term investments, oil and gas financing receivables, accounts receivable and our range-cap-and-floor derivative instrument. Cash equivalents such as deposits and temporary cash investments are held by major banks or investment firms. Our short-term and long-term investments are managed within established guidelines that limit the amounts that may be invested with any one issuer and provide guidance as to issuer credit quality. We believe that the credit risk in our cash and investment portfolio is minimized as a result of the mix of our investments. In addition, our trade receivables are with a variety of U.S., international and foreign-country national oil and gas companies. Management considers this credit risk to be limited due to the financial resources of these companies. We perform ongoing credit evaluations of our customers, and we generally do not require material collateral. We do occasionally require prepayment of amounts from customers whose creditworthiness is in question prior to providing services to them. We maintain reserves for potential credit losses, and these losses historically have been within management s expectations.

Interest Rate, and Marketable and Non-marketable Security Price Risk. Our financial instruments that are potentially sensitive to changes in interest rates include our 5.375%, 6.15%, 9.25%, 5.0% and 4.625% senior notes, our range-cap-and-floor derivative instrument, our investments in debt securities (including corporate, asset-backed, mortgage-backed debt and mortgage-CMO debt securities) and our investments in overseas funds that invest primarily in a variety of public and private U.S. and non-U.S. securities (including asset-backed and mortgage-backed securities, global structured-asset securitizations, whole-loan mortgages, and participations in whole loans and whole-loan mortgages), which are classified as long-term investments.

We may utilize derivative financial instruments that are intended to manage our exposure to interest rate risks. We account for derivative financial instruments under the Derivatives Topic of the ASC. The use of derivative financial instruments could expose us to further credit risk and market risk. Credit risk in this context is the failure of a counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty would owe us, which can create credit risk for us. When the fair value of a derivative contract is negative, we would owe the counterparty, and therefore, we would not be exposed to credit risk. We attempt to minimize credit risk in derivative instruments by entering into transactions with major financial institutions that have a significant asset base. Market risk related to derivatives is the adverse effect on the value of a financial instrument that results from changes in interest rates. We try to manage market risk associated with interest-rate contracts by establishing and monitoring parameters that limit the type and degree of market risk that we undertake.

On October 21, 2002, we entered into an interest rate swap transaction with a third-party financial institution to hedge our exposure to changes in the fair value of $200 million of our fixed rate 5.375% senior notes due 2012, which has been designated as a fair value hedge. Additionally on that date, we purchased a LIBOR range-cap and sold a LIBOR floor, in the form of a cashless collar, with the same third-party financial institution to help mitigate and manage our exposure to changes in the three-month U.S. dollar LIBOR rate. This transaction does not qualify for hedge accounting treatment, and any change in the cumulative fair value of this transaction is reflected as a gain or loss in our consolidated statements of income (loss). In June 2004, we unwound $100 million of the $200 million range-cap-and-floor derivative instrument. During the fourth quarter of 2005, we unwound the interest rate swap resulting in a loss of $2.7 million, which has been deferred and will be recognized as an increase to interest expense over the remaining life of our 5.375% senior notes due 2012. During the year ended December 31, 2005, we recorded interest savings of $2.7 million related to our interest rate swap agreement accounted for as a fair value hedge, which served to reduce interest expense.

The fair value of our range-cap-and-floor transaction is recorded as a derivative liability and included in other long-term liabilities. It totaled approximately $1.3 million and $3.4 million as of December 31, 2011 and 2010, respectively. During 2011, 2010 and 2009, we recorded gains (losses) of approximately $2.2 million, $(.1)

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million and $1.4 million, respectively, related to this derivative instrument; these amounts are included in losses (gains) on sales and retirements of long-lived assets and other expense (income), net in our consolidated statements of income (loss).

A hypothetical 10% adverse shift in quoted interest rates as of December 31, 2011 would decrease the fair value of our range-cap-and-floor derivative instrument by approximately $.1 million.

Fair Value of Financial Instruments. We estimate the fair value of our financial instruments in accordance with the provisions of the Fair Value Measurements and Disclosures Topic of the ASC. The fair value of our fixed rate long-term debt and subsidiary preferred stock is estimated based on quoted market prices or prices quoted from third-party financial institutions. The carrying and fair values of these liabilities were as follows:

	December 31,					
	2011			2010		
	Effective Interest Rate	Carrying Value	Fair Value	Effective Interest Rate	Carrying Value	Fair Value
	(In thousands, except interest rates)					
5.375% senior notes due August 2012(1)	5.61%	$ 274,604	$ 281,188	5.61%	$ 273,977	$ 291,500
6.15% senior notes due February 2018	6.42%	967,490	1,113,986	6.42%	966,276	1,041,008
9.25% senior notes due January 2019	9.33%	1,125,000	1,419,514	9.33%	1,125,000	1,393,943
5.00% senior notes due September 2020	5.20%	697,343	734,475	5.20%	697,037	678,335
4.625% senior notes due September 2021	4.75%	697,667	708,176			
0.94% senior exchangeable notes due May 2011				6.13%	1,378,178	1,403,315
Subsidiary preferred stock	4.0%	69,188	68,625	4.0%	69,188	68,625
Revolving credit facilities	2.35%	860,000	860,000			
Other		1,712	1,712		2,676	2,676
		$ 4,693,004	$ 5,187,676		$ 4,512,332	$ 4,879,402

(1) Includes $.3 million and $.7 million as of December 31, 2011 and 2010, respectively, related to the unamortized loss on the interest rate swap that was unwound during the fourth quarter of 2005.

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The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments. Our cash, cash equivalents, short-term and long-term investments and other receivables are included in the table below:

	December 31,					
	2011			2010		
	Fair Value	Interest Rates	Weighted-Average Life (Years)	Fair Value	Interest Rates	Weighted-Average Life (Years)
	(In thousands, except interest rates)					
Cash and cash equivalents	$ 398,575	0 - .21%	0.00	$ 641,702	0 - .28%	0.00
Short-term investments:						
Trading equity securities	11,600			19,630		
Available-for-sale equity securities	71,433			79,698		
Available-for-sale debt securities:						
Commercial paper and CDs	1,230	1.0%	.6	1,275	.75%	.6
Corporate debt securities	51,300	10.01 - 13.98%	2.5	52,022	10.01 - 13.99%	3.6
Mortgage-backed debt securities	309	2.4%	1.7	372	2.79%	2.7
Mortgage-CMO debt securities	2,547	.44 - 5.9%	.2	3,015	.42 - 5.9%	.3
Asset-backed debt securities	2,495	.78 - 4.8%	.8	3,476	.56 - 4.81%	1.3
Total available-for-sale debt securities	57,881			60,160		
Total available-for-sale securities	129,314			139,858		
Total short-term investments	140,914			159,488		
Long-term investments and other receivables:						
Actively managed funds	5,941	N/A		7,427	N/A	
Oil and gas financing receivables	5,183	13.10%		32,873	13.10 -13.52%	
Total long-term investments and other receivables	11,124			40,300		
Total cash, cash equivalents, short-term and long-term investments and other receivables	$ 550,613			$ 841,490		

Our investments in debt securities listed in the above table and a portion of our long-term investments are sensitive to changes in interest rates. Additionally, our investment portfolio of debt and equity securities, which are carried at fair value, exposes us to price risk. A hypothetical 10% decrease in the market prices for all securities as of December 31, 2011 would decrease the fair value of our trading securities and available-for-sale securities by $1.2 million and $12.9 million, respectively.

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ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

of Nabors Industries Ltd.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income (loss), changes in equity and cash flows present fairly, in all material respects, the financial position of Nabors Industries Ltd. and its subsidiaries (the Company) at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which their oil and gas reserves are estimated as well as the manner in which prices are determined to calculate the ceiling limit on capitalized oil and gas costs as of December 31, 2009.

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

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

/s/ PricewaterhouseCoopers LLP

Houston, Texas

February 29, 2012

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2011	2010
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 398,575	$ 641,702
Short-term investments	140,914	159,488
Assets held for sale	401,500	352,048
Accounts receivable, net	1,576,555	1,116,510
Inventory	272,852	158,836
Deferred income taxes	127,874	31,510
Other current assets	170,044	152,836
Total current assets	3,088,314	2,612,930
Long-term investments and other receivables	11,124	40,300
Property, plant and equipment, net	8,629,946	7,815,419
Goodwill	501,258	494,372
Investment in unconsolidated affiliates	371,021	267,723
Other long-term assets	310,477	415,825
Total assets	$ 12,912,140	$ 11,646,569
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 275,326	$ 1,379,018
Trade accounts payable	782,753	355,282
Accrued liabilities	716,773	394,292
Income taxes payable	27,710	25,788
Total current liabilities	1,802,562	2,154,380
Long-term debt	4,348,490	3,064,126
Other long-term liabilities	292,758	245,765
Deferred income taxes	797,925	770,247
Total liabilities	7,241,735	6,234,518
Commitments and contingencies (Note 18)		
Subsidiary preferred stock (Notes 5 and 15)	69,188	69,188
Equity:		
Shareholders equity:		
Common shares, par value $.001 per share:		
Authorized common shares 800,000; issued 317,042 and 315,034, respectively	317	315
Capital in excess of par value	2,287,743	2,255,787
Accumulated other comprehensive income	321,264	342,052
Retained earnings	3,956,364	3,707,881
Less: treasury shares, at cost, 29,414 common shares	(977,873)	(977,873)

Total shareholders equity	5,587,815	5,328,162
Noncontrolling interest	13,402	14,701
Total equity	5,601,217	5,342,863
Total liabilities and equity	$ 12,912,140	$ 11,646,569

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Year Ended December 31,		
	2011	2010	2009
	(In thousands, except per share amounts)		
Revenues and other income:			
Operating revenues	$ 6,060,351	$ 4,134,483	$ 3,662,220
Earnings (losses) from unconsolidated affiliates	56,647	33,267	(155,432)
Investment income (loss)	19,940	7,263	25,522
Total revenues and other income	6,136,938	4,175,013	3,532,310
Costs and other deductions:			
Direct costs	3,775,964	2,400,519	1,981,504
General and administrative expenses	489,892	338,720	421,492
Depreciation and amortization	924,094	760,962	663,958
Interest expense	256,633	272,712	266,047
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	4,514	47,238	11,982
Impairments and other charges	198,072	61,292	118,543
Total costs and other deductions	5,649,169	3,881,443	3,463,526
Income (loss) from continuing operations before income taxes	487,769	293,570	68,784
Income tax expense (benefit):			
Current	109,702	(77,209)	71,458
Deferred	32,903	114,159	(135,395)
Total income tax expense (benefit)	142,605	36,950	(63,937)
Subsidiary preferred stock dividend	3,000	750	
Income (loss) from continuing operations, net of tax	342,164	255,870	132,721
Income (loss) from discontinued operations, net of tax	(97,440)	(161,090)	(218,609)
Net income (loss)	244,724	94,780	(85,888)
Less: Net (income) loss attributable to noncontrolling interest	(1,045)	(85)	342
Net income (loss) attributable to Nabors	$ 243,679	$ 94,695	$ (85,546)
Earnings (losses) per share:			
Basic from continuing operations	$ 1.19	$ .90	$ .47
Basic from discontinued operations	(.34)	(.57)	(.77)
Total Basic	$ .85	$ .33	$ (.30)
Diluted from continuing operations	$ 1.17	$ .88	$ .46
Diluted from discontinued operations	(.34)	(.55)	(.76)

Total Diluted	$ .83	$ .33	$ (.30)
Weighted-average number of common shares outstanding:			
Basic	287,118	285,145	283,326
Diluted	292,484	289,996	286,502

The details of credit-related impairments to investments is presented below:

Other-than-temporary impairment on debt security		$	$ 40,300
Less: other-than-temporary impairment recognized in accumulated other comprehensive income (loss)			(4,651)
Credit-related impairment on investment(1)		$	$ 35,649

(1) Included in Impairments and other charges (Note 3)

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

	Year Ended December 31,		
	2011	2010	2009
	(In thousands)		
Cash flows from operating activities:			
Net income (loss) attributable to Nabors	$ 243,679	$ 94,695	$ (85,546)
Adjustments to net income (loss):			
Depreciation and amortization	927,460	766,519	668,415
Depletion and other exploratory expenses	44,551	27,002	11,078
Deferred income tax expense (benefit)	(34,739)	55,964	(218,760)
Deferred financing costs amortization	5,107	5,431	6,133
Pension liability amortization and adjustments	818	664	844
Discount amortization on long-term debt	27,042	70,719	86,802
Amortization of loss on hedges	927	786	580
Impairments and other charges	460,971	260,931	339,129
Losses (gains) on long-lived assets, net	(51,945)	(1,050)	12,339
Losses (gains) on investments, net	(12,486)	191	(9,954)
Losses (gains) on debt retirement, net	58	7,042	(11,197)
Losses (gains) on derivative instruments	234	2,471	338
Gain on acquisition	(13,114)		
Share-based compensation	21,244	13,746	106,725
Foreign currency transaction losses (gains), net	5,725	17,880	8,372
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	(132,388)	(13,630)	229,813
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(459,455)	(249,725)	450,530
Inventory	(114,896)	(15,201)	52,995
Other current assets	(24,820)	6,589	205,108
Other long-term assets	71,867	7,509	(22,233)
Trade accounts payable and accrued liabilities	517,615	70,463	(146,470)
Income taxes payable	999	(19,208)	(62,535)
Other long-term liabilities	(27,967)	(2,804)	(5,534)
Net cash provided by operating activities	1,456,487	1,106,984	1,616,972
Cash flows from investing activities:			
Purchases of investments	(11,746)	(34,147)	(32,674)
Sales and maturities of investments	39,063	34,613	57,033
Cash paid for acquisition of businesses, net	(55,459)	(733,630)	
Investment in unconsolidated affiliates	(112,262)	(40,936)	(125,076)
Distribution of proceeds from asset sales of unconsolidated affiliates	142,984		
Capital expenditures	(2,042,617)	(930,277)	(1,093,435)
Proceeds from sales of assets and insurance claims	180,558	31,072	31,375
Net cash used for investing activities	(1,859,479)	(1,673,305)	(1,162,777)
Cash flows from financing activities:			
Increase (decrease) in cash overdrafts	6,375	(6,298)	(18,157)
Proceeds from issuance of long-term debt	697,578	696,948	1,124,978
Debt issuance costs	(7,141)	(8,934)	(8,832)
Payments for (proceeds from) hedge transactions		(5,667)	
Proceeds from revolving credit facilities	1,560,000	600,000	
Proceeds from issuance of common shares	11,605	8,201	11,249
Reduction in long-term debt	(1,404,281)	(398,514)	(1,081,801)
Reduction in revolving credit facilities	(700,000)	(600,000)	
Repurchase of equity component of convertible debt	(12)	(4,712)	(6,586)

Settlement of call options and warrants, net		1,134	
Purchase of restricted stock	(2,626)	(1,935)	(1,515)
Tax benefit related to share-based awards	1,747	31	37
Net cash provided by financing activities	163,245	280,254	19,373
Effect of exchange rate changes on cash and cash equivalents	(3,380)	(46)	12,160
Net increase (decrease) in cash and cash equivalents	(243,127)	(286,113)	485,728
Cash and cash equivalents, beginning of period	641,702	927,815	442,087
Cash and cash equivalents, end of period	$ 398,575	$ 641,702	$ 927,815

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Common Shares							
		Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Total Equity
					(In thousands)				
Balances, December 31, 2008		312,343	$ 312	$ 2,129,415	$ 53,520	$ 3,698,732	$ (977,873)	$ 14,318	$ 4,918,424
Comprehensive income (loss):									
Net income (loss) attributable to Nabors	$ (85,546)					(85,546)			(85,546)
Translation adjustment attributable to Nabors	150,290				150,290				150,290
Unrealized gains/(losses) on marketable securities, net of income benefit of $839	36,727				36,727				36,727
Unrealized gains/(losses) on adjusted basis for marketable debt security, net of income taxes of $1,199	1,956				1,956				1,956
Less: Reclassification adjustment for (gains)/losses included in net income (loss), net of income tax benefit of $4,921	49,386				49,386				49,386
Pension liability amortization, net of income taxes of $325	519				519				519
Pension liability adjustment, net of income taxes of $89	130				130				130
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges, net of income tax benefit of $18	178				178				178
Comprehensive income (loss) attributable to Nabors	$ 153,640								
Net income (loss) attributable to noncontrolling interest	(342)							(342)	(342)
Translation adjustment attributable to noncontrolling interest	2,024							2,024	2,024
Comprehensive income (loss) attributable to noncontrolling interest	1,682								
Total comprehensive income (loss)	$ 155,322								
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options		1,476	2	11,247					11,249
Nabors Exchangeco shares exchanged		105							
Share-based compensation				106,725					106,725

Other		(9)		(8,064)			(1,677)	(9,741)
Balances, December 31, 2009		313,915	$ 314	$ 2,239,323	$ 292,706	$ 3,613,186	$ (977,873)	$ 14,323	$ 5,181,979
Balances, December 31, 2009		313,915	$ 314	$ 2,239,323	$ 292,706	$ 3,613,186	$ (977,873)	$ 14,323	$ 5,181,979
Comprehensive income (loss):								
Net income (loss) attributable to Nabors	$ 94,695					94,695			94,695
Translation adjustment attributable to Nabors	60,897				60,897				60,897
Unrealized gains/(losses) on marketable securities, net of income taxes of $7,435	(7,157)				(7,157)				(7,157)
Less: Reclassification adjustment for (gains)/losses included in net income (loss), net of income taxes of $693	(1,001)				(1,001)				(1,001)
Pension liability amortization, net of income taxes of $259	405				405				405
Pension liability adjustment, net of income tax benefit of $405	(635)				(635)				(635)
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges, net of income tax benefit of $2,119	(3,163)				(3,163)				(3,163)
Comprehensive income (loss) attributable to Nabors	$ 144,041								
Net income (loss) attributable to noncontrolling interest	85							85	85
Translation adjustment attributable to noncontrolling interest	723							723	723
Comprehensive income (loss) attributable to noncontrolling interest	808								
Total comprehensive income (loss)	$ 144,849								
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options		714	1	8,200					8,201
Share-based compensation				13,746					13,746
Other		405		(5,482)				(430)	(5,912)
Balances, December 31, 2010		315,034	$ 315	$ 2,255,787	$ 342,052	$ 3,707,881	$ (977,873)	$ 14,701	$ 5,342,863

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

		Common Shares			Accumulated Other				
		Shares	Par Value	Capital in Excess of Par Value	Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Total Equity
					(In thousands)				
Balances, December 31, 2010		315,034	$ 315	$ 2,255,787	$ 342,052	$ 3,707,881	$ (977,873)	$ 14,701	$ 5,342,863
Comprehensive income (loss):									
Net income (loss) attributable to Nabors	$ 243,679					243,679			243,679
Translation adjustment attributable to Nabors	(20,257)				(20,257)				(20,257)
Unrealized gains/(losses) on marketable securities, net of income taxes of $86	5,270				5,270				5,270
Less: Reclassification adjustment for (gains)/losses included in net income (loss), net of income taxes of $0	(3,036)				(3,036)				(3,036)
Pension liability amortization, net of income taxes of $319	499				499				499
Pension liability adjustment, net of income tax benefit of $2,421	(3,788)				(3,788)				(3,788)
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges, net of income tax benefit of $239	524				524				524
Comprehensive income (loss) attributable to Nabors	$ 222,891								
Net income (loss) attributable to noncontrolling interest	1,045							1,045	1,045
Translation adjustment attributable to noncontrolling interest	(185)							(185)	(185)
Comprehensive income (loss) attributable to noncontrolling interest	860								
Total comprehensive income (loss)	$ 223,751								
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options		1,116	1	11,604					11,605
Share-based compensation				21,244					21,244
Other		892	1	(892)		4,804		(2,159)	1,754
Balances, December 31, 2011		317,042	$ 317	$ 2,287,743	$ 321,264	$ 3,956,364	$ (977,873)	$ 13,402	$ 5,601,217

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

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Note 1 Nature of Operations

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

- We actively market approximately 499 land drilling rigs for oil and gas land drilling operations in the U.S. Lower 48 states, Alaska, Canada, South America, Mexico, the Middle East, the Far East, the South Pacific, Russia and Africa.

- We actively market approximately 581 rigs for land well-servicing and workover work in the United States and approximately 174 rigs for land well-servicing and workover work in Canada.

We are also a leading provider of offshore platform workover and drilling rigs, and actively market 39 platform, 12 jackup and four barge rigs in the United States, including the Gulf of Mexico, and multiple international markets.

In addition to the foregoing services:

- We provide hydraulic fracturing, cementing, nitrogen and acid pressure pumping services with over 730,000 hydraulic horsepower in key basins throughout the United States and Canada.

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

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

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

- We have invested in oil and gas exploration, development and production activities through both our wholly owned subsidiaries and our oil and gas joint ventures in which we hold 49-50% ownership interests.

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

The consolidated financial statements and related footnotes are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain reclassifications have been made to prior periods to conform to the current period presentation, with no effect on our consolidated financial position, results of operations or cash flows.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

Our consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries required to be consolidated under GAAP. Our consolidated financial statements

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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. All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in operating entities where we have the ability to exert significant influence, but where we do not control operating and financial policies, are accounted for using the equity method. Our share of the net income (loss) of these entities is recorded as earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss), and our investment in these entities is included as a single amount in our consolidated balance sheets. Investments in unconsolidated affiliates accounted for using the equity method totaled $371.0 million and $265.8 million as of December 31, 2011 and 2010, respectively. Investments in unconsolidated affiliates accounted for using the cost method totaled $1.9 million as of December 31, 2010. At December 31, 2011 and 2010, assets held for sale included investments in unconsolidated affiliates accounted for using the equity method totaling $13.7 million and $79.5 million, respectively. See Note 4 Discontinued Operations for additional information.

We have investments in offshore funds, which are classified as long-term investments and are accounted for using the equity method of accounting based on our ownership interest in each fund. The carrying value of these investments totaled $5.9 million and $7.4 million as of December 31, 2011 and 2010, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and various other short-term investments with original maturities of three months or less.

Investments

Short-term investments

Short-term investments consist of equity securities, certificates of deposit, corporate debt securities, mortgage-backed debt securities and asset-backed debt securities. Securities classified as available-for-sale or trading are stated at fair value. Unrealized holding gains and temporary losses for available-for-sale securities are excluded from earnings and, until realized, are reported net of taxes in a separate component of equity. Unrealized holding losses are included in earnings during the period for which the loss is determined to be other-than-temporary. Gains and losses from changes in the market value of securities classified as trading are reported in earnings currently.

In computing realized gains and losses on the sale of equity securities, the specific-identification method is used. In accordance with this method, the cost of the equity securities sold is determined using the specific cost of the security when originally purchased.

Long-term investments and other receivables

We have investments in overseas funds that invest primarily in a variety of public and private U.S. and non-U.S. securities (including asset-backed and mortgage-backed securities, global structured-asset securitizations, whole-loan mortgages, and participations in whole loans and whole-loan mortgages). These investments are non-marketable and do not have published fair values. We account for these funds under the equity method of accounting based on our percentage ownership interest and recognize gains or losses as investment income (loss), currently based on changes in the net asset value of our investment during the current period.

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Our oil and gas financing receivables, previously included in long-term investments, have been reclassified to assets held for sale. These receivables represent our financing agreements for certain production payment contracts in our Oil and Gas segment.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	December 31, 2011	December 31, 2010
	(In thousands)	
Raw materials	$ 133,480	$ 81,308
Work-in-progress	50,951	23,629
Finished goods	88,421	53,899
	$ 272,852	$ 158,836

Property, Plant and Equipment

Property, plant and equipment, including renewals and betterments, are stated at cost, while maintenance and repairs are expensed currently. Interest costs applicable to the construction of qualifying assets are capitalized as a component of the cost of such assets. We provide for the depreciation of our drilling and workover rigs using the units-of-production method. For each day a rig is operating, we depreciate it over an approximate 4,900-day period, with the exception of our jackup rigs which are depreciated over an 8,030-day period, after provision for salvage value. For each day a rig asset is not operating, it is depreciated over an assumed depreciable life of 20 years, with the exception of our jackup rigs, where a 30-year depreciable life is used, after provision for salvage value.

Depreciation on our buildings, well-servicing rigs, oilfield hauling and mobile equipment, marine transportation and supply vessels, and other machinery and equipment is computed using the straight-line method over the estimated useful life of the asset after provision for salvage value (buildings 10 to 30 years; well-servicing rigs 3 to 15 years; marine transportation and supply vessels 10 to 25 years; oilfield hauling and mobile equipment and other machinery and equipment 3 to 10 years). Amortization of capitalized leases is included in depreciation and amortization expense. Upon retirement or other disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in our results of operations.

We review our assets for impairment annually or when events or changes in circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable. An impairment loss is recorded in the period in which it is determined that the sum of estimated future cash flows, on an undiscounted basis, is less than the carrying amount of the long-lived asset. Impairment charges are recorded using discounted cash flows which requires the estimation of dayrates and utilization, and such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry. Significant and unanticipated changes to the assumptions could result in future impairments. A significantly prolonged period of lower oil and natural gas prices could adversely affect the demand for and prices of our services, which could result in future impairment charges. As the determination of whether impairment charges should be recorded on our long-lived assets is subject to significant management judgment, and an impairment of these assets could result in a material charge on our consolidated statements of income (loss), management believes that accounting estimates related to impairment of long-lived assets are critical.

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Oil and Gas Properties

Our unconsolidated oil and gas joint ventures, which we account for under the equity method of accounting, utilize the full-cost method of accounting for costs related to oil and natural gas properties. Under this method, all such costs (for both productive and nonproductive properties) are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the units-of-production method. However, these capitalized costs are subject to a ceiling test, which limits pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and natural gas reserves, discounted at 10%, plus the lower of cost or market value of unproved properties. Future revenues for purposes of the ceiling test are valued using a 12-month average price, adjusted for the impact of derivatives accounted for as cash flow hedges as prescribed by the Securities and Exchange Commission (SEC) rules. During 2011 and 2009, our proportionate share of those ventures full-cost ceiling test writedowns was $15.6 million and $237.1 million, respectively. No full-cost ceiling test writedowns were recorded by our unconsolidated oil and gas joint ventures during 2010.

Our wholly owned oil and gas investment portfolio and our unconsolidated ownership interest in Remora is reflected in Assets held for sale in our consolidated balance sheet at December 31, 2011. We evaluate the carrying value of our assets held for sale to the fair value of the assets less costs to sale to determine whether impairment is indicated.

A significantly prolonged period of lower oil and natural gas prices or a reduction to the estimation of reserve quantities could continue to adversely affect the demand for and prices of our services, which could result in future impairment charges to our oil and gas properties.

Oil and Gas Reserves

Evaluations of oil and gas reserves are integral to making investment decisions about oil and gas properties such as whether development should proceed. Oil and gas reserve quantities are also used as the basis for calculating unit-of-production depreciation rates and for evaluating impairment. Oil and gas reserves include both proved and unproved reserves. Consistent with the definitions provided by the SEC, proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, known reservoirs, and under existing economic conditions. Unproved reserves are those with less than reasonable certainty of recoverability and include probable reserves. Probable reserves are reserves that are more likely to be recovered than not.

Estimation of proved reserves, which is based on the requirement of reasonable certainty, is an ongoing process involving rigorous technical evaluations, commercial and market assessment, and detailed analysis of well information such as flow rates and reservoir pressure declines. Although we are reasonably certain that proved reserves will be produced, the timing and amount recovered can be affected by a number of factors including completion of development projects, reservoir performance, regulatory approvals and significant changes in long-term oil and gas price levels.

Goodwill

Goodwill represents the cost in excess of fair value of the net assets of companies acquired. We review goodwill and intangible assets with indefinite lives for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit exceeds its fair value. All our operating segment s fair values were substantially in excess of their carrying value with the exception of the U.S. Land Well-servicing and International segments. These operating segments had an excess of fair value over carrying value of approximately 20%. As further discussed below in *Recent Accounting Pronouncements*, we

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changed the manner in which we initially assess goodwill for impairment during 2012. Under new guidance, we will assess qualitative factors to determine whether to perform the two-step quantitative goodwill impairment tests. A significantly prolonged period of lower oil and natural gas prices could adversely affect the demand for and prices of our services, which could result in future goodwill impairment charges for other reporting units due to the potential impact on our estimate of our future operating results. See Note 3 Impairments and Other Charges for discussion of goodwill impairments.

The change in the carrying amount of goodwill for our various Contract Drilling segments, Pressure Pumping segment and Other Operating segments for the years ended December 31, 2011 and 2010 was as follows:

	Balance as of December 31, 2009	Acquisitions and Purchase Price Adjustments	Impairments	Cumulative Translation Adjustment	Balance as of December 31, 2010
			(In thousands)		
Contract Drilling:					
U.S. Lower 48 Land Drilling	$ 30,154	$	$	$	$ 30,154
U.S. Land Well-servicing	50,839	5,000(1)			55,839
U.S. Offshore	18,003		(10,707)(2)		7,296
Alaska	19,995				19,995
International	18,983				18,983
Subtotal Contract Drilling	137,974	5,000	(10,707)		132,267
Pressure Pumping		334,992(3)			334,992
Other Operating Segments	26,291			822	27,113
Total	$ 164,265	$ 339,992	$ (10,707)	$ 822	$ 494,372

	Balance as of December 31, 2010	Acquisitions and Purchase Price Adjustments	Impairments	Cumulative Translation Adjustment	Balance as of December 31, 2011
			(In thousands)		
Contract Drilling:					
U.S. Lower 48 Land Drilling	$ 30,154	$	$	$	$ 30,154
U.S. Land Well-servicing	55,839	(767)(1)			55,072
U.S. Offshore	7,296				7,296
Alaska	19,995				19,995
International	18,983				18,983
Subtotal Contract Drilling	132,267	(767)			131,500
Pressure Pumping	334,992				334,992

Other Operating Segments	27,113	8,000(4)		(347)	34,766
Total	$ 494,372	$ 7,233	$	$ (347)	$ 501,258

(1) Represents the goodwill recorded in connection with our acquisition of Energy Contractors during 2010 and an adjustment to the goodwill recorded during 2011. See Note 5 Acquisitions for additional discussion.

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(2) Represents goodwill impairment associated with our U.S. Offshore operating segment. The impairment charge was deemed necessary due to the uncertainty of utilization of some of our rigs as a result of changes in our customers plans for future drilling operations in the Gulf of Mexico. See Note 3 Impairments and Other Charges for additional information.

(3) Represents the goodwill recorded in connection with our acquisition of Superior. See Note 5 Acquisitions for additional discussion.

(4) Represents goodwill recorded in connection with our acquisition of the remaining 50 percent equity interest of Peak. See Note 5 Acquisitions for additional discussion.

Our Oil and Gas segment does not have any goodwill. Goodwill for the consolidated company, totaling approximately $12.9 million, is expected to be deductible for tax purposes.

Derivative Financial Instruments

We record derivative financial instruments (including certain derivative instruments embedded in other contracts) in our consolidated balance sheets at fair value as either assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation, which is established at the inception of a derivative. Accounting for derivatives qualifying as fair value hedges allows a derivative s gains and losses to offset related results on the hedged item in the statement of income. For derivative instruments designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings. Any change in fair value of derivative financial instruments that are speculative in nature and do not qualify for hedge accounting treatment is also recognized immediately in earnings. Proceeds received upon termination of derivative financial instruments qualifying as fair value hedges are deferred and amortized into income over the remaining life of the hedged item using the effective interest rate method.

Litigation and Insurance Reserves

We estimate our reserves related to litigation and insurance based on the facts and circumstances specific to the litigation and insurance claims and our past experience with similar claims. We maintain actuarially determined accruals in our consolidated balance sheets to cover self-insurance retentions. See Note 18 Commitments and Contingencies regarding self-insurance accruals. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can reasonably be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure.

Revenue Recognition

We recognize revenues and costs on daywork contracts daily as the work progresses. For certain contracts, we receive lump-sum payments for the mobilization of rigs and other drilling equipment. We defer revenue

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related to mobilization periods and recognize the revenue over the term of the related drilling contract. Costs incurred related to a mobilization period for which a contract is secured are deferred and recognized over the term of the related drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. We defer recognition of revenue on amounts received from customers for prepayment of services until those services are provided.

We recognize revenue for top drives and instrumentation systems we manufacture when the earnings process is complete. This generally occurs when products have been shipped, title and risk of loss have been transferred, collectability is probable, and pricing is fixed and determinable.

In connection with the performance of our cementing services, we recognize product and service revenue when the products are delivered or services are provided to the customer and collectability is reasonably assured. Product sale prices are determined by published price lists provided to our customers.

We recognize, as operating revenue, proceeds from business interruption insurance claims in the period that the applicable proof of loss documentation is received. Proceeds from casualty insurance settlements in excess of the carrying value of damaged assets are recognized in losses (gains) on sales and retirements of long-lived assets and other expense (income), net in the period that the applicable proof of loss documentation is received. Proceeds from casualty insurance settlements that are expected to be less than the carrying value of damaged assets are recognized at the time the loss is incurred and recorded in losses (gains) on sales and retirements of long-lived assets and other expense (income), net.

We recognize reimbursements received for out-of-pocket expenses incurred as revenues and account for out-of-pocket expenses as direct costs.

We recognize revenue on our interests in oil and gas properties as production occurs and title passes. We apply the entitlement method of accounting for natural gas revenue. Under this method, revenues are recognized based on our revenue interest of production from our properties in which sales are disproportionately allocated to owners because of marketing or other contractual arrangements. Accordingly, revenue is not recognized for deliveries in excess of our net revenue interest, while revenue is recognized for any under delivered volumes. Production imbalances are generally recorded at estimated sales prices of the anticipated future settlements of the imbalances. Production volume is monitored to minimize these natural gas imbalances.

Share-Based Compensation

We record compensation expense for all share-based awards granted. The amount of compensation expense recognized is based on the grant-date fair value. See Note 8 Share-Based Compensation for additional discussion.

Income Taxes

We are a Bermuda exempted company and are not subject to income taxes in Bermuda. Consequently, income taxes have been provided based on the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income taxes in these jurisdictions vary substantially. Our effective tax rate for financial statement purposes will continue to fluctuate from year to year because our operations are conducted in different taxing jurisdictions.

We recognize increases to our tax reserves for uncertain tax positions along with interest and penalties as an increase to other long-term liabilities.

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For U.S. and other jurisdictional income tax purposes, we have net operating and other loss carryforwards that we are required to assess quarterly for potential valuation allowances. We consider the sufficiency of existing temporary differences and expected future earnings levels in determining the amount, if any, of valuation allowance required against such carryforwards and against deferred tax assets.

Nabors realizes an income tax benefit associated with certain awards issued under our stock plans. We recognize the benefits related to tax deductions up to the amount of the compensation expense recorded for the award in the consolidated statements of income (loss). Any excess tax benefit (i.e., tax deduction in excess of compensation expense) is reflected as an increase in capital in excess of par. Any shortfall is recorded as a reduction to capital in excess of par to the extent of our aggregate accumulated pool of windfall benefits, beyond which the shortfall would be recognized in the consolidated statements of income (loss).

Foreign Currency Translation

For certain of our foreign subsidiaries, such as those in Canada and Argentina, the local currency is the functional currency, and therefore translation gains or losses associated with foreign-denominated monetary accounts are accumulated in a separate section of the consolidated statements of changes in equity. For our other international subsidiaries, the U.S. dollar is the functional currency, and therefore local currency transaction gains and losses, arising from remeasurement of payables and receivables denominated in local currency, are included in our consolidated statements of income (loss).

Cash Flows

We treat the redemption price, including accrued original issue discount, on our convertible debt instruments as a financing activity for purposes of reporting cash flows in our consolidated statements of cash flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. Actual results could differ from such estimates. Areas where critical accounting estimates are made by management include:

- financial instruments;
- depreciation of property, plant and equipment;
- impairment of long-lived assets;
- impairment of goodwill and intangible assets;
- impairment of oil and gas properties;

valuation of oil and gas reserves;

income taxes;

litigation and self-insurance reserves;

fair value of assets acquired and liabilities assumed; and

share-based compensation.

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Recent Accounting Pronouncements

In December 2008, the SEC issued a Final Rule, Modernization of Oil and Gas Reporting. This rule revised some of the oil and gas reporting disclosures in Regulation S-K and Regulation S-X under the Securities Act and the Exchange Act, as well as Industry Guide 2. Effective December 31, 2009, the Financial Accounting Standards Board (FASB) issued revised guidance that substantially aligned the oil and gas accounting disclosures with the SEC s Final Rule. The standard requires that entities use 12-month average natural gas and oil prices when calculating the quantities of proved reserves and performing the full-cost ceiling test calculation. The standard also clarified that an entity s equity-method investments must be considered in determining whether it has significant oil and gas activities. The disclosure requirements were effective for registration statements filed on or after January 1, 2010 and for annual financial statements filed on or after December 31, 2009. The FASB provided a one-year deferral of the disclosure requirements if an entity became subject to the requirements because of a change to the definition of significant oil and gas activities. When operating results from our wholly owned oil and gas activities were considered with operating results from our unconsolidated oil and gas joint ventures, which we account for under the equity method of accounting, we had significant oil and gas activities under the new definition. Our oil and gas disclosures for the years ended December 31, 2011 and 2010 are provided in Note 24 Supplementary Information on Oil and Gas Exploration and Production Activities.

Effective January 1, 2010, we adopted the revised provisions relating to consolidation of variable interest entities within the Consolidations Topic of the FASB s Accounting Standards Codification (ASC). The revised provisions replaced the quantitative approach to identify a variable interest entity with a qualitative approach that focuses on an entity s control and ability to direct the variable interest entity s activities. The application of these provisions did not have a material impact on our consolidated financial statements.

The FASB issued new guidance relating to revenue recognition for contractual arrangements with multiple revenue-generating activities. The ASC Topic for revenue recognition includes identification of a unit of accounting and how arrangement consideration should be allocated to separate the units of accounting, when applicable. The new guidance, including expanded disclosures, became applicable to us for contracts entered into after June 15, 2010. The adoption of these rules did not have a significant impact on our consolidated financial statements.

In May 2011, the FASB issued an Accounting Standards Update (ASU) to clarify the application of some of the existing fair value measurement and disclosure requirements. These changes are effective for interim and annual periods that begin after December 15, 2011. The disclosure requirements did not have a significant impact on our consolidated financial statements.

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

In September 2011, the FASB issued a revised ASU relating to goodwill impairment tests. An entity is allowed to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on its qualitative assessment, that it is more likely than not that the fair value is less than its

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carrying amount. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. We adopted the ASU beginning January 1, 2012 and will apply it to our goodwill impairment tests.

Note 3 Impairments and Other Charges

The following table provides the components of impairments and other charges recorded during the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Provision for termination payment	$ 100,000	$	$
Provision for retirement of long-lived assets	98,072	23,213	64,229
Impairment of long-lived assets		27,372	
Goodwill impairments		10,707	
Other-than-temporary impairment of equity security			18,665
Other-than-temporary impairment of debt security			40,300
Less other-than-temporary impairment recognized in accumulated other comprehensive income (loss)			(4,651)
Credit-related impairment of investment			35,649
Impairments and other charges	$ 198,072	$ 61,292	$ 118,543

Provision for termination payment

During the fourth quarter of 2011, we recorded a provision for a contingent liability that existed on December 31, 2011 related to the change of our Chief Executive Officer that occurred in October. This charge resulted from the potential termination payment to our former Chief Executive Officer, Mr. Isenberg, under the terms of his employment contract. Subsequent to December 31, 2011, Mr. Isenberg elected to forego triggering that payment, and as a result, the Company does not owe the termination payment. In connection with that development, the Company announced plans to make charitable contributions to benefit the needs of its employees and other community-based causes. The Company contributed one million Nabors common shares previously held by an affiliate to the Nabors Charitable Foundation, a 501(c)(3) organization, in support of this objective. The election of Mr. Isenberg to forego triggering the potential payment, offset by the charitable contributions described above, will be recorded as a capital contribution during the first quarter of 2012.

Provision for retirement of long-lived assets

During 2011, we recorded a provision for retirement of long-lived assets totaling $98.1 million in multiple operating segments. This related to the decommissioning and retirement of one jackup rig, 116 land rigs, and a number of rigs for well-servicing and trucks. Our U.S. Lower 48 Land Drilling, International and U.S. Land Well-servicing operations recorded $63.2 million, $26.1 million and $8.9 million, respectively. These assets were deemed to be functionally or economically non-competitive for today s market and are being dismantled for parts and scrap.

During 2010, we recorded a provision for retirement of long-lived assets totaling $23.2 million related to the abandonment of certain rig components, comprised of engines, top-drive units, building modules and other equipment that had become obsolete or inoperable in our U.S.

Lower 48 Land Drilling, U.S. Well-servicing and U.S. Offshore Contract Drilling operating segments.

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During 2009, we recorded a provision for retirement of long-lived assets totaling $64.2 million related to assets in our U.S. Offshore, Alaska, Canada and International Contract Drilling operating segments. The retirements included inactive workover jackup rigs in our U.S. Offshore and International operations, the structural frames of some incomplete coiled tubing rigs in our Canada operations and miscellaneous rig components in our Alaska operations.

Impairments of Long-Lived Assets

We did not record any impairment of long-lived assets in 2011. During 2010, we recognized $27.3 million in impairment charges related to some jackup rigs in our U.S. Offshore operating segment. These impairment charges stemmed from annual impairment tests on long-lived assets.

The impairments and other charges, inclusive of the provisions for retirement and impairments of long-lived assets, recognized during 2011, 2010 and 2009 were determined necessary as a result of continued lower commodity prices and uncertainty in the oil and gas environment and its related impact on drilling and well-servicing activity and our dayrates. A prolonged period of legislative uncertainty in our U.S. Offshore operations, or continued period of lower natural gas and oil prices and its potential impact on our utilization and dayrates could result in the recognition of future impairment charges to additional assets if future cash flow estimates, based upon information then available to management, indicate that the carrying value of those assets may not be recoverable.

Goodwill Impairments

We did not record any goodwill impairment in 2011. In 2010, we recognized an impairment of approximately $10.7 million relating to our goodwill balance of our U.S. Offshore operating segment. The impairment charge stemmed from our annual impairment test on goodwill, which compared the estimated fair value of each of our reporting units to its carrying value. The estimated fair value of our U.S. Offshore segment was determined using discounted cash flow models involving assumptions based on our utilization of rigs and revenues as well as direct costs, general and administrative costs, depreciation, applicable income taxes, capital expenditures and working capital requirements. We determined that the fair value estimated for purposes of this test represented a Level 3 fair value measurement. The impairment charge was deemed necessary due to the uncertainty of utilization of some of our rigs as a result of changes in our customers plans for future drilling operations in the Gulf of Mexico. Many of our customers suspended drilling operations in the Gulf of Mexico, largely as a result of their inability to obtain government permits. Although the U.S. deepwater drilling moratorium has been lifted, our customers have continued to encounter delays in obtaining government permits. It is uncertain when this will improve. A significantly prolonged period of lower oil and natural gas prices or changes in laws and regulations could adversely affect the demand for and prices of our services, which could result in future goodwill impairment charges for other reporting units due to the potential impact on our estimate of our future operating results. See Note 2 Summary of Significant Accounting Policies (included under the caption Goodwill) for amounts of goodwill related to each of our reporting units.

Other than Temporary Impairments of Debt and Equity Securities

We did not record any other-than-temporary impairments in 2011 or 2010. During 2009, we recorded other-than-temporary impairments to our available-for-sale securities totaling $54.3 million. Of this, $35.6 million was related to an investment in a corporate bond that was downgraded to non-investment grade level by Standard and Poor s and Moody s Investors Service during the year. Our determination that the impairment was other-than-temporary was based on a variety of factors, including the length of time and extent to which the market value

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had been less than cost, the financial condition of the issuer of the security, and the credit ratings and recent reorganization of the issuer.

The remaining $18.7 million related to an equity security of a public company whose operations are driven in large measure by the price of oil and in which we invested approximately $46 million during the second and third quarters of 2008. During late 2008, demand for oil and gas began to diminish significantly as part of the general deterioration of the global economic environment, causing a broad decline in value of nearly all oil and gas-related equity securities. Because the trading price per share of this security remained below our cost basis for an extended period of time, we determined the investment was other than temporarily impaired and it was appropriate to write down its carrying value to its estimated fair value.

Note 4 Discontinued Operations

During 2010, we began actively marketing our oil and gas assets in Canada and Colombia, including our 49.7% and then 50.0% ownership interests in our investments of Remora and SMVP, respectively. All of these assets are included in our Oil and Gas operating segment.

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

In April 2011, we sold some of our wholly owned oil and gas assets in Colombia to an unrelated third party. We received proceeds of $89.2 million from this sale and recognized a gain of approximately $39.6 million. Additionally during the second quarter of 2011, Remora completed sales of its oil and gas assets in Colombia. Remora received gross proceeds of approximately $333.1 million from these sales and has made cash distributions to us in the amount of $143.0 million, with a final distribution expected upon dissolution of the joint venture.

During the fourth quarter of 2011, we announced our intention to dispose of a significant portion of our oil and gas portfolio in an expeditious and prudent manner, and accordingly, reclassified the carrying value of our wholly owned U.S. oil and gas assets to assets held for sale at December 31, 2011. During the fourth quarter of 2011, we also determined that one of our Canadian subsidiaries that provides logistic services for onshore drilling using helicopter and fixed-wing aircraft met the accounting criteria of assets held for sale. Based on quoted market prices, the carrying value of the assets was adjusted to its fair value, resulting in an impairment of $7.9 million, which is included in discontinued operations for the year ended December 31, 2011. We reclassified the adjusted carrying value of these assets to assets held for sale at December 31, 2011.

On December 14, 2011, we sold our 25% working interest in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California. We received proceeds of approximately $71.6 million from the sale and recognized a gain of approximately $7.2 million.

At December 31, 2011, our assets held for sale included suspended wells that have capitalized costs for more than one year. Specifically, on the north slope of Alaska, five wells, including two drilled in 2007, one drilled in 2008 and two drilled in 2010, were suspended with total capitalized costs of $42.8 million. Further drilling is needed over the area to determine if the discovery holds sufficient quantities of reserves to justify future investment of infrastructure. One well remains in the process of drilling with total capitalized costs of $12.1 million at December 31, 2011.

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At December 31, 2011, our consolidated balance sheet included a current liability of discontinued operations of $54.3 million that is included in other liabilities and a noncurrent liability of discontinued operations of $71.4 million that is included in other long-term liabilities.

The operating results from the assets discussed above for all periods presented are retroactively presented and accounted for as discontinued operations in the accompanying audited consolidated statements of income (loss) and the respective accompanying notes to the consolidated financial statements. Our condensed statements of income (loss) from discontinued operations for each operating segment for the years ended December 31, 2011, 2010 and 2009 were as follows:

Condensed Statements of Income Oil and Gas Operating segment	Year Ended December 31, 2011	2010	2009
		(In thousands)	
Operating revenues and Earnings (losses) from unconsolidated affiliates			
Oil and Gas	$ 125,654(1)	$ 37,615	$ (57,864)(2)
Income (loss) from discontinued operations			
Income (loss) from discontinued operations	$ 18.660	$ (26,139)	$ (81,678)
Impairment on wholly owned assets	(255,046)(3)	(192,179)(4)	(205,897)(5)
Gain (loss) on disposal of assets	46,811		
Less: income tax expense (benefit)	(98,181)	(62,028)	(85,431)
Income (loss) from discontinued operations, net of tax	$ (91,394)	$ (156,290)	$ (202,144)

(1) Includes approximately $83 million of equity in earnings during 2011 for our proportionate share of Remora s net income, inclusive of the gains recognized for asset sales during 2011.

(2) Includes our proportionate share of full-cost ceiling test writedowns of $47.8 million during 2009.

(3) Includes impairments of $255.0 million to write down the carrying value of our wholly owned oil and gas-centered assets, including $27.2 million related to an oil and gas financing receivable that was deemed uncollectible.

(4) Includes impairments of $192.2 million related to our wholly owned oil and gas assets. Of this total, $137.8 million represented writedowns to the carrying value of some acreage in the United States, which we currently do not have future plans to develop due to sustained low natural gas prices, and certain exploratory wells in Colombia, which we determined were uneconomical to develop in the foreseeable future. The remaining $54.3 million related to impairment of an oil and gas financing receivable was determined using discounted cash flow models, a Level 3 measurement, and involved assumptions based on estimated cash flows for proved and probable reserves, undeveloped acreage value, and current and expected natural gas prices.

(5)

Includes impairments totaling $205.9 million to some of our wholly owned oil and gas assets. We recognized an impairment of $149.1 million to a financing receivable as a result of commodity price deterioration and the lower price environment lasting longer than expected. The prolonged period of lower prices significantly reduced demand for future gas production and development in the Barnett Shale area of north central Texas and influenced our decision not to expend capital to develop on some of the undeveloped acreage. Annual impairment tests on our U.S. wholly owned oil and gas properties resulted in impairment charges of $56.8 million to write down the carrying value of some acreage that we do not have future plans to develop.

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Condensed Statements of Income Other Operating Segments	Year Ended December 31, 2011	2010	2009
		(In thousands)	
Operating revenues and Earnings (losses) from unconsolidated affiliates			
Other Operating Segments	$ 29,713	$ 29,739	$ 28,751
Income (loss) from discontinued operations			
Income (loss) from discontinued operations	$ (210)	$ 1,059	$ (1,636)
Goodwill impairment			(14,689)(6)
Impairment of long-lived assets	(7,853)	(7,460)(7)	
Gain (loss) on disposal of assets			
Less: income tax expense (benefit)	(2,017)	(1,601)	140
Income (loss) from discontinued operations, net of tax	$ (6,046)	$ (4,800)	$ (16,465)

(6) Includes $14.7 million to impair the remaining goodwill balance of Nabors Blue Sky Ltd. as a result of our annual goodwill impairment tests. We determined the impairment charge was necessary due to the continued downturn in the oil and gas industry in Canada and the lack of certainty regarding eventual recovery in the value of these operations.

(7) Includes $7.5 million of impairment to our aircraft and some drilling equipment during the year ended December 31, 2010. These impairment charges resulted from annual impairment tests on long-lived assets.

Additional discussion of our policy pertaining to the calculations of our annual impairment tests, including any impairment to goodwill, is set forth in Note 2 Summary of Significant Accounting Policies. A further protraction of lower commodity prices or an inability to sell these assets in a timely manner could result in recognition of future impairment charges.

Note 5 Acquisitions

2011 Acquisitions

In July 2011, we paid $65 million in cash to acquire the remaining 50 percent equity interest of Peak, making it a wholly owned subsidiary on this date. Peak operates in Alaska, providing construction and rig moving services in icy conditions as well as light and heavy-duty moving, hauling and maintenance services. Previously, we held a 50 percent equity interest with a carrying value of $38.1 million that we had accounted for as an equity method investment. As a result of the acquisition, we consolidated the assets and liabilities of Peak during the third quarter of 2011 based on their respective fair values, in accordance with Topic 805 Business Combinations. The excess of the estimated fair value of the assets and liabilities over the net carrying value of our previously held equity interest resulted in a gain of $13.1 million and is reflected in losses (gains) on sales and retirements of long-lived assets and other expense (income) for the year ended December 31, 2011.

In June 2011, the equity owners of SMVP dissolved the partnership and a proportionate share of the assets and liabilities were conveyed to us in exchange for our ownership interest. The assets continued to be presented as held for sale and the operating results in discontinued operations for all periods presented. See Note 4 Discontinued Operations for additional discussion.

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2010 Acquisitions

In September 2010, we acquired through a tender offer and merger all of the outstanding common stock of Superior at a price per share equal to $22.12, for a cash purchase price of approximately $681.3 million. The effects of the Superior acquisition and the operating results are included in the accompanying consolidated financial statements for the period subsequent to the effective date of the acquisition. Superior contributed revenues of $1.2 billion to our consolidated revenues for the year ended December 31, 2011.

As part of this acquisition, we recognized $7.0 million of acquisition-related transaction costs in losses (gains) on sales and retirements of long-lived assets and other expense (income) for the year ended December 31, 2010. The acquisition-related transaction costs consisted primarily of investment banking fees and legal and accounting costs. The acquisition enhanced our well-servicing, including the addition of hydraulic fracturing to our services, and workover capacity work throughout the Appalachian, Mid-Continent, Rocky Mountain, Southeast and Southwest regions of the United States.

The following table provides the allocation of the purchase price as of the acquisition date. The purchase price for Superior was allocated to the net tangible and intangible assets acquired and liabilities assumed based on fair value. The excess of the purchase price over such fair values was recorded as goodwill.

	Estimated Fair Value (In thousands)
Assets:	
Cash and cash equivalents	$ 1,045
Accounts receivable	143,842
Inventory	33,963
Other current assets	7,612
Property, plant and equipment	415,000
Intangible assets	131,811
Goodwill	334,992
Other long-term assets	14,726
Total assets	1,082,991
Liabilities:	
Current liabilities	$ 78,277
Deferred income taxes	119,201
Long-term debt	124,792
Other long-term liabilities	10,258
Total liabilities	332,528
Preferred stock	69,188
Net assets acquired	$ 681,275

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Intangible assets

We identified other intangible assets associated with fracturing and fluid logistics services, including trade name, technology, employment contracts and non-compete agreements and customer relationships. The amortization of the intangible assets is calculated on a straight-line basis, which estimates the consumption of economic benefits. The following table summarizes the intangible assets recognized at the acquisition date, the monthly amortization expense as well as their estimated useful lives:

	Estimated Fair Value	Monthly Amortization (In thousands)	Estimated Useful Life
Superior trade name	$ 88,767	$ 740	10 years
Technology	5,294	88	5 years
Employment contracts and non-compete agreements	675	33	1-3 years
Customer relationships	37,075	308	10 years
Total identifiable intangible assets	$ 131,811	$ 1,169	

Goodwill

Goodwill of $335.0 million arising from the Superior acquisition consisted largely of the expected synergies and economies of scale from combining the operations of Nabors and Superior. We have allocated the goodwill to our Pressure Pumping operating segment. See Note 2 Summary of Significant Account Policies for additional information.

Long-term debt

Long-term debt included a secured revolving credit facility and second lien notes at the acquisition date. As of December 31, 2010, all amounts outstanding had been repaid. See Note 12 Debt for additional information.

On December 31, 2010, we purchased the business of Energy Contractors for a total cash purchase price of $53.4 million. The assets were comprised of vehicles and rig equipment and have been included in our U.S. Well-servicing operating segment. The purchase price was allocated to the net tangible and intangible assets acquired based on their fair value as of December 31, 2010. The excess of the purchase price over the fair values of the assets acquired was recorded as goodwill in the amount of $4.2 million.

Note 6 Cash and Cash Equivalents and Short-term Investments

Our cash and cash equivalents and short-term investments consisted of the following:

	December 31, 2011	December 31, 2010
	(In thousands)	
Cash and cash equivalents	$ 398,575	$ 641,702
Short-term investments:		
Trading equity securities	11,600	19,630

Available-for-sale equity securities	71,433	79,698
Available-for-sale debt securities	57,881	60,160
Total short-term investments	$ 140,914	$ 159,488

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

	December 31,					
	2011			2010		
	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
	(In thousands)					
Cash and cash equivalents	$ 398,575	$	$	$ 641,702	$	$
Short-term investments:						
Trading equity securities	11,600	5,876		19,630	13,906	
Available-for-sale equity securities	71,433	33,075		79,698	38,176	(2,274)
Available-for-sale debt securities:						
Commercial paper and CDs	1,230			1,275		
Corporate debt securities	51,300	22,494	(2,095)	52,022	15,274	(18)
Mortgage-backed debt securities	309	10		372	16	
Mortgage-CMO debt securities	2,547	13	(15)	3,015	21	(6)
Asset-backed debt securities	2,495		(238)	3,476		(268)
Total available-for-sale debt securities	57,881	22,517	(2,348)	60,160	15,311	(292)
Total available-for-sale securities	129,314	55,592	(2,348)	139,858	53,487	(2,566)
Total short-term investments	140,914	61,468	(2,348)	159,488	67,393	(2,566)
Total cash, cash equivalents and short-term investments	$ 539,489	$ 61,468	$ (2,348)	$ 801,190	$ 67,393	$ (2,566)

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

	As of December 31, 2011			
	Less Than 12 Months		More Than 12 Months	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(In thousands)			
Available-for-sale equity securities	$	$	$	$
Available-for-sale debt securities:(1)				
Corporate debt securities	17,700	2,095		
Mortgage-CMO debt securities	2,217	7	83	8
Asset-backed debt securities			2,494	238

Total available-for-sale debt securities	19,917	2,102	2,577	246
Total	$ 19,917	$ 2,102	$ 2,577	$ 246

(1) Our unrealized losses on available-for-sale debt securities held for more than one year are comprised of various types of securities. Each of these securities have a rating ranging from A to AAA from Standard & Poor s and ranging from A2 to Aaa from Moody s Investors Ser and is considered of high credit quality. In each case, we do not intend to sell these investments, and it is less likely than not that we will be required to sell them to satisfy our own cash flow and working capital requirements. We believe that we will be able to collect all amounts due according to the contractual terms of each investment and, therefore, do not consider the decline in value of these investments to be other-than-temporary at December 31, 2011.

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The estimated fair values of our corporate, mortgage-backed, mortgage-CMO and asset-backed debt securities at December 31, 2011, classified by time to contractual maturity, are shown below. Expected maturities differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties and we may elect to sell the securities prior to the contractual maturity date.

	Estimated Fair Value December 31, 2011 (In thousands)
Debt securities:	
Due in one year or less	$ 1,230
Due after one year through five years	
Due in more than five years	56,651
Total debt securities	$ 57,881

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

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Available-for-sale:			
Proceeds from sales and maturities	$ 12,672	$ 13,062	$ 23,411
Realized gains (losses), net	3,036	1,692	(54,311)(1)

(1) Includes other-than-temporary impairments of $18.7 million related to an equity security and a $35.6 million credit-related impairment to a corporate debt security.

Note 7 Fair Value Measurements

As defined in the ASC, fair value is the price that would be received upon sale of an asset or paid upon transfer of 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 employ 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 where there is little, if any, market activity for the asset or liability at the measurement date. We are able to classify fair value balances utilizing a fair value hierarchy based on the observability of those inputs. Under the fair value hierarchy:

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 that 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 subjective measure.

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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 December 31, 2011. Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measurements

	Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Assets:				
Short-term investments:				
Available-for-sale equity securities energy industry	$ 60,923	$ 10,510	$	$ 71,433
Available-for-sale debt securities				
Commercial paper and CDs	1,230			1,230
Corporate debt securities		51,300		51,300
Mortgage-backed debt securities		309		309
Mortgage-CMO debt securities		2,547		2,547
Asset-backed debt securities	2,495			2,495
Trading securities energy industry	11,600			11,600
Total short-term investments	$ 76,248	$ 64,666	$	$ 140,914
Liabilities:				
Derivative contract	$	$ 1,281	$	$ 1,281

Nonrecurring Fair Value Measurements

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

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Fair Value of Financial Instruments

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

	December 31,			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
5.375% senior notes due August 2012(1)	$ 274,604	$ 281,188	$ 273,977	$ 291,500
6.15% senior notes due February 2018	967,490	1,113,986	966,276	1,041,008
9.25% senior notes due January 2019	1,125,000	1,419,514	1,125,000	1,393,943
5.00% senior notes due September 2020	697,343	734,475	697,037	678,335
4.625% senior notes due September 2021	697,667	708,176		
0.94% senior exchangeable notes due May 2011			1,378,178	1,403,315
Subsidiary preferred stock	69,188	68,625	69,188	68,625
Revolving credit facilities	860,000	860,000		
Other	1,712	1,712	2,676	2,676
	$ 4,693,004	$ 5,187,676	$ 4,512,332	$ 4,879,402

(1) Includes $.3 million and $.7 million as of December 31, 2011 and 2010, respectively, related to the unamortized loss on the interest rate swap that was unwound during the fourth quarter of 2005.

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

As of December 31, 2011, our short-term investments were carried at fair market value and included $129.3 million and $11.6 million in securities classified as available-for-sale and trading, respectively. As of December 31, 2010, our short-term investments were carried at fair market value and included $139.9 million and $19.6 million in securities classified as available-for-sale and trading, respectively. The carrying values of our long-term investments that are accounted for using the equity method of accounting approximate fair value. The fair value of these long-term investments totaled $5.9 million and $7.4 million as of December 31, 2011 and 2010, respectively.

Note 8 Share-Based Compensation

Total share-based compensation expense, which includes both stock options and restricted stock, totaled $21.2 million, $13.7 million and $106.7 million for the years ended December 31, 2011, 2010 and 2009, respectively. Compensation expense related to awards of restricted stock totaled $13.4 million, $10.5 million and $88.9 million for the years ended December 31, 2011, 2010 and 2009, respectively, and is included in direct costs and general and administrative expenses in our consolidated statements of income (loss). Share-based compensation expense has been allocated to our various operating segments. See Note 22 Segment Information. Total share-based compensation expense for 2009 included the recognition of $72.1 million of compensation expense related to previously granted restricted stock and option awards held by Nabors Chairman and then Chief Executive Officer, Eugene M. Isenberg, and its Deputy Chairman, President and then Chief Operating Officer, Anthony G. Petrello, that was unrecognized as of April 1, 2009. The recognition of this expense resulted from provisions of their respective new employment agreements which effectively eliminated the risk of forfeiture of such awards. See Note 18 Commitments and Contingencies for additional

information.

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The cash flows resulting from tax deductions in excess of the compensation cost recognized for share-based awards (excess tax benefits) are classified as financing cash flows. The actual tax benefit realized from share-based awards during the years ended December 31, 2011, 2010 and 2009 was $.2 million, $.1 million and $.3 million, respectively.

Stock Option Plans

As of December 31, 2011, we had several stock plans under which options to purchase our common shares could be granted to key officers, directors and managerial employees of Nabors and its subsidiaries. Options granted under the plans generally are at prices equal to the fair market value of the shares on the date of the grant. Options granted under the plans generally are exercisable in varying cumulative periodic installments after one year. In the case of certain key executives, options granted may vest immediately on the grant date. Options granted under the plans cannot be exercised more than ten years from the date of grant. Options to purchase 15.5 million and 17.3 million Nabors common shares remained available for grant as of December 31, 2011 and 2010, respectively. Of the common shares available for grant as of December 31, 2011, approximately 15.5 million of these shares are also available for issuance in the form of restricted shares.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model which uses assumptions for the risk-free interest rate, volatility, dividend yield and the expected term of the options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period equal to the expected term of the option. Expected volatilities are based on implied volatilities from traded options on Nabors common shares, historical volatility of Nabors common shares, and other factors. We do not assume any dividend yield, since we do not pay dividends. We use historical data to estimate the expected term of the options and employee terminations within the option-pricing model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of the options represents the period of time that the options granted are expected to be outstanding.

We also consider an estimated forfeiture rate for these option awards, and we recognize compensation cost only for those shares that are expected to vest, on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three to five years. The forfeiture rate is based on historical experience. Estimated forfeitures have been adjusted to reflect actual forfeitures during 2011.

Stock option transactions under our various stock-based employee compensation plans are presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
		(In thousands, except exercise price)		
Options outstanding as of December 31, 2010	28,932	$ 18.73		
Granted	931	15.67		
Exercised	(1,116)	12.50		
Surrendered(1)	(418)	13.53		
Forfeited	(459)	20.74		
Options outstanding as of December 31, 2011	27,870	$ 18.94	3.65 years	$ 83,306
Options exercisable as of December 31, 2011	24,939	$ 19.83	3.14 years	$ 65,949

(1) Represents unexercised vested stock options that were surrendered by key officers and directors, to satisfy the option exercise price and related income taxes. See related discussion at Note 14 Common Shares.

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Of the options outstanding, 24.9 million, 24.9 million and 27.2 million were exercisable at weighted-average exercise prices of $19.83, $20.19 and $21.04, as of December 31, 2011, 2010 and 2009, respectively.

During the years ended December 31, 2011, 2010 and 2009, respectively, we awarded options vesting over periods up to four years to purchase 930,753, 32,115 and 10,015,883 of our common shares to our employees, executive officers and directors.

The fair value of stock options granted during 2011, 2010 and 2009 was calculated using the Black-Scholes option pricing model and the following weighted-average assumptions:

	Year Ended December 31,		
	2011	2010	2009
Weighted average fair value of options granted:	$ 6.24	$ 6.62	$ 2.85
Weighted average risk free interest rate:	.65%	1.49%	1.75%
Dividend yield:	0%	0%	0%
Volatility:(1)	51.09%	41.44%	34.78%
Expected life:	4.0 years	4.0 years	4.0 years

(1) Expected volatilities are based on implied volatilities from publicly traded options to purchase Nabors common shares, historical volatility of Nabors common shares and other factors.

A summary of our unvested stock options as of December 31, 2011, and the changes during the year then ended is presented below:

Unvested Stock Options	Outstanding	Weighted-Average Grant-Date Fair Value
	(In thousands, except fair values)	
Unvested as of December 31, 2010	3,941	$ 2.81
Granted	931	6.24
Vested	(1,800)	2.87
Forfeited	(172)	2.73
Unvested as of December 31, 2011	2,900	$ 3.88

The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was $18.3 million, $6.9 million and $19.7 million, respectively. The total fair value of options that vested during the years ended December 31, 2011, 2010 and 2009 was $5.2 million, $5.6 million and $10.8 million, respectively.

As of December 31, 2011, there was $4.0 million of total future compensation cost related to unvested options that are expected to vest. That cost is expected to be recognized over a weighted-average period of approximately two years.

Restricted Stock and Restricted Stock Units

Our stock plans allow grants of restricted stock. Restricted stock is issued on the grant date, but cannot be sold or transferred. Restricted stock vests in varying periodic installments ranging from three to five years.

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A summary of our restricted stock as of December 31, 2011, and the changes during the year then ended, is presented below:

Restricted Stock	Outstanding	Weighted-Average Grant-Date Fair Value
	(In thousands, except fair values)	
Unvested as of December 31, 2010	1,945	$ 19.23
Granted	1,096	27.32
Vested	(1,400)	17.43
Forfeited	(85)	28.11
Unvested as of December 31, 2011	1,556	$ 26.07

During 2011 and 2010, we awarded 1,096,379 and 538,496 shares of restricted stock, respectively, to our employees and directors. These awards had an aggregate value at their date of grant of $30.0 million and $11.9 million, respectively, and were scheduled to vest over a period of up to four years. The fair value of restricted stock that vested during the years ended December 31, 2011, 2010 and 2009 was $21.4 million, $26.7 million and $23.9 million, respectively.

As of December 31, 2011, there was $28.9 million of total future compensation cost related to unvested restricted stock awards that are expected to vest. That cost is expected to be recognized over a weighted-average period of approximately two years.

Note 9 Property, Plant and Equipment

The major components of our property, plant and equipment are as follows:

	December 31,	
	2011	2010
	(In thousands)	
Land	$ 22,120	$ 12,087
Buildings	132,753	122,635
Drilling, workover and well-servicing rigs, and related equipment	11,150,927	10,632,968
Marine transportation and supply vessels	14,023	13,663
Oilfield hauling and mobile equipment	1,171,930	551,892
Other machinery and equipment	248,938	143,976
Oil and gas properties(1)	42,033	664,289
Construction in process(2)	815,987	349,455
	13,598,711	12,490,965
Less: accumulated depreciation and amortization	(4,928,781)	(4,182,122)
accumulated depletion on oil and gas properties	(39,984)	(493,424)
	$ 8,629,946	$ 7,815,419

(1) A significant portion of our oil and gas properties have been reclassified to assets held for sale at December 31, 2011. Information relating to suspended wells that have capitalized costs for more than one year on this date is located at Note 4 Discontinued Operations.

(2) Relates to amounts capitalized for new or substantially new drilling, workover and well-servicing rigs that were under construction and had not yet been placed in service as of December 31, 2011 or 2010.

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Repair and maintenance expense included in direct costs in our consolidated statements of income (loss) totaled $586.4 million, $382.5 million and $277.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Interest costs of $24.0 million, $12.4 million and $29.9 million were capitalized during the years ended December 31, 2011, 2010 and 2009, respectively.

Note 10 Investments in Unconsolidated Affiliates

Our principal investments in unconsolidated affiliates accounted for using the equity method include drilling and workover operations located in Saudi Arabia (51% ownership) and an oil and gas exploration, development and production joint venture in the United States (49.7%). These unconsolidated affiliates are integral to our operations in those locations. See Note 17 Related-Party Transactions for a discussion of transactions with all of these related parties.

As of December 31, 2011 and 2010, our consolidated balance sheets reflect our investments in unconsolidated affiliates accounted for using the equity method totaling $371.0 million and $265.8 million, respectively, and at December 31, 2010, our investments in unconsolidated affiliates accounted for using the cost method totaling $1.9 million. Assets held for sale include investments in unconsolidated affiliates accounted for using the equity method totaling $13.7 million and $79.5 million at December 31, 2011 and 2010, respectively.

Combined condensed financial data for investments in unconsolidated affiliates, including assets classified as held for sale, are summarized as follows:

	December 31,	
	2011	2010
	(In thousands)	
Current assets	$ 311,972	$ 322,086
Long-term assets	1,728,399	1,332,212
Current liabilities	275,171	345,279
Long-term liabilities	800,444	460,198

	Year Ended December 31,		
	2011	2010	2009
	(In thousands)		
Gross revenues	$ 832,774	$ 901,742	$ 960,823
Gross margin	278,019	241,831	223,005
Net income (loss)	270,161	48,426	(462,613)
Nabors earnings (losses) from unconsolidated affiliates(1)	56,647	33,267	(155,432)

(1) Nabors earnings (losses) from unconsolidated affiliates included in discontinued operations, net of tax was $76.5 million, $(10.6) million, and $(59.2) million, respectively, for the years ended December 31, 2011, 2010 and 2009.

Cumulative undistributed (losses) earnings of our unconsolidated affiliates included in our retained earnings as of December 31, 2011 and 2010 totaled approximately $(404.6) million and $(373.9) million, respectively. The Earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss) for the years ended December 31, 2011 and 2009 include our proportionate share of full-cost ceiling test writedowns of $15.6 million and $189.3 million, respectively, from our unconsolidated U.S. oil and gas joint venture. This writedown

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is included in our Oil and Gas operating segment results. Our proportionate share of a full-cost ceiling test writedown of $47.8 million recorded for the year ended December 31, 2009 by unconsolidated oil and gas joint ventures is reflected in discontinued operations. See Note 4 Discontinued Operations for additional information.

Note 11 Financial Instruments and Risk Concentration

We may be exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. These risks arise primarily as a result of potential changes in the fair market value of financial instruments that would result from adverse fluctuations in foreign currency exchange rates, credit risk, interest rates, and marketable and non-marketable security prices as discussed below.

Foreign Currency Risk

We operate in a number of international areas and are involved in transactions denominated in currencies other than U.S. dollars, which exposes us to foreign exchange rate risk or foreign currency devaluation risk. The most significant exposures arise in connection with our operations in Venezuela and Canada, which usually are substantially unhedged.

At various times, we utilize local currency borrowings (foreign-currency-denominated debt), the payment structure of customer contracts and foreign exchange contracts to selectively hedge our exposure to exchange rate fluctuations in connection with monetary assets, liabilities, cash flows and commitments denominated in certain foreign currencies. A foreign exchange contract is a foreign currency transaction, defined as an agreement to exchange different currencies at a given future date and at a specified rate.

Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, short-term and long-term investments, oil and gas financing receivables, accounts receivable and our range-cap-and-floor derivative instrument. Cash equivalents such as deposits and temporary cash investments are held by major banks or investment firms. Our short-term and long-term investments are managed within established guidelines that limit the amounts that may be invested with any one issuer and provide guidance as to issuer credit quality. We believe that the credit risk in our cash and investment portfolio is minimized as a result of the mix of our investments. In addition, our trade receivables are with a variety of U.S., international and foreign-country national oil and gas companies. Management considers this credit risk to be limited due to the financial resources of these companies. We perform ongoing credit evaluations of our customers, and we generally do not require material collateral. We do occasionally require prepayment of amounts from customers whose creditworthiness is in question prior to providing services to them. We maintain reserves for potential credit losses, and these losses historically have been within management s expectations.

Interest Rate and Marketable and Non-marketable Security Price Risk

Our financial instruments that are potentially sensitive to changes in interest rates include our 5.375%, 6.15%, 9.25%, 5.0% and 4.625% senior notes, our range-cap-and-floor derivative instrument, our investments in debt securities (including corporate, asset-backed, mortgage-backed debt and mortgage-CMO debt securities) and our investments in overseas funds that invest primarily in a variety of public and private U.S. and non-U.S. securities (including asset-backed and mortgage-backed securities, global structured-asset securitizations, whole-loan mortgages, and participations in whole loans and whole-loan mortgages), which are classified as long-term investments.

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We may utilize derivative financial instruments that are intended to manage our exposure to interest rate risks. The use of derivative financial instruments could expose us to further credit risk and market risk. Credit risk in this context is the failure of a counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty would owe us, which can create credit risk for us. When the fair value of a derivative contract is negative, we would owe the counterparty, and therefore, we would not be exposed to credit risk. We attempt to minimize credit risk in derivative instruments by entering into transactions with major financial institutions that have a significant asset base. Market risk related to derivatives is the adverse effect on the value of a financial instrument that results from changes in interest rates. We try to manage market risk associated with interest-rate contracts by establishing and monitoring parameters that limit the type and degree of market risk that we undertake.

On October 21, 2002, we entered into an interest rate swap transaction with a third-party financial institution to hedge our exposure to changes in the fair value of $200 million of our fixed rate 5.375% senior notes due 2012, which has been designated as a fair value hedge. Additionally on that date, we purchased a LIBOR range-cap and sold a LIBOR floor, in the form of a cashless collar, with the same third-party financial institution to help mitigate and manage our exposure to changes in the three-month U.S. dollar LIBOR rate. This transaction does not qualify for hedge accounting treatment, and any change in the cumulative fair value of this transaction will be reflected as a gain or loss in our consolidated statements of income (loss). In June 2004, we unwound $100 million of the $200 million range-cap-and-floor derivative instrument. During the fourth quarter of 2005, we unwound the interest rate swap resulting in a loss of $2.7 million, which has been deferred and will be recognized as an increase to interest expense over the remaining life of our 5.375% senior notes due 2012. During the year ended December 31, 2005, we recorded interest savings of $2.7 million related to our interest rate swap agreement accounted for as a fair value hedge, which served to reduce interest expense.

The fair value of our range-cap-and-floor transaction is recorded as a derivative liability and included in other long-term liabilities. It totaled approximately $1.3 million and $3.4 million as of December 31, 2011 and 2010, respectively. During 2011, 2010 and 2009, we recorded gains or (losses) of approximately $2.2 million, $(.1) million and $1.4 million, respectively, related to this derivative instrument; these amounts are included in losses (gains) on sales and retirements of long-lived assets and other expense (income), net in our consolidated statements of income (loss).

Note 12 Debt

Long-term debt consisted of the following:

	December 31, 2011	December 31, 2010
	(In thousands)	
5.375% senior notes due August 2012	$ 274,604	$ 273,977
6.15% senior notes due February 2018	967,490	966,276
9.25% senior notes due January 2019	1,125,000	1,125,000
5.00% senior notes due September 2020	697,343	697,037
4.625% senior notes due September 2021	697,667	
0.94% senior exchangeable notes due May 2011		1,378,178
Revolving credit facilities	860,000	
Other	1,712	2,676
	4,623,816	4,443,144
Less: current portion	275,326	1,379,018
	$ 4,348,490	$ 3,064,126

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As of December 31, 2011, the maturities of our primary debt for each of the five years after 2011 and thereafter are as follows:

	Paid at Maturity (In thousands)
2012	$ 275,000(1)
2013	
2014	860,000(2)
2015	
2016	
Thereafter	3,500,000(3)
	$ 4,635,000

(1) Represents our 5.375% senior notes due August 2012.

(2) Represents amounts drawn on revolving credit facilities, which expire September 2014.

(3) Represents our 6.15% senior notes due February 2018, 9.25% senior notes due January 2019, 5.0% senior notes due September 2020 and 4.625% senior notes due September 2021.

5.375% Senior Notes Due August 2012

At December 31, 2011, the current portion of our long-term debt included Nabors Delaware s 5.375% senior notes of $274.6 million.

On August 22, 2002, Nabors Delaware issued $275 million aggregate principal amount of 5.375% senior notes due 2012, which are fully and unconditionally guaranteed by us. The notes were resold by a placement agent to qualified institutional buyers under Rule 144A of the Securities Act of 1933. Interest on the notes is payable semi-annually on February 15 and August 15 of each year.

The notes are unsecured and are effectively junior in right of payment to any of Nabors Delaware s future secured debt. The notes rank equal in right of payment with any of Nabors Delaware s future unsubordinated debt and are senior in right of payment to any of Nabors Delaware s subordinated debt. The guarantee of Nabors with respect to the notes issued by Nabors Delaware, is similarly unsecured and has a similar ranking to the series of notes so guaranteed.

Subject to certain qualifications and limitations, the indentures governing the notes issued by Nabors Delaware limit the ability of Nabors and its subsidiaries to incur liens and to enter into sale and lease-back transactions. In addition, the indentures limit our ability to enter into mergers, consolidations or transfers of all or substantially all of our assets unless the successor company assumes their obligations under the applicable indenture.

6.15% Senior Notes Due February 2018

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. On July 22, 2008, Nabors Delaware completed an additional private placement under the same indenture 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 notes are

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subject to the same rates, terms and conditions and together will be treated as a single class of debt securities under the indenture (together $975 million 6.15% senior notes due 2018). The issue of notes was resold by the initial purchasers to qualified institutional buyers under Rule 144A of the Securities Act and to certain investors outside of the United States under Regulation S of the Securities Act. The notes bear interest at a rate of 6.15% per year, payable semi-annually on February 15 and August 15 and will mature on February 15, 2018.

The 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 payment to all of our unsecured and unsubordinated indebtedness from time to time outstanding. The 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 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 triggering event, as defined in the indenture, the holders of notes may require Nabors Delaware to purchase all or any part of each 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 has exercised its right to redeem the notes.

9.25% Senior Notes Due January 2019

On January 12, 2009, Nabors Delaware completed a private placement of $1.125 billion aggregate principal amount of 9.25% senior notes due 2019 with registration rights, which are unsecured and are fully and unconditionally guaranteed by us. The notes were resold by the initial purchasers to qualified institutional buyers under Rule 144A and to certain investors outside of the United States under Regulation S of the Securities Act. The notes bear interest at a rate of 9.25% per year, payable semi-annually on January 15 and July 15 and will mature on January 15, 2019.

The notes are unsecured and are junior in right of payment to any of Nabors Delaware s future secured debt. The 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 notes is unsecured and ranks equal in right of payment to all of our unsecured and unsubordinated indebtedness from time to time outstanding. The 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 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 applicable indenture. In the event of a change in control triggering event, as defined in the indenture, the holders of notes may require Nabors Delaware to purchase all or any part of each 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 has exercised its right to redeem the notes.

5.0% Senior Notes Due September 2020

On September 14, 2010, Nabors Delaware completed a private placement of $700 million aggregate principal amount of 5.0% senior notes due 2020, which are unsecured and fully and unconditionally guaranteed by us. The notes are subject to registration rights. The notes were resold by the initial purchasers to qualified institutional buyers under Rule 144A and to certain investors outside of the United States under Regulation S of the Securities Act. The notes pay interest semi-annually on March 15 and September 15, beginning on March 15, 2011 and will mature on September 15, 2020.

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The notes rank equal in right of payment to all of Nabors Delaware s existing and future unsubordinated indebtedness, and senior in right of payment to all of Nabors Delaware s existing and future senior subordinated and subordinated indebtedness. Our guarantee of the notes is unsecured and an unsubordinated obligation and ranks equal in right of payments to all of our unsecured and unsubordinated indebtedness from time to time outstanding. In the event of a change of control triggering event, as defined in the indenture, the holders of the notes may require Nabors Delaware to purchase all or a portion of the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any. The notes are redeemable in whole or in part at any time at the option of Nabors Delaware at a redemption price, plus accrued and unpaid interest, as specified in the indenture. Nabors Delaware used a portion of the proceeds to repay the borrowing under a revolving credit facility incurred to fund the Superior Merger.

Prior to the issuance of the notes during September 2010, we entered into a Treasury rate lock with a total notional amount of $500 million to hedge the risk of changes in semiannual interest payments. We designated the Treasury rate lock derivative as a cash flow hedge and upon settlement paid $5.7 million, due to the change in the fair value of the derivative. The loss was recognized as a component of accumulated other comprehensive income in our consolidated statement of changes in equity and is being amortized as additional interest expense over the life of the notes. There was no ineffectiveness associated with this hedge during the year ended December 31, 2010.

4.625% Senior Notes Due September 2021

On August 23, 2011, Nabors Delaware completed a private placement of $700 million aggregate principal amount of 4.625% senior notes due 2021, which are unsecured and fully and unconditionally guaranteed by us. The notes have registration rights. The notes were resold by the initial purchasers to qualified institutional buyers under Rule 144A and to certain investors outside of the United States under Regulation S of the Securities Act. The notes pay interest semi-annually on March 15 and September 15, beginning on March 15, 2012 and will mature on September 15, 2021.

The notes rank equal in right of payment to all of Nabors Delaware s existing and future unsubordinated indebtedness, and senior in right of payment to all of Nabors Delaware s existing and future senior subordinated and subordinated indebtedness. Our guarantee of the notes is unsecured and an unsubordinated obligation and ranks equal in right of payments to all of our unsecured and unsubordinated indebtedness from time to time outstanding. In the event of a change of control triggering event, as defined in the indenture, the holders of the notes may require Nabors Delaware to purchase all or a portion of the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any. The notes are redeemable in whole or in part at any time at the option of Nabors Delaware at a redemption price, plus accrued and unpaid interest, as specified in the indenture. Nabors Delaware used a portion of the proceeds to pay back borrowings on our revolving credit facilities and for other general corporate purposes.

On November 21, 2011, we and Nabors Delaware filed a registration statement on Form S-4 under the Securities Act. The registration statement related to the exchange offer to noteholders required under the registration rights agreement related to the 4.625% senior notes. On December 19, 2011, the registration statement was declared effective by the SEC. On January 17, 2012, we and Nabors Delaware filed a prospectus and commenced the exchange offer. The exchange offer expired on February 13, 2012 and the exchange closed on February 15, 2012.

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Senior Exchangeable Notes

On May 16, 2011, the remaining aggregate principal amount of $1.4 billion of our 0.94% senior exchangeable notes matured and we redeemed them with $1.2 billion of borrowings under our revolving credit facilities and available cash. During 2011, 2010 and 2009, we recognized pre-tax gains (losses) of $(.1) million, $(7.0) million and $11.5 million, respectively, all of which are included in losses (gains) on sales and retirements of long-lived assets and other expense (income), net in our consolidated statements of income (loss) for the respective year.

Revolving Credit Facilities

As of December 31, 2011, we had $540 million of remaining availability from a combined total of $1.4 billion under our existing revolving credit facilities. The existing revolving credit facilities mature in September 2014, and can be used for general corporate purposes, including capital expenditures and working capital. The weighted average interest rate on borrowings at December 31, 2011 was 1.8%. We fully and unconditionally guarantee the obligations under all of these credit facilities.

Nabors Delaware has two senior unsecured revolving credit facilities, which total $1.35 billion, and, as of December 31, 2011, $810 million had been utilized. A third unsecured revolving credit facility for $50 million exists with one of our other subsidiaries and, as of December 31, 2011, had been fully utilized. We have the option to increase the aggregate principal amount of commitments by an additional $200 million by either adding new lenders to these facilities or by requesting existing lenders under the facilities to increase their commitments (in each case with the consent of the new lenders or the increasing lenders).

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

The revolving credit facilities contain various covenants and restrictive provisions that limit our ability to incur additional indebtedness, make investments or loans and create liens and require us to maintain a net funded indebtedness to total capitalization ratio, as defined in each agreement. We were in compliance with all covenants under the agreement at December 31, 2011. If we should fail to perform our obligations under the covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable.

Other Debt Transactions

In January and February 2009, Nabors Holdings 1, ULC, one of our wholly owned subsidiaries (Nabors Holdings), repurchased $56.6 million par value of the $225 million principal amount of its 4.875% senior notes due August 2009 in the open market for cash totaling $56.8 million. In August 2009, Nabors Holdings paid $168.4 million to redeem the remaining notes. The redemption resulted in no gain or loss as the notes were redeemed at a price equal to their carrying value.

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Short-Term Borrowings

We had six letter-of-credit facilities with various banks as of December 31, 2011. Availability and borrowings under our letter-of-credit facilities are as follows:

	December 31,	
	2011	2010
	(In thousands)	
Credit available	$ 215,901	$ 270,263
Letters of credit outstanding, inclusive of financial and performance guarantees	(80,408)	(70,605)
Remaining availability	$ 135,493	$ 199,658

Note 13 Income Taxes

We apply the provisions of the Income Taxes Topic in the ASC relating to uncertain tax positions. The change in our unrecognized tax benefits for years ended December 31, 2011, 2010 and 2009 were as follows:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Balance as of January 1,	$ 81,174	$ 69,048	$ 51,819
Additions based on tax positions related to the current year(1)	1,850	1,026	4,787
Additions for tax positions of prior years(1)	11,748	17,060	12,889
Reductions for tax positions of prior years	(11,082)	(4,709)	(447)
Settlements(2)	(14,842)	(1,251)	
Balance as of December 31,	$ 68,848	$ 81,174	$ 69,048

(1) Includes an unrecognized tax benefit of $10.8 million related to an Algeria audit assessment.

(2) Includes $8.6 million related to a settlement of the 1995 to 1997 income tax audits with the Canada Revenue Agency.

The balance also represents the amount of unrecognized tax benefits that, if recognized, would favorably impact the effective income tax rate in future periods. As of December 31, 2011, 2010 and 2009, we had approximately $28.2 million, $42.9 million and $38.5 million, respectively, of interest and penalties related to our total gross unrecognized tax benefits. During the years ended December 31, 2011, 2010 and 2009, we accrued and recognized estimated interest related to unrecognized tax benefits and penalties of approximately $4.6 million, $5.1 million and $5.2 million, respectively. We recognize interest and penalties related to income tax matters in the income tax expense line item in our consolidated statements of income (loss).

We are subject to income taxes in the United States and numerous other jurisdictions. A number of our United States and non-United States income tax returns from 1998 through 2010 are currently under audit examination. We anticipate that several of these audits could be finalized within the next 12 months. It is possible that the benefit relating to our unrecognized tax positions could significantly increase or decrease within the next 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 December 31, 2011.

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Income (loss) from continuing operations before income taxes was comprised of the following:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
United States and Other Jurisdictions:			
United States	$ 178,270	$ (82,723)	$ (505,264)
Other jurisdictions	309,499	376,293	574,048
Income (loss) before income taxes from continuing operations	$ 487,769	$ 293,570	$ 68,784

Income taxes have been provided based upon the tax laws and rates in the countries where we operate. We are a Bermuda exempted company. Bermuda does not impose corporate income taxes. Our U.S. subsidiaries are subject to a U.S. federal tax rate of 35%.

Income tax expense (benefit) from continuing operations consisted of the following:

	2011	2010	2009
		(In thousands)	
Current:			
U.S. federal	$ 27,649	$ (137,847)	$ (15,434)
Outside the U.S.	43,732	54,779	84,221
State	38,321	5,859	2,671
	109,702	(77,209)	71,458
Deferred:			
U.S. federal	41,540	97,114	(80,353)
Outside the U.S.	4,413	13,607	(46,603)
State	(13,050)	3,438	(8,439)
	32,903	114,159	(135,395)
Income tax expense (benefit)	$ 142,605	$ 36,950	$ (63,937)

Nabors is not subject to tax in Bermuda. A reconciliation of the differences between taxes on income (loss) before income taxes computed at the appropriate statutory rate and our reported provision for income taxes follows:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Income tax provision at statutory rate (Bermuda rate of 0%)	$	$	$

Taxes on U.S. and other international earnings (losses) at greater than the Bermuda rate	112,094	18,686	(60,741)
Increase (decrease) in valuation allowance	(6,450)	2,407	6,062
Effect of change in tax rate	(258)	40	(9,248)
Tax reserves and interest	11,948	8,808	14,652
State income taxes	25,271	7,009	(14,662)
Income tax expense (benefit)	$ 142,605	$ 36,950	$ (63,937)
Effective tax rate	29.2%	12.6%	(93.0)%

The increase in our effective tax rate from 2010 to 2011 is mainly a result of the increase in the proportion of income generated in the United States versus the international jurisdictions in which we operate. Income

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generated in the United States is generally taxed at a higher rate than international jurisdictions.

Our effective income tax rate for 2010 and 2009 reflected the disparity between losses in our U.S. operations (attributable primarily to impairments) and income in our other operations primarily in lower tax jurisdictions. Because the U.S. income tax rate is higher than that of other jurisdictions, the tax benefit from our U.S. losses was not proportionately reduced by the tax expense from our other operations. During 2009, the result was a net tax benefit. In 2009, that benefit represented a significant percentage of our consolidated loss from continuing operations before income taxes. Because of the manner in which that number was derived, we do not believe it represents a meaningful basis for comparing our 2009 effective income tax rate to the 2010 effective income tax rate.

The significant components of our deferred tax assets and liabilities were as follows:

	December 31,	
	2011	2010
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 2,009,318	$ 1,848,956
Equity compensation	25,937	19,262
Deferred revenue	32,200	13,428
Tax credit and other attribute carryforwards	90,297	89,141
Insurance loss reserve	24,598	28,537
Other	114,043	62,324
Subtotal	2,296,393	2,061,648
Valuation allowance	(1,485,540)	(1,514,153)
Deferred tax assets	$ 810,853	$ 547,495
Deferred tax liabilities:		
Depreciation, amortization and depletion for tax in excess of book expense	$ 1,317,256	$ 1,123,622
Variable interest investments	116,005	75,204
Other	34,822	54,738
Deferred tax liability	1,468,083	1,253,564
Net deferred assets (liabilities)	$ (657,230)	$ (706,069)
Balance Sheet Summary		
Net current deferred asset	$ 127,874	$ 31,510
Net noncurrent deferred asset(1)	13,090	33,694
Net current deferred liability(2)	(269)	(1,027)
Net noncurrent deferred liability	(797,925)	(770,246)
Net deferred asset (liability)	$ (657,230)	$ (706,069)

(1) This amount is included in other long-term assets.

(2) This amount is included in accrued liabilities.

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For U.S. federal income tax purposes, we have net operating loss (NOL) carryforwards of approximately $1.2 billion that, if not utilized, will expire between 2016 and 2031. The NOL carryforwards for alternative minimum tax purposes are approximately $680 million. Additionally, we have NOL carryforwards in other jurisdictions of approximately $5.4 billion of which $408 million that, if not utilized, will expire at various times from 2012 to 2031. We provide a valuation allowance against NOL carryforwards in various tax jurisdictions based on our consideration of existing temporary differences and expected future earning levels in those jurisdictions. We have recorded a deferred tax asset of approximately $1.45 billion as of December 31, 2011 relating to NOL carryforwards that have an indefinite life in several non-U.S. jurisdictions. A valuation allowance of approximately $1.45 billion has been recognized because we believe it is more likely than not that substantially all of the deferred tax asset will not be realized.

The NOL carryforwards by year of expiration:

Year Ended December 31,	Total	U.S. Federal	Non-U.S.
		(In thousands)	
2012	$ 8,778	$	$ 8,778
2013	30,348		30,348
2014	3,980		3,980
2015	12,824		12,824
2016	50,176	7,504	42,672
2017	26,601	5,423	21,178
2018	68,888	33,111	35,777
2019	35,986	17,722	18,264
2020	14,612		14,612
2021	7,895		7,895
2027	2,014		2,014
2028	31,237		31,237
2029	184,463	130,842	53,621
2030	533,825	485,648	48,177
2031	626,288	549,795	76,493
Subtotal: expiring NOLs	1,637,915	1,230,045	407,870
Non-expiring NOLs	5,021,678		5,021,678
Total	$ 6,659,593	$ 1,230,045	$ 5,429,548

In addition, for state income tax purposes, we have net operating loss carryforwards of approximately $649 million that, if not utilized, will expire at various times from 2012 to 2031.

Under U.S. federal tax law, the amount and availability of loss carryforwards (and certain other tax attributes) are subject to a variety of interpretations and restrictive tests applicable to Nabors and our subsidiaries. The utilization of these carryforwards could be limited or effectively lost upon certain changes in our shareholder base. Accordingly, although we believe substantial loss carryforwards are available to us, no assurance can be given that they will be available in the future.

Various bills have been introduced in the U.S. Congress that could reduce or eliminate the U.S. tax benefits associated with our reorganization as a Bermuda company. Legislation enacted by Congress in 2004 provides that a corporation that reorganized in a foreign jurisdiction on or after March 4, 2003 be treated as a domestic corporation for United States federal income tax purposes. Our reorganization was completed June 24, 2002.

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There has been and we expect that there may continue to be legislation proposed in Congress from time to time which, if enacted, could limit or eliminate the tax benefits associated with our reorganization.

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

Note 14 Common Shares

Our authorized share capital consists of 800 million common shares, par value $.001 per share, and 25 million preferred shares, par value $.001 per share. Common shares issued were 317,042,324 and 315,034,436 at $.001 par value as of December 31, 2011 and 2010, respectively. No preferred shares have been issued. The preferred stock is issuable in one or more classes or series, full, limited or no voting rights, designations, preferences, special rights, qualifications, limitations and restrictions as may be determined by Nabors Industries Ltd. s board.

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. No shares have been purchased during the years ended December 31, 2011, 2010 and 2009.

During 2011, 2010 and 2009 our outstanding shares increased by 82,138, 110,805 and 218,835, respectively, pursuant to a share settlement of stock options exercised by Mr. Petrello. As part of these transactions, Mr. Petrello surrendered unexercised vested stock options to the Company with a value of approximately $7.6 million, $24.5 million and $5.6 million, respectively, to satisfy the option exercise price and related income taxes for 2011, 2010 and 2009. During 2010 our outstanding shares also increased by 22,385, pursuant to a similar share settlement of stock options exercised by Mr. Isenberg. As part of these transactions, Mr. Isenberg surrendered unexercised vested stock options to the Company with a value of approximately $50.1 million to satisfy the option exercise price and related income taxes for 2010.

For the years ended December 31, 2011, 2010 and 2009 the Compensation Committee of our Board of Directors granted restricted stock awards to some of our executive officers, other key employees, and independent directors. We awarded 1,096,379, 538,496 and 85,000 restricted shares at an average market price of $27.32, $22.15 and $11.55 to these individuals for 2011, 2010 and 2009, respectively. See Note 8 Share-Based Compensation for a summary of our restricted stock and option awards as of December 31, 2011.

For the years ended December 31, 2011, 2010 and 2009 our employees exercised vested options to acquire 1.1 million, .7 million and 1.5 million of our common shares, respectively, resulting in proceeds of $11.6 million, $8.2 million and $11.2 million, respectively.

Note 15 Subsidiary Preferred Stock

Superior had 75,000 shares of Series A Preferred Stock (preferred stock), $0.01 par value per share, outstanding at December 31, 2011. There are 10,000,000 shares authorized. The preferred stock is issuable in series with such voting rights, if any, designations, powers, preferences and other rights and such qualifications, limitations and restrictions as may be determined by Superior s board; the board may also fix the number of shares constituting each series and increase or decrease the number of shares of any series.

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The preferred stock is perpetual and ranks senior to Superior s common stock with respect to payment of dividends, and amounts upon liquidation, dissolution or winding up.

We have presented the preferred stock within the mezzanine section of our consolidated balance sheets and have accounted for the preferred stock under the ASC Topic for Distinguishing Liabilities from Equity.

Dividends

Holders of the preferred stock are entitled to receive, when and if declared by Superior s board, out of assets legally available therefor, cumulative cash dividends at the rate per annum of $40.00 per share of preferred stock. Dividends on the preferred stock are payable quarterly in arrears on December 1, March 1, June 1 and September 1 of each year (and, in the case of any undeclared and unpaid dividends, at such additional times and for such interim periods, if any, as determined by Superior s board), at such annual rate. Dividends are cumulative from the date of the original issuance of the preferred stock, whether or not in any dividend period or periods we have assets legally available for the payment of such dividends.

As of December 31, 2011, dividends on outstanding shares of preferred stock had been declared and paid in full with respect to each quarter since its issuance.

Liquidation Preference

Holders of preferred stock are entitled to receive, in the event that Superior is liquidated, dissolved or wound up, whether voluntarily or involuntarily, $1,000 per share (the Liquidation Value) plus an amount per share equal to all dividends undeclared and unpaid thereon to the date of final distribution (the Liquidation Preference), and no more. Until the holders of preferred stock have been paid the Liquidation Preference in full, Superior may not make any payment to any holder of stock that ranks junior to the preferred stock upon liquidation, dissolution or winding up. As of December 31, 2011, the preferred stock had a total Liquidation Preference of $75.0 million.

Redemption

The preferred stock is redeemable, in whole or in part and at Superior s option, at any time on or after November 18, 2013, for a redemption price of 101% of the Liquidation Value, plus all accrued dividends. The redemption price is payable in cash.

As a result of the Superior acquisition, each share of preferred stock is convertible, at the option of the holder thereof, into $22.12 for each share of Superior common stock into which the preferred share would have been convertible prior to the Superior acquisition (a deemed common share). The preferred shares had a conversion price of $25.00 per deemed common share prior to the Superior acquisition (equivalent to a conversion rate of 40 deemed common shares for each share of preferred stock), representing 3,000,000 deemed common shares. This results in a redemption value of $66.4 million at December 31, 2011, payable in cash. The right to convert shares of preferred stock that may be called for redemption will terminate at the close of business on the day preceding a redemption date.

Voting Rights

Except as otherwise required from time to time by applicable law or upon certain events of default, the holders of preferred stock have no voting rights, and their consent is not required for taking any corporate action. When and if the holders of the preferred stock are entitled to vote, each holder will be entitled to one vote per share.

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Note 16 Pension, Postretirement and Postemployment Benefits

Pension Plans

In conjunction with our acquisition of Pool Energy Services Co. (Pool) in November 1999, we acquired the assets and liabilities of a defined benefit pension plan, the Pool Company Retirement Income Plan (the Pool Pension Plan). Benefits under the Pool Pension Plan are frozen and participants were fully vested in their accrued retirement benefit on December 31, 1998.

Summarized information on the Pool Pension Plan is as follows:

	Pension Benefits	
	2011	2010
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 20,628	$ 18,865
Remeasurement	1,517	
Interest cost	1,198	1,116
Actuarial loss (gain)	3,975	1,289
Benefit payments	(659)	(642)
Benefit obligation at end of year(1)	$ 26,659	$ 20,628
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 15,219	$ 14,058
Actual (loss) return on plan assets	480	1,364
Employer contribution	1,312	439
Benefit payments	(659)	(642)
Fair value of plan assets at end of year	$ 16,352	$ 15,219
Funded status:		
Underfunded status at end of year	$ (10,307)	$ (5,409)
Amounts recognized in consolidated balance sheets:		
Other long-term liabilities	$ (10,307)	$ (5,409)

	Year Ended December 31,		
	2011	2010	2009
Components of net periodic benefit cost (recognized in our consolidated statements of income):			
Interest cost	$ 1,198	$ 1,116	$ 1,093
Expected return on plan assets	(1,008)	(909)	(794)
Recognized net actuarial loss	628	457	545
Net periodic benefit cost	$ 818	$ 664	$ 844

Weighted-average assumptions:			
Weighted-average discount rate	4.25%	5.50%	6.00%
Expected long-term rate of return on plan assets	6.50%	6.50%	6.50%

(1) As of December 31, 2011 and 2010, the accumulated benefit obligation was the same as the projected benefit obligation.

For the years ended December 31, 2011, 2010 and 2009, the net actuarial loss amounts included in accumulated other comprehensive income (loss) in the consolidated statements of changes in equity were

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approximately $(12.1) million, $(6.7) million and $(6.3) million, respectively. There were no other components, such as prior service costs or transition obligations relating to pension costs recorded within accumulated other comprehensive income (loss) during 2011, 2010 and 2009.

The amount included in accumulated other comprehensive income (loss) in the consolidated statements of changes in equity that is expected to be recognized as a component of net periodic benefit cost during 2012 is approximately $1.0 million.

We analyze the historical performance of investments in equity and debt securities, together with current market factors such as inflation and interest rates to help us make assumptions necessary to estimate a long-term rate of return on plan assets. Once this estimate is made, we review the portfolio of plan assets and make adjustments thereto that we believe are necessary to reflect a diversified blend of investments in equity and debt securities that is capable of achieving the estimated long-term rate of return without assuming an unreasonable level of investment risk.

The following table sets forth, by level within the fair value hierarchy, the investments in the Pool Pension Plan as of December 31, 2011. The investments fair value measurement level within the fair value hierarchy is classified in its entirety based on the lowest level of input that is significant to the measurement.

	Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Assets:(1)				
Cash	$	$ 396	$	$ 396
Short-term investments:				
Available-for-sale equity securities(2)		9,166		9,166
Available-for-sale debt securities(3)		6,790		6,790
Total investments		15,956		15,956
Total	$	$ 16,352	$	$ 16,352

(1) Includes investments in collective trust funds that are valued based on the fair value of the underlying investments using quoted prices in active markets or other significant inputs that are deemed observable.

(2) Includes funds that invest primarily in U.S. common stocks and foreign equity securities.

(3) Includes funds that invest primarily in investment grade debt.

The measurement date used to determine pension measurements for the plan is December 31.

Our weighted-average asset allocations as of December 31, 2011 and 2010, by asset category are as follows:

	Pension Benefits	
	2011	2010
Cash	2%	2%
Equity securities	56%	56%
Debt securities	42%	42%
Total	100%	100%

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We invest plan assets based on a total return on investment approach, pursuant to which the plan assets include a diversified blend of investments in equity and debt securities toward a goal of maximizing the long-term rate of return without assuming an unreasonable level of investment risk. We determine the level of risk based on an analysis of plan liabilities, the extent to which the value of the plan assets satisfies the plan liabilities and our financial condition. Our investment policy includes target allocations approximating 55% investment in equity securities and 45% investment in debt securities. The equity portion of the plan assets represents growth and value stocks of small, medium and large companies. We measure and monitor the investment risk of the plan assets both on a quarterly basis and annually when we assess plan liabilities.

We expect to contribute approximately $1.5 million to the Pool Pension Plan in 2012. This is based on the sum of (1) the minimum contribution for the 2011 plan year that will be made in 2011 and (2) the estimated minimum required quarterly contributions for the 2012 plan year. We made contributions to the Pool Pension Plan in 2011 and 2010 totaling $1.3 million and $.1 million, respectively.

As of December 31, 2011, we expect that benefits to be paid in each of the next five years after 2011 and in the aggregate for the five years thereafter will be as follows:

	(In thousands)
2012	$ 791
2013	890
2014	1,004
2015	1,117
2016	1,193
2017 2021	7,428

Some of our employees are covered by defined contribution plans. Our contributions to the plans totaled $22.9 million and $13.6 million for the years ended December 31, 2011 and 2010, respectively. Nabors does not provide post-employment benefits to its employees, except for employees covered under the Pool Pension Plan.

Post-retirement Benefits Other Than Pensions

Prior to the date of our acquisition, Pool provided certain post-retirement healthcare and life insurance benefits to eligible retirees who had attained specific age and years of service requirements. Nabors terminated this plan at the date of acquisition (November 24, 1999). A liability of approximately $.2 million was recorded in our consolidated balance sheets as of each of December 31, 2011 and 2010, to cover the estimated costs of beneficiaries covered by the plan at the date of acquisition.

Note 17 Related-Party Transactions

The Company and Nabors Delaware entered into an agreement with Eugene M. Isenberg, the Chairman of our Board of Directors, on February 2, 2012 but effective December 31, 2011, pursuant to which:

Mr. Isenberg voluntarily terminated both his employment with the Company and his Employment Agreement, and forwent any right to payment in connection with such termination, including a possible payment of $100 million in connection with the Company s appointment of a new chief executive officer on October 28, 2011, which Mr. Isenberg could have treated as a constructive termination under his employment agreement;

Mr. Isenberg will continue as Chairman of the Board, but will not stand for reelection as a director when his term expires in June 2012; at that time, he will be appointed Chairman Emeritus for a three-year

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term, which will be extended for additional one-year terms unless terminated by him or by the Company, and receive cash compensation equal to other nonemployee directors;

Nabors Delaware will pay $6,600,000 into an escrow account, which will bear interest at the guaranteed rate of 6% per annum compounded daily and will be distributed either to Mr. Isenberg s estate or to the trustees of his revocable trust;

Mr. Isenberg ceases participation in the Company s benefit plans and forfeits any benefits available to him thereunder (including forfeiture of the balance in his deferred bonus account), except as stated below or otherwise required by law:

he and his spouse continue to participate in medical, dental and life insurance coverage until either receives equivalent coverage and benefits under the plans and programs of a subsequent employer or their death;

he remains entitled to distribution of vested account balances in the Company s 401(k) plan and its Deferred Compensation Plan;

he retains certain benefits under the split-dollar life insurance agreements in effect between him and Nabors Delaware

all of Mr. Isenberg s stock option and restricted stock awards were already fully vested and remain subject to the applicable plans and agreements governing them; and

Mr. Isenberg waives all claims or other liabilities related to his Employment Agreement or his termination of employment, and the Company waives certain claims against Mr. Isenberg.

Nabors and certain key employees, including Messrs. Isenberg and Petrello, entered into split-dollar life insurance agreements, pursuant to which we pay a portion of the premiums under life insurance policies with respect to these individuals and, in some instances, members of their families. These agreements provide that we are reimbursed for the premium payments upon the occurrence of specified events, including the death of an insured individual. We will not be reimbursed for the premium payments paid on behalf of Mr. Isenberg as provided by the agreement entered into on February 2, 2012. Any recovery of premiums paid by Nabors could be limited to the cash surrender value of the policies under certain circumstances. As such, the values of these policies are recorded at their respective cash surrender values in our consolidated balance sheets. We have made premium payments to date totaling $6.3 million related to these policies. The cash surrender value of these policies of approximately $5.8 million and $9.5 million is included in other long-term assets in our consolidated balance sheets as of December 31, 2011 and 2010, respectively.

Under the Sarbanes-Oxley Act of 2002, the payment of premiums by Nabors under the agreements with Messrs. Isenberg and Petrello could be deemed to be prohibited loans by us to these individuals. Consequently, we have paid no premiums related to our agreements with these individuals since the adoption of the Sarbanes-Oxley Act.

In the ordinary course of business, we enter into various rig leases, rig transportation and related oilfield services agreements with our unconsolidated affiliates at market prices. Revenues from business transactions with these affiliated entities totaled $218.4 million, $271.6 million and $327.3 million for the years ended December 31, 2011, 2010 and 2009, respectively. Expenses from business transactions with these affiliated entities totaled $.9 million, $3.4 million and $9.8 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Additionally, we had accounts receivable from these affiliated entities of $110.7 million and $97.8 million as of December 31, 2011 and 2010, respectively. We had accounts payable to these affiliated entities of

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$46.1 million and $12.7 million as of December 31, 2011 and 2010, respectively, and long-term payables with these affiliated entities of $.8 million as of each of December 31, 2011 and 2010, which are included in other long-term liabilities.

In addition to the equity investment in our unconsolidated U.S. oil and gas joint venture, in April 2010 we purchased $20.0 million face value of NFR Energy LLC s 9.75% senior notes. These notes mature in 2017 with interest payable semi-annually on February 15 and August 15. During 2011 and 2010, we recognized $2.0 million and $1.4 million, respectively, in interest income from these notes.

We own an interest in Shona Energy Company, LLC (Shona), a company of which Mr. Payne, an independent member of our Board of Directors, is the Chairman and Chief Executive Officer. During the first quarter of 2010, we purchased shares of Shona s preferred stock and warrants to purchase additional common shares for $.9 million, which we had accounted for under the cost method of accounting. During 2011, Shona became a public company in Canada, with voting common shares listed on the TSX Venture Exchange. As of December 31, 2011, we held a minority interest of approximately 7.55% of the issued and outstanding common shares of Shona. The fair value of this equity security investment is $10.5 million.

Note 18 Commitments and Contingencies

Commitments

Leases

Nabors and its subsidiaries occupy various facilities and lease certain equipment under various lease agreements.

The minimum rental commitments under non-cancelable operating leases, with lease terms in excess of one year subsequent to December 31, 2011, were as follows:

	(In thousands)
2012	$ 25,288
2013	20,060
2014	14,363
2015	7,273
2016	4,020
Thereafter	9,857
	$ 80,861

The above amounts do not include property taxes, insurance or normal maintenance that the lessees are required to pay. Rental expense relating to operating leases with terms greater than 30 days amounted to $36.3 million, $26.7 million and $25.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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Minimum Volume Commitment

We have contracts with pipeline companies to pay specified fees based on committed volumes for gas transport and processing. At the end of the term or annually, we are invoiced for any shortfalls in the volume deliveries at the rate specified in the agreement. Volume commitments remaining under the contracts as of December 31, 2011 were as follows:

	(In thousands)
2012	$ 54,287
2013	68,056
2014	66,373
2015	64,845
2016	48,330
Thereafter(1)	86,808
	$ 388,699

(1) Final commitment period is for the period ending October 2029.

Employment Contracts

We have entered into employment contracts with certain of our employees. Our minimum salary and bonus obligations under these contracts as of December 31, 2011 were as follows:

	(In thousands)
2012	$ 9,752
2013	3,905
2014	501
2015	
2016	
Thereafter	
	$ 14,158

Nabors Deputy Chairman, President and Chief Executive Officer, Anthony G. Petrello, had an employment agreement (prior employment agreement) in effect through the first quarter of 2009. Effective April 1, 2009, the Company entered into an amended and restated employment agreement (new employment agreement) with him, which extended the terms through March 30, 2013. Pursuant to its provisions, the term of the new employment agreement has subsequently extended through March 30, 2014.

For the three months ended March 31, 2009, the prior employment agreement provided for an annual cash bonus in an amount equal to 2% of Nabors net cash flow (as defined in the employment agreements) in excess of 15% of the average shareholders equity for each fiscal year. The bonus was subject to a minimum of $700,000 per year.

The new employment agreement increased Mr. Petrello s base salary to $1.3 million and provides for an extension of the employment term through March 30, 2013, with automatic one-year extensions beginning April 1, 2011, unless either party gives notice of non-renewal. On June 29, 2009, the new employment agreement was amended to provide for a reduction in the annual rate of base salary payable to $990,000 per year for the period from June 29, 2009 to December 27, 2009. On December 28, 2009, the agreement was further amended to extend through June 27, 2010 the previously agreed salary reduction.

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In addition to a base salary, the new employment agreement provides for an annual cash bonus in an amount equal to 1.5% of Nabors net cash flow (as defined in the new employment agreement) in excess of 15% of the average shareholders equity for each fiscal year. As provided in the new employment agreement, the 1.5% of Nabors net cash flow was replaced with 2.0% on October 28, 2011 in connection with his appointment as Chief Executive Officer. For 2011, the annual cash bonus pursuant to the formula was $13.6 million. The new employment agreement also provides a quarterly deferred bonus of $.25 million to Mr. Petrello s account under Nabors executive deferred compensation plan for each quarter he is employed beginning June 30, 2009 and ending March 30, 2019.

Mr. Petrello is also eligible for awards under Nabors equity plans, 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 of Directors. The new employment agreement effectively eliminated the risk of forfeiture of outstanding stock awards. Accordingly, we recognized compensation expense during the second quarter of 2009 with respect to all previously granted unvested awards to him.

Termination in the event of death, disability, or termination without cause (including in the event of a Change in Control). The new employment agreement provides for a severance payment in the event that it is terminated (i) upon death or disability, (ii) by Nabors prior to its expiration date for any reason other than for Cause (as defined in the agreement), or (iii) by Mr. Petrello for Constructive Termination Without Cause, as defined in the agreement. Termination in the event of a Change in Control (as defined in the new employment agreement) is considered a Constructive Termination Without Cause. Mr. Petrello would be entitled to receive within 30 days of his death or disability a payment of $50 million or in the event of Termination Without Cause or Constructive Termination Without Cause, a payment based on a formula of three times the average of his base salary and annual bonus (calculated as though the bonus formula under the new employment agreement had been in effect) paid during the three fiscal years preceding the termination. If, by way of example, Mr. Petrello were Terminated Without Cause subsequent to December 31, 2011, his payment would be approximately $31.1 million. The formula will be further reduced to two times the average stated above effective April 1, 2015.

The Company does not have insurance to cover its obligations in the event of Mr. Petrello s death, disability, or termination without cause, and the Company has not recorded an expense or accrued a liability relating to the potential obligation.

In addition, under the new employment agreement, Mr. Petrello would be entitled to receive (a) any unvested restricted stock or stock options outstanding, which would immediately and fully vest; (b) any amounts earned, accrued or owing to him but not yet paid (including executive benefits, life insurance, disability benefits and reimbursement of expenses and perquisites), which would be continued through the later of the expiration date or three years after the termination date; (c) continued participation in medical, dental and life insurance coverage until he received equivalent benefits or coverage through a subsequent employer or until his death or the death of his spouse, whichever were later; and (d) any other or additional benefits in accordance with applicable plans and programs of Nabors. The vesting of unvested equity awards would not result in the recognition of any additional compensation expense, as all compensation expense related to his outstanding awards had been recognized by December 31, 2011. In addition, the new employment agreement eliminates all tax gross-ups, including tax gross-ups on golden parachute excise taxes, which applied under the prior employment agreement. Estimates of the cash value of Nabors obligations to Mr. Petrello under (b), (c) and (d) above are included in the payment amounts above.

Other Obligations. In addition to salary and bonus, Mr. Petrello receives group life insurance at an amount at least equal to three times his base salary, 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.

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Nabors Chairman, Eugene M. Isenberg, had an employment agreement in effect through the first quarter of 2009, which was amended and restated effective April 1, 2009. The provisions of the amended and restated employment agreement were similar to Mr. Petrello s new employment agreement, but provided for a $100 million payment in the event of death, disability, or termination without cause (including in the event of a Change in Control). Mr. Isenberg was also eligible for awards under Nabors equity plans, participation in annual long-term incentive programs and pension and welfare plans and special bonuses from time to time as determined by the Board of Directors.

Effective April 1, 2009, Mr. Isenberg s base salary was $1.3 million. He agreed to donate the after-tax proceeds to an educational fund benefiting Company employees or to other worthy candidates. His annual cash bonus equaled 2.25% of Nabors net cash flow (as defined in the employment agreement) in excess of 15% of the average shareholders equity for each fiscal year. For 2011, the annual cash bonus pursuant to the formula was $19.5 million. Mr. Isenberg s employment agreement also provided a quarterly deferred bonus of $.6 million to an account under Nabors executive deferred compensation plan for each quarter he was employed beginning June 30, 2009.

Effective December 31, 2011, Mr. Isenberg voluntarily terminated both his employment with the Company and his Employment Agreement, and forwent any right to payment in connection with such termination. See Note 17 Related-Party Transactions for additional discussion.

Contingencies

Income Tax Contingencies

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

It is possible that future changes to tax laws (including tax treaties) could impact our ability to realize the tax savings recorded to date as well as future tax savings, resulting from our 2002 corporate reorganization. See Note 13 Income Taxes for additional discussion.

On September 14, 2006, Nabors Drilling International Limited, one of our wholly owned Bermuda subsidiaries (NDIL), received a Notice of Assessment from Mexico s federal tax authorities in connection with the audit of NDIL s Mexico branch for 2003. The notice proposes to deny depreciation expense deductions relating to drilling rigs operating in Mexico in 2003. The notice also proposes to deny a deduction for payments made to an affiliated company for the procurement of labor services in Mexico. The amount assessed was approximately $19.8 million (including interest and penalties). Nabors and its tax advisors previously concluded that the deductions were appropriate and more recently that the government s position lacks merit. NDIL s Mexico branch took similar deductions for depreciation and labor expenses from 2004 to 2008. On June 30, 2009, the government proposed similar assessments against the Mexico branch of another wholly owned Bermuda subsidiary, Nabors Drilling International II Ltd. (NDIL II) for 2006. We anticipate that a similar assessment will eventually be proposed against NDIL for 2005 through 2008 and against NDIL II for 2007 to 2010. We believe that the potential assessments will range from $6 million to $26 million per year for the period

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from 2005 to 2009, and in the aggregate, would be approximately $90 million to $95 million. Although we believe that any assessments related to the 2003 and 2005 to 2010 years lack merit, a reserve has been recorded in accordance with GAAP. The statute of limitations for NDIL s 2004 tax year expired. Accordingly, during the fourth quarter of 2010, we released $7.4 million from our tax reserves, which represented the reserve recorded for that tax year. If these additional assessments were made and we ultimately did not prevail, we would be required to recognize additional tax for the amount in excess of the current reserve.

Self-Insurance

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

We self-insure for certain losses relating to workers compensation, employers liability, general liability, automobile liability and property damage. Some workers compensation claims are subject to a minimum $1.0 million deductible liability, plus an additional $3.0 million corridor deductible. Some employers liability and marine employers liability claims are subject to a $2.0 million per-occurrence deductible. Some automobile liability is subject to a $.5 million per-occurrence deductible, plus an additional $1.0 million corridor deductible. General liability claims are subject to a $5.0 million per-occurrence deductible.

In addition, we are subject to a $5.0 million deductible for all land rigs and for offshore rigs. This applies to all kinds of risks of physical damage except for named windstorms in the U.S. Gulf of Mexico for which we are self-insured.

Political risk insurance is procured for select operations in South America, Africa, the Middle East and Asia. Losses are subject to a $.25 million deductible, except for Colombia, which is subject to a $.5 million deductible. There is no assurance that such coverage will adequately protect Nabors against liability from all potential consequences.

As of December 31, 2011 and 2010, our self-insurance accruals totaled $157.8 million and $145.6 million, respectively, and our related insurance recoveries/receivables were $18.7 million and $9.0 million, respectively.

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. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with

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respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

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

A court in Algeria entered a judgment of approximately $19.7 million against us related to alleged customs infractions in 2009. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment is excessive. We have asserted the lack of legally required notice as a basis for challenging the judgment on appeal to the Algeria Supreme Court. Based upon our understanding of applicable law and precedent, we believe that this challenge will be successful. We do not believe that a loss is probable and have not accrued any amounts related to this matter. In November 2011, we received a notice from the Algeria Supreme Court that a decision is expected in March 2012. If we are ultimately required to pay a fine or judgment related to this matter, the amount of the loss could range from approximately $140,000 to $19.7 million.

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

On September 21, 2011, we received an informal inquiry from the SEC related to perquisites and personal benefits received by the officers and directors of Nabors, including their use of non-commercial aircraft. Our Audit Committee and Board of Directors have been apprised of this inquiry and we are cooperating with the SEC. The ultimate outcome of this process cannot be determined at this time.

Nabors Industries Ltd. and its Board of Directors have been sued by purported shareholders in three separate shareholder s derivative lawsuits filed in federal and state court in Houston, Texas. The cases were filed on November 18, 2011, January 9, 2012, and November 30, 2011, and are pending, respectively, before Judges

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Ewing Werlein and Gray Miller in the United States Southern District of Texas, Houston Division, and Judge Mike Miller of the 11th Judicial District Court of Harris County, Texas. The case filed on January 9, 2012 was voluntarily dismissed on January 31, 2012. The other cases remain pending. The allegations of each lawsuit were substantially similar, alleging that the members of the Board breached their fiduciary duties to the Company, wasted corporate assets, and committed oppressive conduct against the shareholders by agreeing to and/or acquiescing in certain compensation arrangements with two senior officers of the Company, Eugene M. Isenberg and Anthony G. Petrello. The remaining lawsuits seek relief that includes an award of monetary damages in an unspecified amount, disgorgement by Messrs. Isenberg and Petrello of allegedly excessive compensation in an unspecified amount of at least $90 million, and equitable relief to reform Nabors compensation practices. The ultimate outcome of these lawsuits cannot be determined at this time.

Off-Balance Sheet Arrangements (Including Guarantees)

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

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

	Maximum Amount				
	2012	2013	2014	Thereafter	Total
	(In thousands)				
Financial standby letters of credit and other financial surety instruments	$ 105,055	$ 38	$	$	$ 105,093

Note 19 Earnings (Losses) Per Share

We include unvested restricted stock awards in the calculation of basic and diluted earnings per share using the two-class method as required by the Earnings Per Share Topic of the ASC.

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

	Year Ended December 31,		
	2011	2010	2009
	(In thousands, except per share amounts)		
Net income (loss) (numerator):			
Income (loss) from continuing operations, net of tax	$ 342,164	$ 255,870	$ 132,721
Less: net (income) loss attributable to noncontrolling interest	(1,045)	(85)	342
Net income (loss) from continuing operations basic	341,119	255,785	133,063
Add interest expense on assumed conversion of our 0.94% senior exchangeable notes, net of tax(1)			
Adjusted net income (loss) attributable to Nabors diluted	$ 341,119	$ 255,785	$ 133,063
Earnings (losses) per share:			
Basic from continuing operations	$ 1.19	$ .90	$ .47
Diluted from continuing operations	$ 1.17	$ .88	$ .46
Income from discontinued operations, net of tax	$ (97,440)	$ (161,090)	$ (218,609)
Earnings (losses) per share, discontinued operations:			
Basic from discontinued operations	$ (.34)	$ (.57)	$ (.77)
Diluted from discontinued operations	$ (.34)	$ (.55)	$ (.76)
Shares (denominator):			
Weighted-average number of shares outstanding basic(2)	287,118	285,145	283,326
Net effect of dilutive stock options, warrants and restricted stock awards based on the if-converted method	5,366	4,851	3,176
Assumed conversion of our 0.94% senior exchangeable notes(1)			
Weighted-average number of shares outstanding diluted	292,484	289,996	286,502

(1) At maturity in May 2011, we redeemed the remaining aggregate principal amount of $1.4 billion of our 0.94% senior exchangeable notes. Prior to maturity, we had purchased $1.4 billion par value of these notes in the open market for cash of $1.2 billion. Diluted earnings (losses) per share for the years ended December 31, 2010 and 2009 exclude any incremental shares that would have been issuable upon exchange of these notes based on a calculation using our stock price. Our stock price did not exceed the threshold during any period for the years ended December 31, 2010 and 2009.

(2) On July 31, 2009, the exchangeable shares of Nabors Exchangeco were exchanged for Nabors common shares on a one-for-one basis. Basic shares outstanding includes the following weighted-average number of common shares and restricted stock of Nabors and weighted-average number of exchangeable shares of Nabors Exchangeco, respectively: 287.1 million shares for the year ended December 31, 2011; 285.1 million shares for the year ended December 31, 2010; and 283.3 million shares for the year ended December 31, 2009.

For all periods presented, the computation of diluted earnings (losses) per Nabors share excludes outstanding stock options and warrants with exercise prices greater than the average market price of Nabors common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. The average number of options and warrants that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share in the future was 9,241,543, 14,004,749 and 34,113,887

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shares during the years ended December 31, 2011, 2010 and 2009, 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 (losses) per share computation using the if-converted method of accounting. Restricted stock will be included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered participating securities.

Note 20 Supplemental Balance Sheet, Income Statement and Cash Flow Information

At December 31, 2010, other long-term assets included a deposit of $40 million of restricted funds held at a financial institution to assure future credit availability for an unconsolidated affiliate.

Accrued liabilities include the following:

	December 31, 2011	December 31, 2010
	(In thousands)	
Accrued compensation	$ 173,732	$ 116,680
Deferred revenue	172,578	88,389
Other taxes payable	44,652	25,227
Workers compensation liabilities	22,645	31,944
Interest payable	99,869	89,276
Due to joint venture partners	6,041	6,030
Warranty accrual	5,237	3,376
Litigation reserves	23,687	12,301
Provision for termination payment(1)	100,000	
Current liability to discontinued operations	54,287	
Professional fees	6,413	3,222
Current deferred tax liability	269	1,027
Other accrued liabilities	7,363	16,820
	$ 716,773	$ 394,292

(1) Represents a $100 million provision for a termination payment. See Note 3 Impairments and Other Charges for additional discussion.

Investment income (loss) includes the following:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Interest and dividend income	$ 9,930	$ 7,457	$ 15,700
Gains (losses) on investments, net	10,010(1)	(194)(2)	9,822(3)

	$ 19,940	$ 7,263	$ 25,522

(1) Reflects gain (loss) on sale of debt securities and gains (losses) from our long-term investments of $18.0 million, partially offset by net unrealized losses of $8.0 million from our trading securities.

(2) Includes net unrealized losses of $4.4 million from our trading securities, partially offset by gains on the sale of debt securities and gains from our long-term investments of $4.2 million.

(3) Reflects net unrealized gains of $9.8 million from our trading securities.

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

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Losses (gains) on sales, retirements and involuntary conversions of long-lived assets	$ (11,155)(1)	$ 6,430	$ 5,927
Acquisition-related costs	151	7,021	
Litigation expenses	11,301	6,356	11,474
Foreign currency transaction losses (gains)	5,499	18,100	7,993
Losses (gains) on derivative instruments	(2,159)	119	(1,399)
Losses (gains) on debt extinguishment(2)	58	7,042	(11,197)
Other losses (gains)	819	2,170	(816)
	$ 4,514	$ 47,238	$ 11,982

(1) Includes a $13.1 million pre-tax gain from our acquisition of Peak during the year ended December 31, 2011 representing the excess of the estimated fair value of the assets and liabilities over the net carrying value of our previously held equity interest. See Note 5 Acquisitions for additional discussion.

(2) Includes $.1 million, $(7.0) million and $11.5 million pre-tax (losses) gains on our purchases of our 0.94% senior exchangeable notes in the open market during 2011, 2010 and 2009, respectively.

Supplemental cash flow information for the years ended December 31, 2011, 2010 and 2009 is as follows:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Cash paid for income taxes	$ 53,759	$ 58,574	$ 107,994
Cash paid for interest, net of capitalized interest	208,212	180,731	126,796
Acquisitions of businesses:			
Fair value of assets acquired	80,585	796,399	
Goodwill	8,000	339,992	
Liabilities assumed	(10,471)	(332,528)	
Common stock of acquired company previously owned			
Subsidiary preferred stock obligation		(69,188)	
Gain on acquisition	(13,114)		
Cash paid for acquisitions of businesses	65,000	734,675	
Cash acquired in acquisitions of businesses	(9,541)	(1,045)	

Cash paid for acquisitions of businesses, net	$ 55,459	$ 733,630	$

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Note 21 Unaudited Quarterly Financial Information

	Year Ended December 31, 2011 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(In thousands, except per share amounts)			
Operating revenues and Earnings (losses) from unconsolidated affiliates from continuing operations(1)	$ 1,389,842	$ 1,352,950	$ 1,642,227	$ 1,731,979
Income (loss) from continuing operations, net of tax	$ 94,552	$ 70,887	$ 87,190	$ 89,535
Income from discontinued operations, net of tax	(12,396)	121,167	(12,226)	(193,985)
Less: Net (income) loss attributable to noncontrolling interest	669	394	(708)	(1,400)
Net income (loss) attributable to Nabors	$ 82,825	$ 192,448	$ 74,256	$ (105,850)
Earnings (loss) per share:(2)				
Basic from continuing operations	$ .33	$ .25	$ .30	$ .31
Basic from discontinued operations	(.04)	.42	(.04)	(.68)
Total Basic	$ .29	$ .67	$ .26	$ (.37)
Diluted from continuing operations	$ .33	$ .24	$ .30	$ .30
Diluted from discontinued operations	(.05)	.41	(.05)	(.66)
Total Diluted	$ .28	$ .65	$ .25	$ (.36)

	Year Ended December 31, 2010 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(In thousands, except per share amounts)			
Operating revenues and Earnings (losses) from unconsolidated affiliates from continuing operations(3)	$ 890,469	$ 898,169	$ 1,068,870	$ 1,310,242
Income (loss) from continuing operations, net of tax	$ 46,477	$ 44,949	$ 12,347	$ 152,097
Income from discontinued operations, net of tax	(7,379)	(1,887)	(51,501)	(100,323)
Less: Net (income) loss attributable to noncontrolling interest	1,102	559	(453)	(1,293)
Net income (loss) attributable to Nabors	$ 40,200	$ 43,621	$ (39,607)	$ 50,481
Earnings per share:(2)				
Basic from continuing operations	$ .17	$ .16	$ .04	$ .53
Basic from discontinued operations	(.03)	(.01)	(.18)	(.35)
Total Basic	$ .14	$ .15	$ (.14)	$ .18

Diluted from continuing operations	$ .16	$ .16	$ .04	$ .52
Diluted from discontinued operations	(.02)	(.01)	(.18)	(.35)
Total Diluted	$ .14	$ .15	$ (.14)	$ .17

(1) Includes earnings (losses) from unconsolidated affiliates, net, accounted for by the equity method, of $16.3 million, $9.3 million, $33.7 million and $(2.7) million, respectively.

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(2) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not equal the total computed for the year.

(3) Includes earnings (losses) from unconsolidated affiliates, net, accounted for by the equity method, of $7.7 million, $8.9 million, $11.8 million and $4.9 million, respectively.

Note 22 Segment Information

As of December 31, 2011, we operated our business out of 10 operating segments. Our six Contract Drilling operating segments are engaged in drilling, workover and well-servicing operations, on land and offshore, and represent reportable segments. These operating segments consist of our Alaska, U.S. Lower 48 Land Drilling, U.S. Land Well-servicing, U.S. Offshore, Canada and International business units. Our hydraulic fracturing and downhole surveying services are included in our Pressure Pumping operating segment. Our oil and gas operating segment includes our unconsolidated U.S. oil and gas joint venture. This segment is engaged in the exploration for, and the development of and production of oil and natural gas. Our Other Operating Segments, consisting of Canrig Drilling Technology Ltd. and Ryan Directional Services, Inc., are engaged in the manufacturing of top drives, manufacturing of drilling instrumentation systems, construction services, trucking and logistics services, manufacturing and marketing of directional drilling and rig instrumentation systems, directional drilling, and rig instrumentation and data collection services. These Other Operating Segments do not meet the criteria for disclosure, individually or in the aggregate, as reportable segments.

The accounting policies of the segments are the same as those described in Note 2 Summary of Significant Accounting Policies. Inter-segment sales are recorded at cost or cost plus a profit margin. We evaluate the performance of our segments based on several criteria, including adjusted income (loss) derived from operating activities.

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

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Operating revenues and earnings (losses) from unconsolidated affiliates from continuing operations:(1)			
Contract Drilling:(2)			
U.S. Lower 48 Land Drilling	$ 1,698,620	$ 1,294,853	$ 1,082,531
U.S. Land Well-servicing	701,223	444,665	412,243
U.S. Offshore	170,727	123,761	157,305
Alaska	129,894	179,218	204,407
Canada	574,754	389,229	298,653
International	1,104,461	1,093,608	1,265,097
Subtotal Contract Drilling(3)	4,379,679	3,525,334	3,420,236
Pressure Pumping(4)	1,237,306	321,295	
Oil and Gas(5)(6)	59,685	18,657	(182,654)
Other Operating Segments(7)(8)	674,206	427,154	417,531
Other reconciling items(9)	(233,878)	(124,690)	(148,325)
Total	$ 6,116,998	$ 4,167,750	$ 3,506,788

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	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Depreciation and amortization, and depletion:(1)			
Contract Drilling:			
U.S. Lower 48 Land Drilling	$ 288,373	$ 241,258	$ 226,875
U.S. Land Well-servicing	78,314	65,561	69,557
U.S. Offshore	37,242	37,059	37,204
Alaska	34,989	37,195	29,946
Canada	75,919	74,735	65,883
International	273,315	247,134	208,949
Subtotal Contract Drilling	788,152	702,942	638,414
Pressure Pumping(4)	102,009	32,204	
Oil and Gas			
Other Operating Segments	34,162	28,452	27,441
Other reconciling items(9)	(229)	(2,636)	(1,897)
Total depreciation and amortization, and depletion	$ 924,094	$ 760,962	$ 663,958
Adjusted income (loss) derived from operating activities from continuing operations:(1)(10)			
Contract Drilling:			
U.S. Lower 48 Land Drilling	$ 414,317	$ 274,215	$ 294,679
U.S. Land Well-servicing	74,725	31,597	28,950
U.S. Offshore	843	9,245	30,508
Alaska	27,671	51,896	62,742
Canada	94,637	22,970	(7,019)
International	123,813	254,744	365,566
Subtotal Contract Drilling(3)	736,006	644,667	775,426
Pressure Pumping(4)	229,125	66,651	
Oil and Gas(5)(6)	59,685	18,657	(182,654)
Other Operating Segments(7)(8)	55,617	42,401	35,319
Other reconciling items(11)	(153,385)	(104,827)	(188,257)
Total adjusted income derived from operating activities	$ 927,048	$ 667,549	$ 439,834
Interest expense	(256,633)	(272,712)	(266,047)
Investment income (loss)	19,940	7,263	25,522
Gains (losses) on sales and retirements of long-lived assets and other (income) expense, net	(4,514)	(47,238)	(11,982)
Impairments and other charges(12)	(198,072)	(61,292)	(118,543)
Income (loss) from continuing operations before income taxes	487,769	293,570	68,784
Income tax expense (benefit)	142,605	36,950	(63,937)
Subsidiary preferred stock dividend	3,000	750	
Income (loss) from continuing operations, net of tax	342,164	255,870	132,721
Income (loss) from discontinued operations, net of tax	(97,440)	(161,090)	(218,609)

Net income (loss)	244,724	94,780	(85,888)
Less: Net income (loss) attributable to noncontrolling interest	(1,045)	(85)	342
Net income (loss) attributable to Nabors	$ 243,679	$ 94,695	$ (85,546)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Capital expenditures and acquisitions of businesses:(13)			
Contract Drilling:			
U.S. Lower 48 Land Drilling	$ 650,342	$ 294,239	$ 327,269
U.S. Land Well-servicing	165,953	84,657	16,671
U.S. Offshore	63,817	23,625	48,694
Alaska	5,582	891	55,426
Canada	95,001	53,834	29,214
International	653,759	365,597	328,252
Subtotal Contract Drilling	1,634,454	822,843	805,526
Pressure Pumping(4)	285,304	924,693	
Oil and Gas	208,995	113,361	184,185
Other Operating Segments	136,515	28,799	20,446
Other reconciling items(11)(17)	(17,533)	(11,633)	(19,870)
Total capital expenditures and acquisitions of businesses	$ 2,247,735	$ 1,878,063	$ 990,287

	December 31,		
	2011	2010	2009
		(In thousands)	
Total assets:			
Contract Drilling:(14)			
U.S. Lower 48 Land Drilling	$ 3,216,803	$ 2,762,362	$ 2,609,101
U.S. Land Well-servicing	812,049	630,518	594,456
U.S. Offshore	402,506	379,292	440,556
Alaska	288,253	313,123	373,146
Canada	962,239	1,065,268	984,740
International	3,702,611	3,279,763	3,151,513
Subtotal Contract Drilling	9,384,461	8,430,326	8,153,512
Pressure Pumping(4)	1,503,298	1,163,236	
Oil and Gas(15)	796,327	805,410	835,465
Other Operating Segments(16)	720,775	539,373	502,501
Other reconciling items(11)(17)	507,279	708,224	1,153,212
Total assets	$ 12,912,140	$ 11,646,569	$ 10,644,690

(1) All periods present the operating activities of our wholly owned oil and gas assets in the United States, Canada and Colombia, including equity interests in Canada and Colombia, as well as the Nabors Blue Sky Ltd. business as discontinued operations.

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

(3) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $(1.2) million, $6.9 million and $9.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

(4) Includes operating results of the Superior acquisition beginning September 10, 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Includes our proportionate share of full-cost ceiling test writedowns recorded by our unconsolidated U.S. oil and gas joint venture of $(15.6) million and $(189.3) million for the years ended December 31, 2011 and 2009, respectively.

(6) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $59.7 million, $18.7 million and $(182.6) million for the years ended December 31, 2011, 2010 and 2009, respectively. Additional information is provided in Note 24 Supplemental Information on Oil and Gas Exploration and Production Activities.

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

(8) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $(1.9) million, $7.7 million and $17.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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

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

(11) Represents the elimination of inter-segment transactions and unallocated corporate expenses, assets and capital expenditures.

(12) Represents impairments and other charges recorded during the years ended December 31, 2011, 2010 and 2009, respectively.

(13) Includes the portion of the purchase price of acquisitions allocated to fixed assets and goodwill based on their fair market value.

(14) Includes $51.5 million, $54.8 million and $49.8 million of investments in unconsolidated affiliates accounted for using the equity method as of December 31, 2011, 2010 and 2009, respectively.

(15) Includes $294.1 million, $146.5 million and $190.1 million investments in unconsolidated affiliates accounted for using the equity method as of December 31, 2011, 2010 and 2009, respectively.

(16) Includes $25.4 million, $64.5 million and $65.8 million of investments in unconsolidated affiliates accounted for using the equity method as of December 31, 2011, 2010 and 2009, respectively.

(17) Includes $1.9 million and $.9 million of investments in unconsolidated affiliates accounted for using the cost method as of December 31, 2010 and 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth financial information with respect to Nabors operations by geographic area:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Operating revenues and earnings (losses) from unconsolidated affiliates from continuing operations:			
U.S.	$ 4,329,079	$ 2,612,954	$ 1,817,374
Outside the U.S.	1,787,919	1,554,796	1,689,414
	$ 6,116,998	$ 4,167,750	$ 3,506,788
Property, plant and equipment, net:			
U.S.	$ 4,974,239	$ 4,447,388	$ 4,107,250
Outside the U.S.	3,655,707	3,368,031	3,538,800
	$ 8,629,946	$ 7,815,419	$ 7,646,050
Goodwill:			
U.S.	$ 466,794	$ 459,560	$ 130,275
Outside the U.S.	34,464	34,812	33,990
	$ 501,258	$ 494,372	$ 164,265

Note 23 Condensed Consolidating Financial Information

Nabors has fully and unconditionally guaranteed all of the issued public debt securities of Nabors Delaware, and Nabors and Nabors Delaware fully and unconditionally guaranteed the 4.875% senior notes due August 2009 issued by Nabors Holdings 1, ULC, an unlimited liability company formed under the Companies Act of Nova Scotia, Canada and a subsidiary of Nabors (Nabors Holdings). During 2009, we paid the balance of Nabors Holdings 1, ULC s 4.875% senior notes. Effective September 30, 2009, Nabors Holdings 1, ULC was amalgamated with Nabors Drilling Canada ULC, the successor company.

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 December 31, 2011 and 2010, statements of income (loss) for the years ended December 31, 2011, 2010 and 2009 and the consolidating statements of cash flows for the years ended December 31, 2011, 2010 and 2009 of (a) Nabors, parent/guarantor, (b) Nabors Delaware, issuer of public debt securities guaranteed by Nabors and guarantor of the 4.875% senior notes issued by Nabors Holdings, (c) Nabors Holdings, issuer of the 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Balance Sheets

	December 31, 2011					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
			(In thousands)			
ASSETS						
Current assets:						
Cash and cash equivalents	$ 203	$ 21	$	$ 398,351	$	$ 398,575
Short-term investments				140,914		140,914
Assets held for sale				401,500		401,500
Accounts receivable, net				1,576,555		1,576,555
Inventory				272,852		272,852
Deferred income taxes				127,874		127,874
Other current assets	50	671		169,323		170,044
Total current assets	253	692		3,087,369		3,088,314
Long-term investments and other receivables				11,124		11,124
Property, plant and equipment, net		40,792		8,589,154		8,629,946
Goodwill				501,258		501,258
Intercompany receivables	164,760			537,881	(702,641)	
Investment in unconsolidated affiliates	5,429,029	6,084,868		1,843,654	(12,986,530)	371,021
Other long-term assets		32,037		278,440		310,477
Total assets	$ 5,594,042	$ 6,158,389	$	$ 14,848,880	$ (13,689,171)	$ 12,912,140
LIABILITIES AND EQUITY						
Current liabilities:						
Current portion of long-term debt	$	$ 274,604	$	$ 722	$	$ 275,326
Trade accounts payable	42	23		782,688		782,753
Accrued liabilities	6,185	100,101		556,200		662,486
Asset held for sale				54,287		54,287
Income taxes payable				27,710		27,710
Total current liabilities	6,227	374,728		1,421,607		1,802,562
Long-term debt		4,297,500		50,990		4,348,490
Asset held for sale				71,375		71,375
Other long-term liabilities		32,303		189,079		221,382
Deferred income taxes		11,221		786,705		797,926
Intercompany payable		379,400		323,241	(702,641)	
Total liabilities	6,227	5,095,152		2,842,997	(702,641)	7,241,735
Subsidiary preferred stock				69,188		69,188

Shareholders equity	5,587,815	1,063,237		11,923,293	(12,986,530)	5,587,815
Noncontrolling interest				13,402		13,402
Total equity	5,587,815	1,063,237		11,936,695	(12,986,530)	5,601,217
Total liabilities and equity	$ 5,594,042	$ 6,158,389	$	$ 14,848,880	$ (13,689,171)	$ 12,912,140

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2010					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
			(In thousands)			
ASSETS						
Current assets:						
Cash and cash equivalents	$ 10,847	$ 20	$	$ 630,835	$	$ 641,702
Short-term investments				159,488		159,488
Assets held for sale				352,048		352,048
Accounts receivable, net				1,116,510		1,116,510
Inventory				158,836		158,836
Deferred income taxes				31,510		31,510
Other current assets	50	16,366		136,420		152,836
Total current assets	10,897	16,386		2,585,647		2,612,930
Long-term investments and other receivables				40,300		40,300
Property, plant and equipment, net		44,270		7,771,149		7,815,419
Goodwill				494,372		494,372
Intercompany receivables	160,250			322,697	(482,947)	
Investment in unconsolidated affiliates	5,160,800	5,814,219		1,665,459	(12,372,755)	267,723
Other long-term assets		36,538		379,287		415,825
Total assets	$ 5,331,947	$ 5,911,413	$	$ 13,258,911	$ (12,855,702)	$ 11,646,569
LIABILITIES AND EQUITY						
Current liabilities:						
Current portion of long-term debt	$	$ 1,378,178	$	$ 840	$	$ 1,379,018
Trade accounts payable				355,282		355,282
Accrued liabilities	3,785	89,480		301,027		394,292
Income taxes payable		6,859		18,929		25,788
Total current liabilities	3,785	1,474,517		676,078		2,154,380
Long-term debt		3,062,291		1,835		3,064,126
Other long-term liabilities		12,787		232,978		245,765
Deferred income taxes		71,815		698,432		770,247
Intercompany payable		301,451		181,496	(482,947)	
Total liabilities	3,785	4,922,861		1,790,819	(482,947)	6,234,518
Subsidiary preferred stock				69,188		69,188
Shareholders equity	5,328,162	988,552		11,384,203	(12,372,755)	5,328,162
Noncontrolling interest				14,701		14,701

Total equity	5,328,162	988,552		11,398,904	(12,372,755)	5,342,863
Total liabilities and equity	$ 5,331,947	$ 5,911,413	$	$ 13,258,911	$ (12,855,702)	$ 11,646,569

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Income (Loss)

	Year Ended December 31, 2011					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
				(In thousands)		
Revenues and other income:						
Operating revenues	$	$	$	$ 6,060,351	$	$ 6,060,351
Earnings (losses) from unconsolidated affiliates				56,647		56,647
Earnings (losses) from consolidated affiliates	256,245	214,308		107,536	(578,089)	
Investment income (loss)	4	68		19,868		19,940
Intercompany interest income		69,437			(69,437)	
Total revenues and other income	256,249	283,813		6,244,402	(647,526)	6,136,938
Costs and other deductions:						
Direct costs				3,775,964		3,775,964
General and administrative expenses	11,970	348		478,174	(600)	489,892
Depreciation and amortization		3,532		920,562		924,094
Interest expense		278,657		(22,024)		256,633
Intercompany interest expense				69,437	(69,437)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	600	(1,904)		5,218	600	4,514
Impairments and other charges				198,072		198,072
Total costs and other deductions	12,570	280,633		5,425,403	(69,437)	5,649,169
Income (loss) from continuing operations before income taxes	243,679	3,180		818,999	(578,089)	487,769
Income tax expense (benefit)		(78,118)		220,723		142,605
Subsidiary preferred stock dividend				3,000		3,000
Income (loss) from continuing operations, net of tax	243,679	81,298		595,276	(578,089)	342,164
Income (loss) from discontinued operations, net of tax				(97,440)		(97,440)
Net income (loss)	243,679	81,298		497,836	(578,089)	244,724
Less: Net (income) loss attributable to noncontrolling interest				(1,045)		(1,045)
Net income (loss) attributable to Nabors	$ 243,679	$ 81,298	$	$ 496,791	$ (578,089)	$ 243,679

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31, 2010					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
				(In thousands)		
Revenues and other income:						
Operating revenues	$	$	$	$ 4,134,483	$	$ 4,134,483
Earnings (losses) from unconsolidated affiliates				33,267		33,267
Earnings (losses) from consolidated affiliates	68,749	(183,242)		(316,657)	431,150	
Investment income (loss)	15			7,248		7,263
Intercompany interest income		72,435			(72,435)	
Total revenues and other income	68,764	(110,807)		3,858,341	358,715	4,175,013
Costs and other deductions:						
Direct costs				2,400,519		2,400,519
General and administrative expenses	9,165	445		330,067	(957)	338,720
Depreciation and amortization		3,303		757,659		760,962
Interest expense		283,396		(10,684)		272,712
Intercompany interest expense				72,435	(72,435)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	(35,096)	42,504		38,873	957	47,238
Impairments and other charges				61,292		61,292
Total costs and other deductions	(25,931)	329,648		3,650,161	(72,435)	3,881,443
Income (loss) from continuing operations before income taxes	94,695	(440,455)		208,180	431,150	293,570
Income tax expense (benefit)		(95,168)		132,118		36,950
Subsidiary preferred stock dividend				750		750
Income (loss) from continuing operations, net of tax	94,695	(345,287)		75,312	431,150	255,870
Income (loss) from discontinued operations, net of tax				(161,090)		(161,090)
Net income (loss)	94,695	(345,287)		(85,778)	431,150	94,780
Less: Net (income) loss attributable to noncontrolling interest				(85)		(85)
Net income (loss) attributable to Nabors	$ 94,695	$ (345,287)	$	$ (85,863)	$ 431,150	$ 94,695

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31, 2009					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)					
Revenues and other income:						
Operating revenues	$	$	$	$ 3,662,220	$	$ 3,662,220
Earnings (losses) from unconsolidated affiliates				(155,432)		(155,432)
Earnings (losses) from consolidated affiliates	(74,204)	(316,443)	(86,751)	(441,133)	918,531	
Investment income (loss)	58	2,357	101	23,006		25,522
Intercompany interest income		66,150	5,558		(71,708)	
Total revenues and other income	(74,146)	(247,936)	(81,092)	3,088,661	846,823	3,532,310
Costs and other deductions:						
Direct costs				1,981,504		1,981,504
General and administrative expenses	28,350	336	1	393,375	(570)	421,492
Depreciation and amortization		3,594		660,364		663,958
Interest expense		288,715	5,634	(28,302)		266,047
Intercompany interest expense				71,708	(71,708)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	(16,950)	4,145	5,069	37,395	(17,677)	11,982
Impairments and other charges				118,543		118,543
Total costs and other deductions	11,400	296,790	10,704	3,234,587	(89,955)	3,463,526
Income (loss) from continuing operations before income taxes	(85,546)	(544,726)	(91,796)	(145,926)	936,778	68,784
Income tax expense (benefit)		(84,465)	15,744	4,784		(63,937)
Income (loss) from continuing operations, net of tax	(85,546)	(460,261)	(107,540)	(150,710)	936,778	132,721
Income (loss) from discontinued operations, net of tax				(218,609)		(218,609)
Net income (loss)	(85,546)	(460,261)	(107,540)	(369,319)	936,778	(85,888)
Less: Net (income) loss attributable to noncontrolling interest				342		342
Net income (loss) attributable to Nabors	$ (85,546)	$ (460,261)	$ (107,540)	$ (368,977)	$ 936,778	$ (85,546)

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2011					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)					
Net cash provided by (used for) operating activities	$ 6,612	$ (31,178)	$	$ 1,481,053	$	$ 1,456,487
Cash flows from investing activities:						
Purchases of investments				(11,746)		(11,746)
Sales and maturities of investments				39,063		39,063
Cash paid for acquisition of businesses, net				(55,459)		(55,459)
Investment in unconsolidated affiliates				(112,262)		(112,262)
Distribution of proceeds from asset sales of unconsolidated affiliates				142,984		142,984
Capital expenditures				(2,042,617)		(2,042,617)
Proceeds from sales of assets and insurance claims				180,558		180,558
Cash paid for investments in consolidated affiliates	(26,235)	(65,000)			91,235	
Net cash provided by (used for) investing activities	(26,235)	(65,000)		(1,859,479)	91,235	(1,859,479)
Cash flows from financing activities:						
Increase (decrease) in cash overdrafts				6,375		6,375
Proceeds from long-term debt		697,578				697,578
Debt issuance costs		(7,141)				(7,141)
Proceeds from revolving credit facilities		1,510,000		50,000		1,560,000
Proceeds from issuance of common shares	11,605					11,605
Reduction in long-term debt		(1,404,246)		(35)		(1,404,281)
Reduction in revolving credit facilities		(700,000)				(700,000)
Repurchase of equity component of convertible debt		(12)				(12)
Purchase of restricted stock	(2,626)					(2,626)
Tax benefit related to share-based awards				1,747		1,747
Proceeds from parent contributions				91,235	(91,235)	
Net cash (used for) provided by financing activities	8,979	96,179		149,322	(91,235)	163,245
Effect of exchange rate changes on cash and cash equivalents				(3,380)		(3,380)

Net (decrease) increase in cash and cash equivalents	(10,644)	1		(232,484)	(243,127)
Cash and cash equivalents, beginning of period	10,847	20		630,835	641,702
Cash and cash equivalents, end of period	$ 203	$ 21	$	$ 398,351	$ $ 398,575

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31, 2010					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)					
Net cash provided by (used for) operating activities	$ 115,179	$ 757,345	$	$ 504,460	$ (270,000)	$ 1,106,984
Cash flows from investing activities:						
Purchases of investments				(34,147)		(34,147)
Sales and maturities of investments				34,613		34,613
Cash paid for acquisition of businesses, net				(733,630)		(733,630)
Investment in unconsolidated affiliates				(40,936)		(40,936)
Capital expenditures				(930,277)		(930,277)
Proceeds from sales of assets and insurance claims				31,072		31,072
Cash paid for investments in consolidated affiliates	(122,300)	(1,027,134)			1,149,434	
Net cash provided by (used for) investing activities	(122,300)	(1,027,134)		(1,673,305)	1,149,434	(1,673,305)
Cash flows from financing activities:						
Increase (decrease) in cash overdrafts				(6,298)		(6,298)
Proceeds from long-term debt		696,948				696,948
Debt issuance costs		(8,934)				(8,934)
Payments for hedge transactions		(5,667)				(5,667)
Proceeds from revolving credit facilities		600,000				600,000
Proceeds from issuance of common shares	8,201					8,201
Reduction in long-term debt		(274,095)		(124,419)		(398,514)
Reduction in revolving credit facilities		(600,000)				(600,000)
Repurchase of equity component of convertible debt		(4,712)				(4,712)
Settlement of call options and warrants, net		1,134				1,134
Purchase of restricted stock	(1,935)					(1,935)
Tax benefit related to share-based awards				31		31
Cash dividends paid		(135,000)		(135,000)	270,000	
Proceeds from parent contributions				1,149,434	(1,149,434)	
Net cash (used for) provided by financing activities	6,266	269,674		883,748	(879,434)	280,254
Effect of exchange rate changes on cash and cash equivalents				(46)		(46)
Net (decrease) increase in cash and cash equivalents	(855)	(115)		(285,143)		(286,113)

Cash and cash equivalents, beginning of period	11,702	135		915,978	927,815
Cash and cash equivalents, end of period	$ 10,847	$ 20	$	$ 630,835	$ $ 641,702

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	Year Ended December 31, 2009					
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Nabors Holdings (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
	(In thousands)					
Net cash provided by (used for) operating activities	$ 40,589	$ 646,645	$ 608	$ 1,089,086	$ (159,956)	$ 1,616,972
Cash flows from investing activities:						
Purchases of investments				(32,674)		(32,674)
Sales and maturities of investments				57,033		57,033
Investment in unconsolidated affiliates				(125,076)		(125,076)
Capital expenditures				(1,093,435)		(1,093,435)
Proceeds from sales of assets and insurance claims				31,375		31,375
Proceeds from sale of consolidated affiliates			239,421	(239,421)		
Cash paid for investments in consolidated affiliates	(46,912)	(900,000)			946,912	
Net cash provided by (used for) investing activities	(46,912)	(900,000)	239,421	(1,402,198)	946,912	(1,162,777)
Cash flows from financing activities:						
Increase (decrease) in cash overdrafts				(18,157)		(18,157)
Proceeds from long-term debt		1,124,978				1,124,978
Debt issuance costs		(8,832)				(8,832)
Intercompany debt			143,859	(143,859)		
Proceeds from issuance of common shares	11,249					11,249
Reduction in long-term debt		(856,203)	(225,191)	(407)		(1,081,801)
Repurchase of equity component of convertible debt		(6,586)				(6,586)
Purchase of restricted stock	(1,515)					(1,515)
Tax benefit related to share-based awards		37				37
Cash dividends paid			(159,956)		159,956	
Proceeds from parent contributions				946,912	(946,912)	
Net cash (used for) provided by financing activities	9,734	253,394	(241,288)	784,489	(786,956)	19,373
Effect of exchange rate changes on cash and cash equivalents				12,160		12,160
Net (decrease) increase in cash and cash equivalents	3,411	39	(1,259)	483,537		485,728
Cash and cash equivalents, beginning of period	8,291	96	1,259	432,441		442,087

Cash and cash equivalents, end of period	$ 11,702	$ 135	$	$ 915,978	$ $ 927,815

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Note 24 Supplemental Information on Oil and Gas Exploration and Production Activities (unaudited)

The operations of our Oil and Gas operating segment focus on the exploration for and the acquisition, development and production of natural gas, oil and natural gas liquids in the United States, the Canadian provinces of Alberta and British Columbia, and Colombia.

Our Oil and Gas operating segment includes our wholly owned oil and gas assets and our unconsolidated oil and gas joint ventures. In December 2008, the SEC revised oil and gas reporting disclosures, which clarified that we should consider our equity-method investments when determining whether we have significant oil and gas activities beginning in 2009. A one-year deferral of the disclosure requirements was allowed if an entity became subject to the requirements because of the change to the definition of significant oil and gas activities. When operating results from our wholly owned oil and gas activities were considered with operating results from our unconsolidated oil and gas joint ventures, which we account for under the equity method of accounting, we determined that we had significant oil and gas activities under the new definition at December 31, 2009. Accordingly after the one-year deferral, we are presenting the information with regard to our oil and gas producing activities for the years ended December 31, 2011 and 2010.

The estimates of net proved oil and gas reserves as of December 31, 2011 were based on reserve reports prepared by independent petroleum engineers. AJM Deloitte prepared reports of estimated proved oil and gas reserves for our wholly owned assets in Canada. Miller and Lents, Ltd. prepared reports of estimated proved oil and gas reserves for both our wholly owned assets and our U.S. joint venture s interests in natural gas and oil properties located in the United States. Cawley, Gillespie & Associates, Inc. prepared reports of estimated proved oil reserves for wholly owned assets located in the Eagle Ford Shale and Giddings field in Grimes County, Texas.

The estimates of net proved natural gas and oil reserves as of December 31, 2010 were based on reserve reports prepared by the following independent petroleum engineers. AJM Petroleum Consultants prepared reports of estimated proved oil and gas reserves for our wholly owned assets in Canada. Miller and Lents, Ltd. prepared reports of estimated proved oil and gas reserves for both our wholly owned assets and our U.S. joint venture s interests in natural gas and oil properties located in the United States. Netherland, Sewell & Associates, Inc., prepared reports of estimated proved oil reserves for certain properties located in the Cat Canyon and West Cat Canyon Fields in Santa Barbara County, California. Lonquist & Co., LLC prepared reports of estimated proved oil and gas reserves for our wholly owned assets in Colombia.

The following supplementary information includes our results of operations for oil and gas production activities; capitalized costs related to oil and gas producing activities; and costs incurred in oil and gas property acquisition, exploration and development. Supplemental information is also provided for the estimated quantities of proved oil and gas reserves; the standardized measure of discounted future net cash flows associated with proved oil and gas reserves; and a summary of the changes in the standardized measure of discounted future net cash flows associated with proved oil and gas reserves.

Results of Operations

Results of operations consist of all activities within our Oil and Gas operating segment, or in discontinued operations in some cases. Net revenues from production include only the revenues from the production and sale of natural gas, oil, and natural gas liquids. Production costs are those incurred to operate and maintain wells and related equipment and facilities used in oil and gas operations. Exploration expenses include dry-hole costs, geological and geophysical expenses, and the costs of retaining undeveloped leaseholds. Income tax expense is calculated by applying the current statutory tax rates to the revenues after deducting costs, which include depreciation, depletion and amortization (DD&A) allowances, after giving effect to permanent differences. The results of operations exclude general office overhead and interest expense attributable to oil and gas activities.

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	United States	Canada	Colombia	Total
		(in thousands)		
Results of Operations				
For the year ended December 31, 2011:				
Consolidated Subsidiaries				
Revenue	$ 25,684	$ 7,046	$ 12,378	$ 45,108
Production costs	12,682	27,432(3)	3,704	43,818
Exploration expenses	23,768	3,324	122	27,214
Depreciation and depletion	22,350	104	949	23,403
Impairment of oil and gas properties	71,392	183,654		255,046
Loss (gain) on dispositions	(6,642)		(39,599)	(46,241)
Related income tax expense (benefit)	(38,707)	(54,979)	15,577	(78,109)
Results of producing activities for consolidated subsidiaries	$ (59,159)	$ (152,489)	$ 31,625	$ (180,023)
Equity Companies(1)				
Revenue	$ 98,933	$ 1,335	$ 26,730	$ 126,998
Production costs	27,790	4,600	10,598	42,988
Depreciation and depletion	39,564	1,032	9,806	50,402
Impairment of oil and gas properties	15,624			15,624
Realized loss (gain) on derivative instruments	(33,969)	(84)		(34,053)
Loss (gain) on acquisitions/dispositions	(49,484)		(95,301)	(144,785)
Related income tax expense (benefit)(2)			6,055	6,055
Results of producing activities for equity companies	$ 99,408	$ (4,213)	$ 95,572	$ 190,767
Total results of operations	$ 40,249	$ (156,702)	$ 127,197	$ 10,744
For the year ended December 31, 2010:				
Consolidated Subsidiaries				
Revenue	$ 19,180	$ 11,276	$ 16,619	$ 47,075
Production costs	8,510	7,965	7,918	24,393
Exploration expenses			39,047	39,047
Depreciation and depletion	20,092	5,424	3,737	29,253
Impairment of oil and gas properties	110,165			110,165
Related income tax expense (benefit)	(15,856)	(3,078)	610	(18,324)
Results of producing activities for consolidated subsidiaries	$ (103,731)	$ 965	$ (34,693)	$ (137,459)
Equity Companies(1)				
Revenue	$ 64,736	$ 6,038	$ 20,176	$ 90,950
Production costs	18,460	9,036	9,174	36,670
Depreciation and depletion	24,221	6,033	7,058	37,312
Impairment of oil and gas properties	851			851
Realized gain on derivative instruments	(25,424)	(2,543)		(27,967)

Related income tax expense (benefit)(2)				
Results of producing activities for equity companies	$ 46,628	$ (6,488)	$ 3,944	$ 44,084
Total results of operations	$ (57,103)	$ (5,523)	$ (30,749)	$ (93,375)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Represents our proportionate share of interests in our equity companies.

(2) Equity companies are pass-through entities for tax purposes.

(3) Includes $24.2 million of transportation costs from pipeline commitments.

Capitalized Cost

Capitalized costs include the cost of properties, equipment and facilities for oil and gas-producing activities. Capitalized costs for proved properties include costs for oil and gas leaseholds where proved reserves have been identified, development wells, and related equipment and facilities, including development wells in progress. Capitalized costs for unproved properties include costs for acquiring oil and gas leaseholds where no proved reserves have been identified, including costs of exploratory wells that are in the process of drilling or for active completion, and costs of exploratory wells suspended or waiting for completion.

	United States	Canada	Colombia	Total
		(in thousands)		
Capitalized Costs				
For the year ended December 31, 2011:				
Consolidated Subsidiaries				
Property acquisition costs, proved	$ 587,385	$ 101,402	$	$ 688,787
Property acquisition costs, unproved	101,611	92,750	23,767	218,128
Total acquisition costs	688,996	194,152	23,767	906,915
Accumulated depreciation and depletion	(539,380)	(28,838)	(741)	(568,959)
Net capitalized costs for consolidated subsidiaries	$ 149,616	$ 165,314	$ 23,026	$ 337,956
Equity Companies(1)				
Property acquisition costs, proved	$ 1,141,393	$	$	$ 1,141,393
Property acquisition costs, unproved	103,657			103,657
Total acquisition costs	1,245,050			1,245,050
Accumulated depreciation and depletion	(512,503)			(512,503)
Net capitalized costs for equity companies	$ 732,547	$	$	$ 732,547
For the year ended December 31, 2010:				
Consolidated Subsidiaries				
Property acquisition costs, proved	$ 480,618	$ 62,109	$ 57,251	$ 599,978
Property acquisition costs, unproved	136,625	89,785	1,174	227,584
Total acquisition costs	617,243	151,894	58,425	827,562
Accumulated depreciation and depletion	(463,330)	(7,344)	(3,782)	(474,456)

Net capitalized costs for consolidated subsidiaries	$ 153,913	$ 144,550	$ 54,643	$ 353,106
Equity Companies(1)				
Property acquisition costs, proved	$ 749,515	$ 78,224	$ 98,629	$ 926,368
Property acquisition costs, unproved	108,541	28,884	883	138,308
Total acquisition costs	858,056	107,108	99,512	1,064,676
Accumulated depreciation and depletion	(460,622)	(72,338)	(31,825)	(564,785)
Net capitalized costs for equity companies	$ 397,434	$ 34,770	$ 67,687	$ 499,891

(1) Represents our proportionate share of interests in our equity companies.

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Costs Incurred in Oil and Gas Property Acquisitions, Exploration and Development

Amounts reported as costs incurred include both capitalized costs and costs charged to expense during 2011 and 2010, respectively, for oil and gas property acquisition, exploration and development activities. Costs incurred also include new asset retirement obligations established in the current year, as well as increases or decreases to the asset retirement obligations resulting from changes to cost estimates during the year. Exploration costs include the costs of drilling and equipping successful exploration wells, as well as dry-hole costs, geological and geophysical expenses, and the costs of retaining undeveloped leaseholds. Development costs include the costs of drilling and equipping development wells, and construction of related production facilities.

	United States	Canada	Colombia	Total
		(in thousands)		
Costs incurred in property acquisitions, exploration and development activities				
For the year ended December 31, 2011:				
Consolidated Subsidiaries				
Property acquisition costs, proved	$ 23,051	$ 7,748	$	$ 30,799
Property acquisition costs, unproved	37,272	26,099		63,371
Exploration costs	49,156		122	49,278
Development costs	43,780	184	19,605	63,569
Asset retirement costs	496	750	254	1,500
Total costs incurred for consolidated subsidiaries	$ 153,755	$ 34,781	$ 19,981	$ 208,517
Equity Companies(1)				
Property acquisition costs, proved	$ 232,410	$	$	$ 232,410
Property acquisition costs, unproved	14,268		4,395	18,663
Exploration costs	252			252
Development costs	136,711			136,711
Asset retirement costs	2,834			2,834
Total costs incurred for equity companies	$ 386,475	$	$ 4,395	$ 390,870
For the year ended December 31, 2010:				
Consolidated Subsidiaries				
Property acquisition costs, proved	$ 25,080	$	$	$ 25,080
Property acquisition costs, unproved	25,202		1,000	26,202
Exploration costs	8,199		33,599	41,798
Development costs	19,118	3,876		22,994
Asset retirement costs			770	770
Total costs incurred for consolidated subsidiaries	$ 77,599	$ 3,876	$ 35,369	$ 116,844
Equity Companies(1)				
Property acquisition costs, proved	$ 29,975	$	$	$ 29,975
Property acquisition costs, unproved	34,207			34,207
Exploration costs	108		29,927	30,035
Development costs	118,828	1,056	11,805	131,689
Asset retirement costs	296		(104)	192

Total costs incurred for equity companies	$ 183,414	$ 1,056	$ 41,628	$ 226,098

(1) Represents our proportionate share of interests in equity companies.

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Oil and Gas Reserves

The reserve disclosures that follow reflect estimates of proved reserves for our consolidated subsidiaries and equity companies of natural gas, oil, and natural gas liquids owned at December 31, 2011 and 2010 and changes in proved reserves during 2011 and 2010. Our year-end reserve volumes in the following tables were calculated using average prices during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period. These reserve quantities are also used in calculating unit-of-production depreciation rates and in calculating the standardized measure of discounted net cash flow. Estimates of volumes of proved reserves of natural gas at year end are expressed in billions of cubic feet of natural gas (Bcf) at a pressure base of 14.73 pounds per square inch for natural gas and in millions of barrels (MMBbls) for oil and natural gas liquids.

For our wholly owned properties in the United States and the properties of our unconsolidated U.S. joint venture, the prices used in our reserve reports were $4.12 per mcf for the 12-month average of natural gas, $57.71 per barrel for natural gas liquids and $96.19 per barrel for oil at December 31, 2011. For our wholly owned properties in Canada, the price used in our reserve reports was $3.85 per mcf for the 12-month average of natural gas at December 31, 2011.

For our wholly owned properties in the United States, the prices used in our reserve reports were $3.72 per mcf for the 12-month average of natural gas, $36.43 per barrel for liquid natural gas and $61.12 per barrel for oil at December 31, 2010. The prices used in our reserve reports by our unconsolidated U.S. joint venture were $4.53 per mcf for the 12-month average of natural gas, $39.04 per barrel for liquid natural gas and $70.60 per barrel for oil at December 31, 2010. For our wholly owned properties in Canada, the price used in our reserve reports was $2.81 per mcf for the 12-month average of natural gas at December 31, 2010. The 12-month average price for natural gas used in the reserve report by our unconsolidated Canada joint venture was $2.78 per mcf at December 31, 2010. For our wholly owned properties in Colombia, the price used in our reserve reports was $78.21 per barrel for oil at December 31, 2010. The oil price used in the reserve report by our unconsolidated Colombia joint venture was $76.00 per barrel at December 31, 2010.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain.

Revisions can include upward or downward changes in previously estimated volumes of proved reserves for existing fields due to the evaluation or re-evaluation of (1) already available geologic, reservoir or production data, (2) new geologic, reservoir or production data or (3) changes in average prices and year-end costs that are used in the estimation of reserves. This category can also include significant changes in either development strategy or production equipment/facility capacity.

Proved reserves include 100 percent of each majority-owned affiliate s participation in proved reserves and our ownership percentage of the proved reserves of equity companies, but exclude royalties and quantities due others.

In the proved reserves tables, consolidated reserves and equity company reserves are reported separately. However, we do not view equity company reserves any differently than those of our consolidated subsidiaries.

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Net proved developed reserves are those volumes that are expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well. Net proved undeveloped reserves are those volumes that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

	United States		Canada		Colombia		Total	
Reserves	**Liquids (MMBbls)**	**Natural Gas (Bcf)**	**Liquids (MMBbls)**	**Natural Gas (Bcf)**	**Liquids (MMBbls)**	**Natural Gas (Bcf)**	**Liquids (MMBbls)**	**Natural Gas (Bcf)**
Net proved reserves of consolidated subsidiaries								
January 1, 2011	21.2	19.8		5.5	2.0		23.2	25.3
Revisions	0.1	(3.9)		0.9			0.1	(3.0)
Extensions, additions and discoveries	1.6	4.0					1.6	4.0
Production	(0.2)	(3.0)		(2.1)	(0.1)		(0.3)	(5.1)
Purchases in place				3.9				3.9
Sales in place	(20.9)(2)				(1.9)		(22.8)	
December 31, 2011	1.8	16.9		8.2			1.8	25.1
January 1, 2010	0.4	29.6		5.0	0.9		1.3	34.6
Revisions	0.1	(11.7)		3.6	(0.7)		(0.6)	(8.1)
Extensions, additions and discoveries		5.0			2.0		2.0	5.0
Production	(0.1)	(3.1)		(3.1)	(0.2)		(0.3)	(6.2)
Purchases in place	20.8(2)						20.8	
Sales in place								
December 31, 2010	21.2	19.8		5.5	2.0		23.2	25.3
Proportional interest in proved reserves of equity companies								
January 1, 2011	7.9	552.8		5.2	1.9		9.8	558.0
Revisions	(4.2)	(359.0)					(4.2)	(359.0)
Extensions, additions and discoveries	3.2	103.1					3.2	103.1
Production	(0.4)	(18.6)		(0.4)	(0.3)		(0.7)	(19.0)
Purchases in place	9.4	304.2(3)					9.4	304.2
Sales in place				(4.8)(4)	(1.6)(5)		(1.6)	(4.8)
December 31, 2011	15.9	582.5					15.9	582.5
January 1, 2010	5.2	466.9		7.5	0.6		5.8	474.4
Revisions	1.5	(119.1)		(0.8)	0.5		2.0	(119.9)
Extensions, additions and discoveries	0.6	108.5			1.3		1.9	108.5
Production	(0.2)	(12.3)		(1.5)	(0.3)		(0.5)	(13.8)
Purchases in place	0.8	109.8					0.8	109.8
Sales in place		(1.0)			(0.2)		(0.2)	(1.0)
December 31, 2010	7.9	552.8		5.2	1.9		9.8	558.0

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	United States		Canada		Colombia		Total	
Reserves	**Liquids (MMBbls)**	**Natural Gas (Bcf)**	**Liquids (MMBbls)**	**Natural Gas (Bcf)**	**Liquids (MMBbls)**	**Natural Gas (Bcf)**	**Liquids (MMBbls)**	**Natural Gas (Bcf)**
Total proved reserves at December 31, 2009	5.6	496.5		12.5	1.5		7.1	509.0
Total proved reserves at December 31, 2010	29.1	572.6		10.7	3.9		33.0	583.3
Total proved reserves at December 31, 2011	17.7	599.4		8.2			17.7	607.6
Proved Developed Reserves at January 1, 2010								
Consolidated subsidiaries	0.2	18.4		5.0	0.6		0.8	23.4
Equity companies(1)	1.8	106.6		7.5	0.5		2.3	114.1
Proved Developed Reserves at December 31, 2010								
Consolidated subsidiaries	2.7	17.1		5.5	1.6		4.3	22.6
Equity companies(1)	3.0	147.1		5.2	0.5		3.5	152.3
Proved Developed Reserves at December 31, 2011								
Consolidated subsidiaries	0.9	13.6		8.2			0.9	21.8
Equity companies(1)	6.3	256.4					6.3	256.4
Proved Undeveloped Reserves at January 1, 2010								
Consolidated subsidiaries	0.2	11.2			0.3		0.5	11.2
Equity companies(1)	3.4	360.3			0.1		3.5	360.3
Proved Undeveloped Reserves at December 31, 2010								
Consolidated subsidiaries	18.5	2.7			0.4		18.9	2.7
Equity companies(1)	4.9	405.7			1.4		6.3	405.7
Proved Undeveloped Reserves at December 31, 2011								
Consolidated subsidiaries	0.9	3.3					0.9	3.3
Equity companies(1)	9.6	326.1					9.6	326.1

(1) Represents our proportionate share of interests in equity companies.

(2) On December 14, 2011, we sold our 25% working interest in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California. We received approximately $71.6 million in cash from the sale. During 2010, we purchased our 25% working interest and at December 31, 2010, proved reserves in Cat Canyon were estimated at 20.8 MMBbls.

(3) Relates to acquisitions of properties with 360.4 Bcfe and drilling of non-proved properties of 122.2 Bcfe. In addition, negative revisions of 384 Bcfe were noted primarily resulting from proved undeveloped reserves being reclassified to non-proved status in accordance with the SEC five-year guidance for recording proved reserves.

(4) Relates to SMVP that was dissolved in June 2011, and of proved reserves of 4.8 Bcfe that was exchanged for our ownership interest.

(5) Relates to the sale of Remora s assets which resulted in a decrease in proved reserves of 9.5 Bcfe.

Standardized Measure of Discounted Future Cash Flows

For the years ended December 31, 2011 and 2010, the standardized measure of discounted future net cash flow was computed by applying first-day-of-the-month average prices, year-end costs and legislated tax rates and

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a discount factor of 10 percent to proved reserves. Estimated future net cash flows for all periods presented are reduced by estimated future development, production, abandonment and dismantlement costs based on existing costs, assuming continuation of existing economic conditions, and by estimated future income tax expense. These estimates also include assumptions about the timing of future production of proved reserves, and timing of future development, production costs, and abandonment and dismantlement. Income tax expense, both U.S. and global, is calculated by applying the existing statutory tax rates, including any known future changes, to the pretax net cash flows giving effect to any permanent differences and reduced by the applicable tax basis. The 10-percent discount factor is prescribed by GAAP.

The present value of future net cash flows does not purport to be an estimate of the fair market value of our consolidated subsidiaries and equity companies proved reserves. An estimate of fair value would also take into account, among other things, anticipated changes in future prices and costs, the expected recovery of reserves in excess of proved reserves and a discount factor more representative of the time value of money and the risks inherent in producing oil and gas. Significant changes in estimated reserve volumes or commodity prices could have a material effect on our consolidated financial statements.

	United States	Canada	Colombia	Total
		(in thousands)		
Standardized Measure of Discounted Future Cash Flows				
For the year ended December 31, 2011:				
Consolidated Subsidiaries				
Future cash flows from sales of oil and gas	$ 225,141	$ 20,906	$	$ 246,047
Future production costs	(66,448)	(5,761)		(72,209)
Future development costs	(45,505)	(1,607)		(47,112)
Future income tax expense(2)				
Future net cash inflows	113,188	13,538		126,726
Effect of discounting net cash flows at 10%	(55,886)	(2,527)		(58,413)
Discounted future net cash flows	$ 57,302	$ 11,011	$	$ 68,313
Equity Companies(1)				
Future cash flows from sales of oil and gas	$ 3,347,348	$	$	$ 3,347,348
Future production costs	(1,005,922)			(1,005,922)
Future development costs	(660,509)			(660,509)
Future income tax expense(3)				
Future net cash inflows	1,680,917			1,680,917
Effect of discounting net cash flows at 10%	(1,098,854)			(1,098,854)
Discounted future net cash flows	$ 582,063	$	$	$ 582,063
Total consolidated and equity interests in standardized measure of discounted future net cash flows	$ 639,365	$ 11,011	$	$ 650,376
For the year ended December 31, 2010:				
Consolidated Subsidiaries				
Future cash flows from sales of oil and gas	$ 1,468,944	$ 16,435	$ 156,921	$ 1,642,300
Future production costs	(481,487)	(5,600)	(83,556)	(570,643)
Future development costs	(152,309)	(360)	(16,216)	(168,885)
Future income tax expense(2)	(268,774)			(268,774)

Future net cash inflows	566,374	10,475	57,149	633,998
Effect of discounting net cash flows at 10%	(353,232)	(2,046)	(10,256)	(365,534)
Discounted future net cash flows	$ 213,142	$ 8,429	$ 46,893	$ 268,464
Equity Companies(1)				
Future cash flows from sales of oil and gas	$ 2,889,308	$ 14,713	$ 141,410	$ 3,045,431
Future production costs	(752,792)	(6,463)	(56,837)	(816,092)
Future development costs	(850,053)	(992)	(12,307)	(863,352)
Future income tax expense [3]				
Future net cash inflows	1,286,463	7,258	72,266	1,365,987
Effect of discounting net cash flows at 10%	(995,091)	(1,477)	(14,313)	(1,010,881)
Discounted future net cash flows	$ 291,372	$ 5,781	$ 57,953	$ 355,106
Total consolidated and equity interests in standardized measure of discounted future net cash flows	$ 504,514	$ 14,210	$ 104,846	$ 623,570

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Represents our proportionate share of interests in equity companies.

(2) For Canada and Colombia, there are net operating loss carryforwards that are expected to offset any future taxable earnings.

(3) Equity companies are pass-through entities for tax purposes.

Change in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The following table reflects the estimate of changes in the standardized measure of discounted future net cash flows from proved reserves:

	United States	Canada	Colombia	Total
		(in thousands)		
Change in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves				
Consolidated Subsidiaries				
Discounted future net cash flows as of December 31, 2009	$ 38,345	$ 6,527	$ 11,741	$ 56,613
Value of reserves added during the year due to extensions, discoveries and net purchases less related costs	8,037		45,072	53,109
Changes in value of previous-year reserves due to:				
Sales of oil and gas produced, net of production costs	(10,670)	(3,311)	(8,701)	(22,682)
Development costs incurred during the year	8,359			8,359
Net change in prices and production costs	96,662	46	(2,555)	94,153
Net change in future development costs	4,155	(192)	285	4,248
Revisions of previous reserves estimates	(27,501)	5,628	(7,093)	(28,966)
Purchases of reserves	196,613(4)			196,613
Accretion of discount	3,562	496	1,030	5,088
Other	(17,357)	(765)	7,114	(11,008)
Net change in income taxes(2)	(87,063)			(87,063)
Total change in the standardized measure for consolidated subsidiaries	$ 174,797	$ 1,902	$ 35,152	$ 211,851
Discounted future net cash flows as of December 31, 2010	$ 213,142	$ 8,429	$ 46,893	$ 268,464
Value of reserves added during the year due to extensions, discoveries and net purchases less related costs	32,838			32,838
Changes in value of previous-year reserves due to:				
Sales of oil and gas produced, net of production costs	(14,247)	(5,848)	(8,674)	(28,769)
Development costs incurred during the year	360			360
Net change in prices and production costs	(15,274)	1,221		(14,053)

Net change in future development costs	775			775
Revisions of previous reserves estimates	(5,285)	1,219	19,859	15,793
Purchases of reserves		4,557		4,557
Divestiture of reserves	(272,448)(4)		(58,078)(5)	(330,526)
Accretion of discount	30,021	843		30,864
Other	356	590		946
Net change in income taxes(2)	87,064			87,064
Total change in the standardized measure for consolidated subsidiaries	$ (155,840)	$ 2,582	$ (46,893)	$ (200,151)

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	United States	Canada	Colombia	Total
		(in thousands)		
Discounted future net cash flows as of December 31, 2011	$ 57,302	$ 11,011	$	$ 68,313
Equity Companies(1)				
Discounted future net cash flows as of December 31, 2009	$ 52,941	$ 9,569	$ 13,706	$ 76,216
Value of reserves added during the year due to extensions, discoveries and net purchases less related costs	20,230		40,664	60,894
Changes in value of previous-year reserves due to:				
Sales of oil and gas produced, net of production costs	(46,276)	2,998	(11,002)	(54,280)
Development costs incurred during the year	69,207			69,207
Net change in prices and production costs	90,974	(5,205)	3,032	88,801
Net change in future development costs		(374)	(847)	(1,221)
Revisions of previous reserves estimates	76,723	(1,077)	17,289	92,935
Purchases of reserves	5,453			5,453
Sales of reserves	(1,446)		(5,418)	(6,864)
Accretion of discount	5,294	794	529	6,617
Other	18,272	(924)		17,348
Net change in income taxes(3)				
Total change in the standardized measure for equity companies	$ 238,431	$ (3,788)	$ 44,247	$ 278,890
Discounted future net cash flows as of December 31, 2010	$ 291,372	$ 5,781	$ 57,953	$ 355,106
Value of reserves added during the year due to extensions, discoveries and net purchases less related costs	83,692			83,692
Changes in value of previous-year reserves due to:				
Sales of oil and gas produced, net of production costs	(71,143)	3,245	(16,132)	(84,030)
Development costs incurred during the year	44,294			44,294
Net change in prices and production costs	(20,856)			(20,856)
Net change in future development costs	(51,098)			(51,098)
Revisions of previous reserves estimates	20,178			20,178
Purchases of reserves	262,719			262,719
Divestiture of reserves		(9,026)(6)	(41,821)(5)	(50,847)
Sales of reserves				
Accretion of discount	29,155			29,155
Other	(6,250)			(6,250)
Net change in income taxes(3)				
Total change in the standardized measure for equity companies	$ 290,691	$ (5,781)	$ (57,953)	$ 226,957
Discounted future net cash flows as of December 31, 2011	$ 582,063	$	$	$ 582,063

(1) Represents our proportionate share of interests in equity companies.

(2) For Canada and Colombia, there are net operating loss carryforwards that are expected to offset any future taxable earnings.

(3) Equity companies are pass-through entities for tax purposes.

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) On December 14, 2011, we sold our 25% working interest in the Cat Canyon and West Cat Canyon fields in Santa Barbara County, California. We received approximately $71.6 million in cash from the sale. During 2010, we purchased our 25% working interest and at December 31, 2010, proved reserves in Cat Canyon were estimated at 20.8 MMBbls.

(5) In April 2011, some of our wholly owned oil and gas assets in Colombia were sold. Remora completed sales of its oil and gas assets in Colombia, resulting in a decrease of proved reserves of 9.5 Bcfe, in the second quarter of 2011.

(6) In June 2011, SMVP that was dissolved in June 2011, resulting in a decrease in proved reserves of 4.8 Bcfe that was exchanged for our ownership interest.

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ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***
Not applicable.

ITEM 9A. ***CONTROLS AND PROCEDURES***
(a) Disclosure Controls and Procedures. We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. We have investments in certain unconsolidated entities that we do not control or manage. Because we do not control or manage these entities, our disclosure controls and procedures with respect to these entities are necessarily more limited than those we maintain with respect to our consolidated subsidiaries.

The Company s management, with the participation of the Company s Deputy Chairman, President and Chief Executive Officer and its Principal Accounting and Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, the Company s Deputy Chairman, President and Chief Executive Officer and its Principal Accounting and Financial Officer have concluded that, as of the end of the period, the Company s disclosure controls and procedures are effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in reports that it files or submits under the Exchange Act and are effective, at the reasonable assurance level, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company s management, including the Company s Deputy Chairman, President and Chief Executive Officer and its Principal Accounting and Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

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Management s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of these limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management conducted an evaluation of the effectiveness of the Company s internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company s internal control over financial reporting was effective as of December 31, 2011. PricewaterhouseCoopers LLP has issued a report on the effectiveness of internal control over financial reporting, which is included in Part II, Item 8 of this report.

ITEM 9B. ***OTHER INFORMATION***

Not applicable.

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PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information called for by this item will be contained in the definitive Proxy Statement to be distributed in connection with our 2012 annual general meeting of shareholders under the captions *Election of Directors*, *Other Executive Officers*, *Section 16(a) Beneficial Ownership Reporting Compliance*, and is incorporated into this document by reference.

We have adopted a Code of Business Conduct that applies to all employees, including our principal executive officer, principal financial officer, and principal accounting officer. The Code of Ethics satisfies the SEC s definition of a Code of Ethics and is posted on our website at *www.nabors.com*. We intend to disclose on our website any amendments to the Code of Conduct and any waivers of the Code that apply to our principal executive officer, principal financial officer, or principal accounting officer.

On June 27, 2011, we filed with the New York Stock Exchange the Annual CEO Certification regarding our compliance with the Exchange s Corporate Governance listing standards as required by Section 303A-12(a) of the Exchange s Listed Company Manual.

ITEM 11. *EXECUTIVE COMPENSATION*

The information called for by this item will be contained in our definitive Proxy Statement to be distributed in connection with our 2012 annual general meeting of shareholders under the caption *Management Compensation* and except as specified in the following sentence, is incorporated into this document by reference. Information in Nabors 2012 proxy statement not deemed to be soliciting material or filed with the Commission under its rules, including the Compensation Committee Report, is not deemed to be incorporated by reference.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS*

We maintain five different equity compensation plans: 1996 Employee Stock Plan, 1998 Employee Stock Plan, 1999 Stock Option Plan for Non-Employee Directors and 2003 Employee Stock Plan pursuant to which we may grant equity awards to eligible persons. The terms of our equity compensation plans are described more fully below.

The following table gives information about these equity compensation plans as of December 31, 2011:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	24,117,560	$ 18.2095	15,526,990
Equity compensation plans not approved by security holders	3,751,746	$ 23.6976	842,191
Total			

(1) The 1996 Employee Stock Plan incorporated an evergreen formula pursuant to which on each January 1, the aggregate number of shares reserved for issuance under the plan were increased by an amount equal to

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1.5% of the common shares outstanding on September 30 of the immediately preceding fiscal year. Effective January 1, 2006, no new awards could be granted under this plan but there are outstanding awards that were granted before this date.

(2) The 2003 Employee Stock Plan provides, commencing on June 1, 2006 and expiring June 1, 2013, on each January 1 for an automatic increase in the number of shares reserved and available for issuance under the Plan by an amount equal to two percent (2%) of the Company s outstanding common shares as of each June 1 or January 1 date.

Following is a brief summary of the material terms of the plans that have not been approved by our shareholders. Unless otherwise indicated, (1) each plan is administered by an independent committee appointed by the Company s Board of Directors; (2) the exercise price of options granted under each plan must be no less than 100% of the fair market value per common share on the date of the grant of the option; (3) the term of an award granted under each plan may not exceed 10 years; (4) options granted under the plan are nonstatutory options (NSOs) not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the IRC); and (5) unless otherwise determined by the committee in its discretion, options may not be exercised after the optionee has ceased to be employed by the Company.

1998 Employee Stock Plan

The plan reserved for issuance up to 35,000,000 common shares of the Company pursuant to the exercise of options granted under the plan. The persons eligible to participate in the plan were employees and consultants of the Company. Options granted to employees were either awards of shares, non-qualified stock options (each, an NQSO), incentive stock options (each, an ISO) or stock appreciation rights (each, an SAR). An optionee may reduce the option exercise price by paying the Company in cash, shares, options, or the equivalent, an amount equal to the difference between the exercise price and the reduced exercise price of the option. The administrative committee established performance goals for stock awards in writing and not later than the date required for compliance under Section 162(m) of the IRC, and vesting of these shares was contingent upon the attainment of such performance goals. Stock awards vest over a period determined by the committee. The Plan expired on January 8, 2008 and effective that date, no new awards could be granted even though there are outstanding awards that were granted before this date. The committee could grant ISOs of not less than 100% of the fair market value per common share on the date of grant; except that in the event the optionee owns on the date of grant, securities possessing more than 10% of the total combined voting power of all classes of securities of the Company or of any subsidiary of the Company, the price per share must not have been less than 110% of the fair market value per common share on the date of the grant. The option must expire five years from the date it is granted. SARs may be granted in conjunction with all or part of any option granted under the plan, in which case the exercise of the SAR must require the cancellation of a corresponding portion of the option; conversely, the exercise of the option will result in cancellation of a corresponding portion of the SAR. In the case of a NQSO, SARs may be granted either at or after the time of grant of the option. In the case of an ISO, SARs may be granted only at the time of grant of the option. A SAR may also be granted on a stand-alone basis. The term of a SAR must be established by the committee. The exercise price of a SAR cannot be less than 100% of the fair market value per common share on the date of grant. The committee has the authority to make provisions in its award and grant agreements to address vesting and other issues arising in connection with a change of control.

1999 Stock Option Plan for Non-Employee Directors

The plan reserves for issuance up to 3,000,000 common shares of the Company pursuant to the exercise of options granted under the plan. The plan is administered by the Board of Directors or a committee appointed by the Board. Eligible directors may not consider or vote on the administration of the plan or serve as a member of the committee. Options may be granted under the plan to non-employee directors of the Company. Options vest and become non-forfeitable on the first anniversary of the option grant if the optionee has continued to serve as a director until that day, unless otherwise provided. In the event of termination of an optionee s service as a

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director by reason of voluntary retirement, declining to stand for re-election or becoming a full-time employee of the Company or a subsidiary of the Company, all unvested options granted under the Plan automatically expire and are not exercisable, and all unexercised options continue to be exercisable until their stated expiration date. In the event of death or disability of an optionee while the optionee is a director, the then-outstanding options of such optionee become exercisable for two years from the date of the death or disability. All unvested options automatically vest and become non-forfeitable as of the date of death or disability and become exercisable for two years from the date of the death of the optionee or until the stated expiration date, whichever is earlier. In the event of the termination of an optionee s service as a director by the Board of Directors for cause or the failure of such director to be re-elected, the administrator of the plan in its sole discretion can cancel the then-outstanding options of the optionee, including options that have vested, and those options automatically expire and become non-exercisable on the effective date of the termination.

The remainder of the information called for by this item will be contained in our definitive Proxy Statement to be distributed in connection with our 2012 annual general meeting of shareholders under the caption *Share Ownership of Management and Principal Shareholders* and is incorporated into this document by reference.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE***

The information called for by this item will be contained in our definitive Proxy Statement to be distributed in connection with our 2012 annual general meeting of shareholders under the caption *Certain Relationships and Related Transactions* and is incorporated into this document by reference.

ITEM 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

The information called for by this item will be contained in our definitive Proxy Statement to be distributed in connection with our 2012 annual general meeting of shareholders under the caption *Independent Auditor Fees* and is incorporated into this document by reference.

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PART IV

ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULE***
(a) The following documents are filed as part of this report:

(1) Financial Statements

	Page No.
Consolidated Balance Sheets as of December 31, 2011 and 2010	65
Consolidated Statements of Income (Loss) for the Years Ended December 31, 2011, 2010 and 2009	66
Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009	67
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2011, 2010 and 2009	68

(2) Financial Statement Schedule

	Page No.
Schedule II Valuation and Qualifying Accounts	157

All other supplemental schedules are omitted because of the absence of the conditions under which they would be required or because the required information is included in the financial statements or related notes.

(b) Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger among Nabors Industries, Inc., Nabors Acquisition Corp. VIII, Nabors Industries Ltd. and Nabors US Holdings Inc. (incorporated by reference to Annex I to the proxy statement/prospectus included in our Registration Statement on Form S-4 (File No. 333-76198) filed with the SEC on May 10, 2002, as amended).
2.2	Agreement and Plan of Merger, by and among Nabors Industries Ltd., Diamond Acquisition Corp., and Superior, dated as of August 6, 2010 (incorporated by reference to Exhibit 2.2 to our Form 8-K (File No. 001-32657) filed with the SEC on August 9, 2010).
3.1	Memorandum of Association of Nabors Industries Ltd. (incorporated by reference to Annex II to the proxy statement/prospectus included in our Registration Statement on Form S-4 (File No. 333-76198) filed with the SEC on May 10, 2002, as amended).
3.2	Amended and Restated Bye-Laws of Nabors Industries Ltd. (incorporated by reference to Exhibit 4.2 to our Form 10-Q (File No. 000-49887) filed with the SEC on August 3, 2005).
3.2(a)	Amendment to Amended and Restated Bye-Laws of Nabors Industries Ltd. (incorporated by reference to Exhibit A of our Proxy Statement (File No. 001-32657) filed with the SEC on February 24, 2006).
3.3	Form of Resolutions of our Board of Directors authorizing the issue of the Special Voting Preferred Share (incorporated by reference to Exhibit 3.3 to our Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (File No. 333-85228-99) filed with the SEC on June 11, 2002).
4.1	Indenture, dated August 22, 2002, among Nabors Industries, Inc., as issuer, Nabors Industries Ltd., as guarantor, and Bank One, N.A., with respect to Nabors Industries, Inc. s Series A and Series B 5.375% Senior Notes due 2012

(incorporated by reference to Exhibit 4.1 to Nabors Industries, Inc. s Registration Statement on Form S-4 (File No. 333-10049201) filed with the SEC on October 11, 2002).

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Exhibit No.	Description
4.2	Purchase Agreement, dated February 14, 2008, among Nabors Industries, Inc., Nabors Industries Ltd., Citigroup Global Markets Inc. and UBS Securities LLC, with respect to Nabors Industries, Inc. s 6.15% Senior Notes due 2018 (incorporated by reference to Exhibit 4.1 to our Form 8-K (File No. 001-32657) filed with the SEC on February 25, 2008).
4.2(a)	Indenture, dated February 20, 2008, among Nabors Industries, Inc., Nabors Industries Ltd. and Wells Fargo Bank, National Association, as trustee, with respect to Nabors Industries, Inc. s 6.15% Senior Notes due 2018 (including form of 6.15% Senior Note due 2018) (incorporated by reference to Exhibit 4.2 to our Form 8-K (File No. 001-32657) filed with the SEC on February 25, 2008).
4.2(b)	Registration Rights Agreement, dated as of February 20, 2008, among Nabors Industries, Inc., Nabors Industries, Ltd., Citigroup Global Markets Inc. and UBS Securities LLC, with respect to Nabors Industries, Inc. s 6.15% Senior Notes due 2018 (incorporated by reference to Exhibit 4.3 to our Form 8-K (File No. 001-32657) filed with the SEC on February 25, 2008).
4.3	Purchase Agreement, dated July 17, 2008, among Nabors Industries, Inc., Nabors Industries, Ltd., Citigroup Global Markets Inc. and UBS Securities LLC, with respect to Nabors Industries, Inc. s 6.15% Senior Notes due 2018 (incorporated by reference to Exhibit 4.1 to our Form 8-K (File No. 001-32657) filed with the SEC on July 23, 2008).
4.3(a)	Registration Rights Agreement, dated July 22, 2008, among Nabors Industries, Inc., Nabors Industries, Ltd., Citigroup Global Markets Inc. and UBS Securities LLC, with respect to Nabors Industries, Inc. s 6.15% Senior Notes due 2018 (incorporated by reference to Exhibit 4.2 to our Form 8-K (File No. 001-32657) filed with the SEC on July 23, 2008).
4.4	Purchase Agreement, dated January 7, 2009, among Nabors Industries, Inc., Nabors Industries Ltd., Goldman, Sachs & Co., UBS Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Howard Weil Incorporated, J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated, Tudor, Pickering, Holt & Co. Securities, Inc. and Wells Fargo Securities, LLC, with respect to Nabors Industries, Inc. s 9.25% Senior Notes due 2019 (incorporated by reference to Exhibit 4.1 to our Form 8-K (File No. 001-32657) filed with the SEC on January 14, 2009).
4.4(a)	Indenture related to the Senior Notes due 2019, dated as of January 12, 2009, among Nabors Industries, Inc., Nabors Industries Ltd. and Wells Fargo Bank, National Association, as trustee, with respect to Nabors Industries, Inc. s 9.25% Senior Notes due 2019 (including form of 9.25% Senior Note due 2019) (incorporated by reference to Exhibit 4.2 to our Form 8-K (File No. 001-32657) filed with the SEC on January 14, 2009).
4.4(b)	Registration Rights Agreement, dated as of January 12, 2009, among Nabors Industries, Inc., Nabors Industries Ltd., Goldman, Sachs & Co., UBS Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Howard Weil Incorporated, J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated, Tudor, Pickering, Holt & Co. Securities, Inc. and Wells Fargo Securities, LLC, with respect to Nabors Industries, Inc. s 9.25% Senior Notes due 2019 (incorporated by reference to Exhibit 4.2 to our Form 8-K (File No. 001-32657) filed with the SEC on January 14, 2009).
4.5	Purchase Agreement, dated September 9, 2010, among Nabors Industries, Inc., Nabors Industries Ltd., UBS Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Mizuho Securities USA Inc., Banc of America Securities LLC, Morgan Stanley & Co. Incorporated, HSBC Securities (USA) Inc., PNC Capital Markets LLC and Scotia Capital (USA) Inc. with respect to Nabors Industries, Inc. s 5.0% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 to our Form 8-K (File No. 001-32657) filed with the SEC on September 15, 2010).

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Exhibit No.	Description
4.5(a)	Indenture dated as of September 14, 2010, among Nabors Industries, Inc., Nabors Industries Ltd., Wilmington Trust Company, as trustee and Citibank, N.A. as securities administrator, with respect to Nabors Industries, Inc. s 5.0% Senior Notes due 2020 (including form of 5.0% Senior Note due 2020) (incorporated by reference to Exhibit 4.2 to our Form 8-K (File No. 001-32657) filed with the SEC on September 15, 2010).
4.5(b)	Registration Rights Agreement, dated as of September 14, 2010, among Nabors Industries, Inc., Nabors Industries Ltd., UBS Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Mizuho Securities USA Inc., Banc of America Securities LLC, Morgan Stanley & Co. Incorporated, HSBC Securities (USA) Inc., PNC Capital Markets LLC and Scotia Capital (USA) Inc. with respect to Nabors Industries, Inc. s 5.0% Senior Notes due 2020 (incorporated by reference to Exhibit 4.3 to our Form 8-K (File No. 001-32657) filed with the SEC on September 15, 2010).
4.6	Tender and Voting Agreement, by and among Nabors Industries Ltd., Diamond Acquisition Corp, and certain Superior stockholders, dated as of August 6, 2010 (incorporated by reference to Exhibit 10.2 to our Form 8-K (File No. 001-32657) filed with the SEC on August 9, 2010).
4.7	Purchase Agreement, dated August 16, 2011, among Nabors Industries, Inc., Nabors Industries Ltd., Citigroup Global Markets Inc., Mizuho Securities USA Inc., UBS Securities LLC, Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, HSBC Securities (USA) Inc. and PNC Capital Markets LLC with respect to Nabors Industries, Inc. s 4.625% Senior Notes due 2021 (incorporated by reference to Exhibit 10.1 to our Form 8-K (File No. 001-32657) filed with the SEC on August 17, 2011).
4.7(a)	Indenture dated as of August 23, 2011, among Nabors Industries, Inc., Nabors Industries Ltd., Wilmington Trust, National Association, as trustee and Citibank, N.A. as securities administrator, with respect to Nabors Industries, Inc. s 4.625% Senior Notes due 2021 (including form of 4.625% Senior Note due 2021) (incorporated by reference to Exhibit 4.1 to our Form 8-K (File No. 001-32657) filed with the SEC on August 24, 2011).
4.7(b)	Registration Rights Agreement, dated as of August 23, 2011, among Nabors Industries, Inc., Nabors Industries Ltd., and Citigroup Global Markets Inc. as representative of the Initial Purchasers, with respect to Nabors Industries, Inc. s 4.625% Senior Notes due 2021 (incorporated by reference to Exhibit 4.2 to our Form 8-K (File No. 001-32657) filed with the SEC on August 24, 2011).
10.1(+)	Executive Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Eugene M. Isenberg, dated as of April 1, 2009 (incorporated by reference to Exhibit 10.1 to our Form 8-K (File No. 001-32657) filed with the SEC on April 30, 2009).
10.1(a) (+)	First Amendment to Executive Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Eugene M. Isenberg, dated as of June 29, 2009 (incorporated by reference to Exhibit 10.1 to our Form 8-K (File No. 001-32657) filed with the SEC on July 1, 2009).
10.1(b) (+)	Second Amendment to Executive Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Eugene M. Isenberg, dated as of December 28, 2009 (incorporated by reference to Exhibit 10.1 to our Form 8-K (File No. 001-32657) filed with the SEC on December 28, 2009).
10.2(+)	Executive Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Anthony G. Petrello, dated as of April 1, 2009 (incorporated by reference to Exhibit 10.2 to our Form 8-K (File No. 001-32657) filed with the SEC on April 30, 2009).

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Exhibit No.	Description
10.2(a) (+)	First Amendment to Executive Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Anthony G. Petrello, dated as of June 29, 2009 (incorporated by reference to Exhibit 10.2 to our Form 8-K (File No. 001-32657) filed with the SEC on July 1, 2009).
10.2(b) (+)	Second Amendment to Executive Employment Agreement between Nabors Industries, Inc., Nabors Industries Ltd. and Anthony G. Petrello, dated as of December 28, 2009 (incorporated by reference to Exhibit 10.2 to our Form 8-K (File No. 001-32657) filed with the SEC on December 28, 2009).
10.2(c) (+)	Employment Agreement effective October 1, 1996, among Nabors Industries, Inc. and Anthony G. Petrello (incorporated by reference to Exhibit 10.8 to our Form 10-Q (File No. 1-9245) filed May 16, 1997).
10.3	Form of Indemnification Agreement entered into between Nabors Industries Ltd. and the directors and executive officers identified in the schedule thereto (incorporated by reference to Exhibit 10.28 to our Form 10-K (File No. 000-49887) filed with the SEC on March 31, 2003).
10.4(+)	Form of Stock Option Agreement Isenberg/Petrello (incorporated by reference to Exhibit 10.03 to our Form 8-K (File No. 000-49887) filed with the SEC on March 2, 2005).
10.5(+)	Form of Stock Option Agreement Others (incorporated by reference to Exhibit 10.04 to our Form 8-K (File No. 000-49887) filed with the SEC on March 2, 2005).
10.6(+)	2003 Employee Stock Plan (incorporated by reference to Annex D of our Proxy Statement (File No. 000-49887) filed with the SEC on May 8, 2003).
10.6(a) (+)	First Amendment to 2003 Employee Stock Plan (incorporated by reference to Exhibit 4.1 to our Form 10-Q (File No. 000-49887) filed with the SEC on August 3, 2005).
10.6(b) (+)	Amended and Restated 2003 Employee Stock Plan (incorporated by reference to Exhibit A of our Proxy Statement (File No. 001-32657) filed with the SEC on May 4, 2006).
10.6(c) (+)	Nabors Industries Ltd. Amended and Restated 2003 Employee Stock Plan (incorporated by reference to Exhibit A of our Revised Definitive Proxy Statement on Schedule 14A (File No. 001-32657) filed with the SEC on May 4, 2006) (incorporated by reference to Exhibit 99.1 to our Form S-8 filed with the SEC on November 12, 2008).
10.7(+)	1996 Employee Stock Plan (incorporated by reference to Nabors Industries Inc. s Registration Statement on Form S-8 (File No. 333-11313) filed with the SEC on September 3, 1996).
10.8(+)	Nabors Industries, Inc. 1997 Executive Officers Incentive Stock Plan (incorporated by reference to Exhibit 10.20 to Nabors Industries Inc. s Form 10-K (File No. 1-9245) filed with the SEC on December 29, 1997).
10.9(+)	Nabors Industries, Inc. 1998 Employee Stock Plan (incorporated by reference to Exhibit 10.19 to Nabors Industries Inc. s Form 10-K (File No. 1-9245) filed with the SEC on March 31, 1999).
10.10(+)	Nabors Industries, Inc. 1999 Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.21 to Nabors Industries Inc. s Form 10-K (File No. 1-9245) filed with the SEC March 31, 1999).
10.10(a) (+)	Amendment to Nabors Industries, Inc. 1999 Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.19 to Nabors Industries Inc. s Form 10-K (File No. 1-09245) filed with the SEC on March 19, 2002).

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Exhibit No.	Description
10.10(b) (+)	Amended and Restated 1999 Stock Option Plan for Non-Employee Directors (amended on May 2, 2003) (incorporated by reference to Exhibit 10.29 to our Form 10-Q (File No. 000-49887) filed with the SEC on May 12, 2003).
10.11	Purchase and Sale Agreement (Red River) by and among El Paso Production Company and El Paso Production GOM Inc., jointly and severally as Seller and Ramshorn Investments, Inc., as Purchaser dated October 8, 2003 (incorporated by reference to Exhibit 10.23 to our Form 10-K (File No. 000-49887) filed with the SEC on March 15, 2004).
10.12	Purchase and Sale Agreement (USA) between El Paso Production Oil & Gas USA, L.P., as Seller and Ramshorn Investments, Inc., as Purchaser dated October 8, 2003 (incorporated by reference to Exhibit 10.24 to our Form 10-K (File No. 000-49887) filed with the SEC on March 15, 2004).
10.13	Credit Agreement, dated as of September 7, 2010, among Nabors Industries, Inc., as borrower, Nabors Industries Ltd., as guarantor, UBS Securities LLC, Citibank, N.A., Deutsche Bank AG New York Branch and Mizuho Corporate Bank (USA), as Joint Lead Arrangers and Joint Bookrunners, UBS Securities LLC, as Documentation Agent and syndication agent, UBS AG, Stamford Branch, as administrative agent, the lenders party thereto from time to time and UBS Loan Finance, LLC, as Swingline Lender (incorporated by reference to Exhibit 10.1 to our Form 8-K (File No. 001-32657) filed with the SEC on September 7, 2010).
10.14	Credit Agreement, dated as of April 20, 2011, among Nabors Industries, Inc., as borrower, Nabors Industries Ltd., as guarantor, Citigroup Global Markets Inc., Mizuho Corporate Bank, Ltd., Morgan Stanley Senior Funding, Inc. and UBS Securities LLC as Joint Lead Arrangers and Joint Bookrunners, Mizuho Corporate Bank, Ltd., Morgan Stanley Senior Funding, Inc. and UBS Securities LLC, as Documentation Agents, Citibank, N.A., as Administrative Agent and Swingline Lender and the lenders party thereto from time to time (incorporated by reference to Exhibit 10.1 to our Form 8-K (File No. 001-32657) filed with the SEC on April 20, 2011).
12	Computation of Ratios.*
14	Code of Business Conduct (incorporated by reference to Exhibit 14 to our Form 10-K (File No. 000-49887) filed with the SEC on March 15, 2004).
18	Preference Letter of Independent Accountants Regarding Change in Accounting Principle (incorporated by reference to Exhibit 18 to our Form 10-Q (File No. 000-49887) filed with the SEC on November 2, 2005).
21	Significant Subsidiaries*
23.1	Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP - Houston.*
23.2	Consent of Miller and Lents, Ltd.*
23.3	Consent of AJM Deloitte*
23.4	Consent of Cawley, Gillespie & Associates, Inc.*
23.5	Consent of Miller and Lents, Ltd.- NFR Energy LLC*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Anthony G. Petrello, Deputy Chairman, President and Chief Executive Officer*

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Exhibit No.	Description
31.2	Rule 13a-14(a)/15d-14(a) Certification of R. Clark Wood, Principal Accounting and Financial Officer*
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Anthony G. Petrello, Deputy Chairman, President and Chief Executive Officer and R. Clark Wood, Principal Accounting and Financial Officer (furnished herewith).
99.1	Report of Miller and Lents, Ltd.*
99.2	Report of AJM Deloitte*
99.3	Report of Cawley, Gillespie & Associates, Inc.*
99.4	Report of Miller and Lents, Ltd. NFR Energy LLC*
99.5	Financial Statements and Notes for NFR Energy LLC*
99.6	Letter from AJM Deloitte*
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

* Filed herewith.
(+) Management contract or compensatory plan or arrangement.

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SIGNATURES

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

NABORS INDUSTRIES LTD.

By: /s/ Anthony G. Petrello
Anthony G. Petrello
Deputy Chairman, President and
Chief Executive Officer

By: /s/ R. Clark Wood
R. Clark Wood
Principal Accounting and
Financial Officer

Date: February 29, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Anthony G. Petrello Anthony G. Petrello	Deputy Chairman, President and Chief Executive Officer	February 29, 2012
/s/ R. Clark Wood R. Clark Wood	Principal Accounting and Financial Officer	February 29, 2012
/s/ William T. Comfort William T. Comfort	Director	February 29, 2012
/s/ John V. Lombardi John V. Lombardi	Director	February 29, 2012
/s/ James L. Payne James L. Payne	Director	February 29, 2012
/s/ Myron M. Sheinfeld Myron M. Sheinfeld	Director	February 29, 2012
/s/ John Yearwood	Director	February 29, 2012

John Yearwood

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SCHEDULE II SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2011, 2010 and 2009

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (In thousands)	Deductions	Balance at End of Period
2011					
Allowance for doubtful accounts	$ 22,507	$ 5,352	$ (29)	$ 13,873	$ 41,703
Inventory reserve	6,784	(1,185)	1,889	(504)	6,984
Valuation allowance on deferred tax assets	1,514,153			(28,613)	1,485,540
2010					
Allowance for doubtful accounts	$ 23,681	$ 1,545	$ 167	$ (2,886)	$ 22,507
Inventory reserve	4,824	(182)	1,695	447	6,784
Valuation allowance on deferred tax assets	1,570,890			(56,737)	1,514,153
2009					
Allowance for doubtful accounts	$ 23,224	$ 5,793	$ 239	$ (5,575)	$ 23,681
Inventory reserve	4,483	1,429		(1,088)	4,824
Valuation allowance on deferred tax assets	132,262	1,438,628			1,570,890

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Exhibit Index

Exhibits	Description
12	Computation of Ratios.
21	Significant Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP Houston.
23.2	Consent of Miller and Lents, Ltd.
23.3	Consent of AJM Deloitte
23.4	Consent of Cawley, Gillespie & Associates, Inc.
23.5	Consent of Miller and Lents, Ltd. NFR Energy LLC
31.1	Rule 13a-14(a)/15d-14(a) Certification of Anthony G. Petrello, Deputy Chairman, President and Chief Executive Officer
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101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document