

NABORS INDUSTRIES LTD
Form 10-Q
August 02, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2013

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of incorporation or organization)

98-0363970

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

Crown House

Second Floor

4 Par-la-Ville Road

Hamilton, HM08

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Bermuda

(441) 292-1510

(Address of principal executive office)

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

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

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

YES NO

The number of common shares, par value \$.001 per share, outstanding as of July 29, 2013 was 295,048,631.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 508,128	\$ 524,922
Short-term investments	99,832	253,282
Assets held for sale	351,263	383,857
Accounts receivable, net	1,342,386	1,382,623
Inventory	235,042	251,133
Deferred income taxes	103,779	110,480
Other current assets	252,402	226,560
Total current assets	2,892,832	3,132,857
Long-term investments and other receivables	3,629	4,269
Property, plant and equipment, net	8,577,586	8,712,088
Goodwill	487,252	472,326
Investment in unconsolidated affiliates	68,444	61,690
Other long-term assets	237,160	272,792
Total assets	\$ 12,266,903	\$ 12,656,022
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	\$ 11,445	\$ 364
Trade accounts payable	498,081	499,010
Accrued liabilities	634,835	599,380
Income taxes payable	35,795	33,628
Total current liabilities	1,180,156	1,132,382
Long-term debt	4,071,191	4,379,336
Other long-term liabilities	464,465	518,664
Deferred income taxes	548,618	599,335
Total liabilities	6,264,430	6,629,717
Commitments and contingencies (Note 9)		
Subsidiary preferred stock (Note 8)	69,188	69,188
Equity:		
Shareholders' equity:		
Common shares, par value \$0.001 per share:		
Authorized common shares 800,000; issued 323,421 and 318,813, respectively	323	319
Capital in excess of par value	2,376,245	2,337,244
Accumulated other comprehensive income	299,016	431,595
Retained earnings	4,191,606	4,120,398
Less: treasury shares, at cost, 28,414 common shares	(944,627)	(944,627)
Total shareholders' equity	5,922,563	5,944,929
Noncontrolling interest	10,722	12,188
Total equity	5,933,285	5,957,117
Total liabilities and equity	\$ 12,266,903	\$ 12,656,022

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

Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues and other income:				
Operating revenues	\$ 1,491,586	\$ 1,737,114	\$ 3,070,231	\$ 3,627,540
Earnings (losses) from unconsolidated affiliates	1,360	(134,317)	4,255	(202,986)
Investment income (loss)	14,821	5,368	94,242	25,620
Total revenues and other income	1,507,767	1,608,165	3,168,728	3,450,174
Costs and other deductions:				
Direct costs	999,192	1,123,256	2,025,234	2,308,072
General and administrative expenses	132,612	133,612	265,157	269,958
Depreciation and amortization	270,199	261,016	543,564	508,637
Interest expense	60,271	63,459	120,279	126,113
Losses (gains) on sales and disposals of long-lived assets and other expense (income), net	9,312	160,917	69,119	159,077
Total costs and other deductions	1,471,586	1,742,260	3,023,353	3,371,857
Income (loss) from continuing operations before income taxes	36,181	(134,095)	145,375	78,317
Income tax expense (benefit):				
Current	11,381	34,698	30,210	60,704
Deferred	(5,209)	(70,890)	(12,766)	(27,852)
Total income tax expense (benefit)	6,172	(36,192)	17,444	32,852
Subsidiary preferred stock dividend	750	750	1,500	1,500
Income (loss) from continuing operations, net of tax	29,259	(98,653)	126,431	43,965
Income (loss) from discontinued operations, net of tax	(28,004)	24,690	(25,958)	15,895
Net income (loss)	1,255	(73,963)	100,473	59,860
Less: Net (income) loss attributable to noncontrolling interest	(5,616)	1,174	(5,713)	1,441
Net income (loss) attributable to Nabors	\$ (4,361)	\$ (72,789)	\$ 94,760	\$ 61,301
Earnings (losses) per share:				
Basic from continuing operations	\$ 0.08	\$ (0.34)	\$ 0.41	\$ 0.16
Basic from discontinued operations	(0.09)	0.09	(0.09)	0.05
Total Basic	\$ (0.01)	\$ (0.25)	\$ 0.32	\$ 0.21
Diluted from continuing operations	\$ 0.08	\$ (0.34)	\$ 0.41	\$ 0.16
Diluted from discontinued operations	(0.09)	0.09	(0.09)	0.05
Total Diluted	\$ (0.01)	\$ (0.25)	\$ 0.32	\$ 0.21
Weighted-average number of common shares outstanding:				
Basic	294,747	290,311	293,217	289,550
Diluted	297,119	290,311	295,644	292,185

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

Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss) attributable to Nabors	\$ (4,361)	\$ (72,789)	\$ 94,760	\$ 61,301
Other comprehensive income (loss), before tax:				
Translation adjustment attributable to Nabors	(29,304)	(19,659)	(52,569)	(2,393)
Unrealized gains/(losses) on marketable securities	(5,137)	(5,008)	5,002	7,215
Less: reclassification adjustment for (gains)/losses included in net income (loss) (Note 11)	(12,183)	(19)	(88,157)	(12,484)
Unrealized gains/(losses) on marketable securities	(17,320)	(5,027)	(83,155)	(5,269)
Pension liability amortization	281	260	562	520
Unrealized gains/(losses) on cash flow hedges	153	191	306	382
Other comprehensive income (loss), before tax	(46,190)	(24,235)	(134,856)	(6,760)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(2,063)	140	(2,277)	(3,584)
Other comprehensive income (loss), net of tax	(44,127)	(24,375)	(132,579)	(3,176)
Comprehensive income (loss) attributable to Nabors	(48,488)	(97,164)	(37,819)	58,125
Net income (loss) attributable to noncontrolling interest	5,616	(1,174)	5,713	(1,441)
Translation adjustment attributable to noncontrolling interest	613	(216)	(801)	27
Comprehensive income (loss) attributable to noncontrolling interest	6,229	(1,390)	4,912	(1,414)
Comprehensive income (loss)	\$ (42,259)	\$ (98,554)	\$ (32,907)	\$ 56,711

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

Table of Contents**NABORS INDUSTRIES LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands)	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss) attributable to Nabors	\$ 94,760	\$ 61,301
Adjustments to net income (loss):		
Depreciation and amortization	543,637	508,748
Depletion and other oil and gas expenses	14,182	151
Deferred income tax expense (benefit)	(20,720)	(15,404)
Impairments and other charges	34,983	159,950
Losses (gains) on investments, net	(91,140)	(21,400)
Share-based compensation	38,824	8,784
Foreign currency transaction losses (gains), net	7,311	2,285
Gain on sale of oil and gas operations		(48,486)
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	(3,891)	202,985
Other	15,422	12,586
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	22,556	(33,981)
Inventory	13,893	6,636
Other current assets	(3,402)	(26,906)
Other long-term assets	25,820	6,693
Trade accounts payable and accrued liabilities	38,216	(94,423)
Income taxes payable	(28,834)	(33,147)
Other long-term liabilities	(36,209)	15,565
Net cash provided by operating activities	665,408	711,937
Cash flows from investing activities:		
Purchases of investments		(795)
Sales and maturities of investments	163,161	25,517
Proceeds from sales of unconsolidated affiliates	10,000	
Investment in unconsolidated affiliate	(3,927)	
Cash paid for acquisition of businesses, net	(37,516)	
Capital expenditures	(500,368)	(967,861)
Proceeds from sales of assets and insurance claims	29,731	116,923
Other	(3,142)	
Net cash used for investing activities	(342,061)	(826,216)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	(8,686)	(2,060)
Dividends to shareholders	(23,552)	
Proceeds from debt	11,569	
Debt issuance costs	(87)	
Proceeds from revolving credit facility		200,000
Proceeds from (payments for) commercial paper, net	295,000	
Proceeds from (payments for) issuance of common shares	3,200	(5,066)
Reduction in long-term debt	(17,853)	(1,235)
Reduction in revolving credit facility	(590,000)	(150,000)
Purchase of restricted stock	(3,023)	(2,071)
Tax (expense) benefit related to share-based awards		(36)
Net cash (used for) provided by financing activities	(333,432)	39,532

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Effect of exchange rate changes on cash and cash equivalents	(6,709)	(3,430)
Net increase (decrease) in cash and cash equivalents	(16,794)	(78,177)
Cash and cash equivalents, beginning of period	524,922	398,575
Cash and cash equivalents, end of period	\$ 508,128	\$ 320,398

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(In thousands)	Common Shares Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non- controlling Interest	Total Equity
As of December 31, 2011	317,042	\$ 317	\$ 2,287,743	\$ 321,264	\$ 3,956,364	\$ (977,873)	\$ 13,402	\$ 5,601,217
Net income (loss)					61,301		(1,441)	59,860
Other comprehensive income (loss), net of tax				(3,176)			27	(3,149)
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options	999	1	(5,067)					(5,066)
Capital contribution from forgiveness of liability, net of tax			62,734					62,734
Issuance of treasury shares, net of tax benefit			(25,496)			33,246		7,750
Share-based compensation	678	1	8,783					8,784
Other			(2,107)				(1,121)	(3,228)
As of June 30, 2012	318,719	\$ 319	\$ 2,326,590	\$ 318,088	\$ 4,017,665	\$ (944,627)	\$ 10,867	\$ 5,728,902
As of December 31, 2012	318,813	\$ 319	\$ 2,337,244	\$ 431,595	\$ 4,120,398	\$ (944,627)	\$ 12,188	\$ 5,957,117
Net income (loss)					94,760		5,713	100,473
Dividends to shareholders (\$.04/share)					(23,552)			(23,552)
Other comprehensive income (loss), net of tax				(132,579)			(801)	(133,380)
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options	343		3,200					3,200
Deconsolidation of non- controlling interest							(2,899)	(2,899)
Share-based compensation	4,265	4	38,824					38,828
Other			(3,023)				(3,479)	(6,502)
As of June 30, 2013	323,421	\$ 323	\$ 2,376,245	\$ 299,016	\$ 4,191,606	\$ (944,627)	\$ 10,722	\$ 5,933,285

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

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

Nabors has grown from a land drilling business centered in the U.S. Lower 48 states, Canada and Alaska to a global business aimed at optimizing the entire well life cycle, with operations on land and offshore in most of the major oil and gas markets in the world. The majority of our business is conducted through two business lines:

Drilling & Rig Services

This business line is comprised of our global drilling rig operations and drilling-related services, consisting of equipment manufacturing, instrumentation optimization software and directional drilling services.

Completion & Production Services

This business line is comprised of our operations involved in the completion, life-of-well maintenance and eventual plugging and abandonment of a well. These services include stimulation, coiled-tubing, cementing, wireline, workover, well-servicing and fluids management.

As a global provider of services for oil and natural gas wells, on land and offshore, Nabors' fleet of rigs and equipment includes:

- 473 actively marketed land drilling rigs for oil and gas land drilling operations in the U.S. Lower 48 states, Alaska, Canada and over 20 other countries throughout the world.
- 442 actively marketed rigs for land well-servicing and workover services in the United States and approximately 102 rigs for land well-servicing and workover services in Canada.

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- 36 platform, 5 jackup and 4 barge rigs actively marketed in the United States, including the Gulf of Mexico, and multiple international markets.
- Approximately 800,000 hydraulic horsepower for hydraulic fracturing, cementing, nitrogen and acid pressure pumping services in key basins throughout the United States and Canada.

In addition to the foregoing:

- 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 5 rigs in addition to the rigs we lease to the joint venture.

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), our wholly owned subsidiary.

Note 2 Summary of Significant Accounting Policies

Interim Financial Information

The unaudited consolidated financial statements of Nabors are prepared in conformity with accounting principles generally accepted in the United States (GAAP). Certain reclassifications have been made to the prior period to conform to the current-period presentation, with no effect on our consolidated financial position, results of operations or cash flows. Pursuant to the rules and

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regulations of the Securities and Exchange Commission (SEC), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. Therefore, these financial statements should be read along with our annual report on Form 10-K for the year ended December 31, 2012 (2012 Annual Report). In management's opinion, the consolidated financial statements contain all adjustments necessary to present fairly our financial position as of June 30, 2013, as well as the results of our operations and other comprehensive income for the three and six months ended June 30, 2013 and 2012, and our cash flows and changes in equity for the six months ended June 30, 2013 and 2012, in accordance with GAAP. Interim results for the six months ended June 30, 2013 may not be indicative of results that will be realized for the full year ending December 31, 2013.

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

Principles of Consolidation

Our consolidated financial statements include the accounts of Nabors, as well as all majority-owned and nonmajority-owned subsidiaries required to be consolidated under GAAP. 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). The investments in these entities are included in investment in unconsolidated affiliates in our consolidated balance sheets.

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:

	June 30, 2013		December 31, 2012
	(In thousands)		
Raw materials	\$ 139,413	\$	148,822
Work-in-progress	34,572		45,733
Finished goods	61,057		56,578
	\$ 235,042	\$	251,133

Table of Contents**Goodwill**

The carrying amount and changes in recorded goodwill for our business lines as of and for the six months ended June 30, 2013 were as follows:

	Balance at December 31, 2012	Acquisitions and Purchase Price Adjustments	Disposals and Impairments (In thousands)	Cumulative Translation Adjustment	Balance at June 30, 2013
Drilling & Rig Services:					
U.S.	\$ 50,149	\$	\$	\$	\$ 50,149
Rig Services	32,113	15,828(1)		(902)	47,039
Subtotal Drilling & Rig Services	82,262	15,828		(902)	97,188
Completion & Production Services	390,064				390,064
Total	\$ 472,326	\$ 15,828	\$	\$ (902)	\$ 487,252

(1) Represents the goodwill recorded in connection with our acquisition of Navigate Energy Services, Inc. (NES). See Note 11 - Supplemental Information for additional discussion.

Note 3 Cash and Cash Equivalents and Short-term Investments

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

	June 30, 2013	December 31, 2012
	(In thousands)	
Cash and cash equivalents	\$ 508,128	\$ 524,922
Short-term investments:		
Trading equity securities	\$	\$ 52,705
Available-for-sale equity securities	78,662	174,610
Available-for-sale debt securities	21,170	25,967
Total short-term investments	\$ 99,832	\$ 253,282

We sold our trading equity securities during the first quarter of 2013.

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

	June 30, 2013			December 31, 2012		
	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	\$ 508,128	\$	\$	\$ 524,922	\$	\$
Short-term investments:						
Trading equity securities				52,705	46,981	
Available-for-sale equity securities	78,662	50,115		174,610	137,282	(1,030)
Available-for-sale debt securities:						
Commercial paper and CDs				206		
Corporate debt securities	19,685	4,432		23,399	1,870	
Mortgage-backed debt securities	216	13		244	15	
Mortgage-CMO debt securities	209	4	(3)	523	10	(3)
Asset-backed debt securities	1,060		(88)	1,595	28	(192)
Total available-for-sale debt securities	21,170	4,449	(91)	25,967	1,923	(195)
Total available-for-sale securities	99,832	54,564	(91)	200,577	139,205	(1,225)
Total short-term investments	99,832	54,564	(91)	253,282	186,186	(1,225)
Total cash, cash equivalents and short-term investments	\$ 607,960	\$ 54,564	\$ (91)	\$ 778,204	\$ 186,186	\$ (1,225)

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

	As of June 30, 2013			
	Less Than 12 Months		More Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)			
Available-for-sale equity securities	\$	\$	\$	\$
Available-for-sale debt securities: (1)				
Mortgage-CMO debt securities	21	(2)	108	(1)
Asset-backed debt securities	554	(1)	506	(87)
Total available-for-sale debt securities	575	(3)	614	(88)
Total	\$ 575	\$ (3)	\$ 614	\$ (88)

(1) Our unrealized losses on available-for-sale debt securities held for more than one year are comprised of various types of securities. Each of these securities has a rating ranging from A to AAA from Standard & Poor's and ranging from A2 to Aaa from Moody's Investors Service is considered to be 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 June 30, 2013.

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The estimated fair values of our corporate, mortgage-backed, mortgage-CMO and asset-backed debt securities at June 30, 2013, classified by time to contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties and we may elect to sell the securities prior to the contractual maturity date.

	Estimated Fair Value June 30, 2013 (In thousands)
Debt securities:	
Due in one year or less	\$
Due after one year through five years	15,413
Due in more than five years	5,757
Total debt securities	\$ 21,170

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Available-for-sale				
Proceeds from sales and maturities	\$ 20,352	\$ 796	\$ 106,953	\$ 19,233
Realized gains (losses), net	\$ 12,183	\$ 19	\$ 88,157	\$ 12,484

Note 4 Fair Value Measurements

The following table sets forth, by level within the fair-value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis as of June 30, 2013. Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. During the three months ended June 30, 2013, there were no transfers of our financial assets between Level 1 and Level 2 measures. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Short-term investments:				
Available-for-sale equity securities from energy industry	\$ 77,800	\$ 862	\$	\$ 78,662
Available-for-sale debt securities:				
Corporate debt securities		19,685		19,685
Mortgage-backed debt securities		216		216
Mortgage-CMO debt securities		209		209
Asset-backed debt securities	1,060			1,060
Total short-term investments	\$ 78,860	\$ 20,972	\$	\$ 99,832

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 assets held-for-sale, goodwill, intangible assets and other long-lived assets, assets acquired and liabilities assumed in a business combination, asset retirement obligations and our contractual pipeline commitment.

Table of Contents***Fair Value of Financial Instruments***

The fair value of our financial instruments has been estimated in accordance with GAAP. The fair value of our debt, revolving credit facility and subsidiary preferred stock is estimated based on quoted market prices or prices quoted from third-party financial institutions and other observable inputs, all of which represent Level 2 fair value measurements. The carrying and fair values of these liabilities were as follows:

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
6.15% senior notes due February 2018	\$ 969,318	\$ 1,082,328	\$ 968,708	\$ 1,164,813
9.25% senior notes due January 2019	1,111,000	1,383,806	1,125,000	1,492,819
5.00% senior notes due September 2020	697,795	717,535	697,648	770,707
4.625% senior notes due September 2021	698,027	696,367	697,907	755,517
Subsidiary preferred stock	69,188	70,500	69,188	68,625
Revolving credit facility	300,000	300,000	890,000	890,000
Commercial paper	295,000	295,000		
Other	11,496	11,496	437	437
	\$ 4,151,824	\$ 4,557,032	\$ 4,448,888	\$ 5,142,918

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

As of June 30, 2013, our short-term investments were carried at fair market value and classified as available-for-sale. As of December 31, 2012, our short-term investments were carried at fair market value and included \$200.6 million and \$52.7 million in securities classified as available-for-sale and trading, respectively.

Note 5 Share-Based Compensation

Our share-based employee and director compensation plans are more fully described in Note 8 Share-Based Compensation in our 2012 Annual Report. Total share-based compensation expense, which includes stock options and restricted stock, totaled \$6.0 million and \$4.3 million for the three months ended June 30, 2013 and 2012, respectively, and \$38.8 million and \$8.8 million for the six months ended June 30, 2013 and 2012, respectively. Total share-based compensation expense for the six months ended June 30, 2013 included a one-time stock grant valued at \$27.0 million, which vested immediately, in connection with the termination of the 2009 employment agreement with Anthony Petrello, our Chairman, President and Chief Executive Officer. This share-based compensation expense has been recognized in other (losses) gains on sales and disposals of long-lived assets and other expense (income), net in our consolidated statement of income (loss). See Note 9 Commitments and Contingencies for additional discussion. All other share-based compensation expense 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 13 Segment Information.

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During the six months ended June 30, 2013 and 2012, we awarded 4,688,514 and 923,131 shares of restricted stock, respectively, vesting over periods of up to four years, to our employees and directors. Some of the restricted stock awards made during the six months ended June 30, 2013 contain provisions relating to market conditions or performance measures, which may affect the grant date or vesting of such awards. All of these awards had an aggregate value at their grant date of \$76.2 million and \$19.2 million, respectively. The fair value of restricted stock that vested during the six months ended June 30, 2013 and 2012 was \$36.3 million and \$9.3 million, respectively.

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During the six months ended June 30, 2013 and 2012, we awarded options vesting over periods up to four years to purchase 44,375 and 634,974 of our common shares, respectively, to our employees and directors. The fair value of stock options granted during the six months ended June 30, 2013 and 2012 was calculated using the Black-Scholes option pricing model and the following weighted-average assumptions:

	Six Months Ended June 30,	
	2013	2012
Weighted average fair value of options granted	\$ 6.25	\$ 9.52
Weighted average risk free interest rate	0.64%	0.63%
Dividend yield	0.78%	0.00%
Volatility (1)	51.01%	55.91%
Expected life	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.

The total intrinsic value of stock options exercised during the six months ended June 30, 2013 and 2012 was \$2.4 million and \$5.1 million, respectively. Additionally, the intrinsic value of stock options surrendered during the six months ended June 30, 2012 was \$17.9 million. The total fair value of stock options that vested during the six months ended June 30, 2013 and 2012 was \$3.9 million and \$7.6 million, respectively.

Note 6 Debt

Debt consisted of the following:

	June 30, 2013	December 31, 2012
	(In thousands)	
6.15% senior notes due February 2018	\$ 969,318	\$ 968,708
9.25% senior notes due January 2019	1,111,000	1,125,000
5.00% senior notes due September 2020	697,795	697,648
4.625% senior notes due September 2021	698,027	697,907
Revolving credit facility	300,000	890,000
Commercial paper	295,000	
Other	11,496	437
	\$ 4,082,636	\$ 4,379,700
Less: current portion of debt	11,445	364
	\$ 4,071,191	\$ 4,379,336

Commercial Paper Program

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During April 2013, Nabors Delaware established a commercial paper program. This program allows the issuance from time to time of up to an aggregate amount of \$1.5 billion in commercial paper with a maturity of no more than 397 days. Our commercial paper borrowings are classified as long-term debt because the borrowings are fully supported by availability under our revolving credit facility; that facility matures in November 2017, which is more than one year from now. As of June 30, 2013, we had issued \$295.0 million in commercial paper, using the proceeds to reduce borrowings on our revolving credit facility. The weighted average interest rate on borrowings at June 30, 2013 was 0.4%.

Revolving Credit Facility

At June 30, 2013, we had \$1.2 billion of remaining availability from a total of \$1.5 billion under our existing revolving credit facility. The weighted average interest rate on borrowings at June 30, 2013 was 1.54%. The revolving credit facility contains 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

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with all covenants under the agreement at June 30, 2013 and December 31, 2012. If we should fail to perform our obligations under the covenants, the revolving credit commitment could be terminated, and any outstanding borrowings under the facility could be declared immediately due and payable.

Note 7 Common Shares

During the six months ended June 30, 2013, our employees exercised vested options to acquire .3 million of our common shares, resulting in proceeds of \$3.2 million. During the six months ended June 30, 2012, our employees exercised vested options and surrendered unexercised vested stock options to acquire 1.0 million of our common shares. We received \$15.9 million relating to exercised options. We used approximately \$21.0 million to repurchase surrendered unexercised vested options and to satisfy related tax withholding obligations pursuant to stock option share settlements and exercises by some employees. For the six months ended June 30, 2013 and 2012, we withheld .2 million and .1 million, respectively, of our common shares with a fair value of \$3.0 million and \$2.1 million, respectively, to satisfy tax withholding obligations in connection with the vesting of all stock awards.

During the three months ended June 30, 2013, cash dividends of \$0.04 per share were declared for shareholders of record on June 7, 2013. Dividends of \$23.6 million have been paid during the six months ended June 30, 2013 (including dividends declared in February 2013 and paid in March 2013) and charged to retained earnings in our consolidated statement of changes in equity.

Note 8 Subsidiary Preferred Stock

As of June 30, 2013, dividends on outstanding shares of preferred stock had been declared and paid in full with respect to each quarter since their issuance.

Note 9 Commitments and Contingencies

Commitments

Employment Contracts

During the first quarter of 2013, the Compensation Committee authorized a new employment agreement for Mr. Petrello effective January 1, 2013 that significantly restructured his compensation arrangements. The new employment agreement provides for an initial term of five years, with automatic one-year extensions at the end of each term, subject to a 90-day notice of termination provided within the agreement.

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- The new employment agreement provides for an annual cash bonus targeted at base salary, with a cap of twice that amount, based on the achievement of certain financial and operational performance metrics and defined performance criteria.
- The new employment agreement provides for long-term equity incentive awards. Mr. Petrello may receive restricted stock that may or may not vest depending upon the Company's performance relative to a Performance Peer Group (as defined) over a three-year period (TSR Shares). The agreement provides that the target number of TSR Shares that will vest is valued at 150% of base salary, with a maximum number of TSR Shares valued at twice that amount.
- The employment agreement provides for long-term equity incentive awards in the form of restricted stock based upon the achievement of specific financial or operational objectives (Performance Shares). Once earned, Performance Shares are then subject to three-year vesting requirements. Performance Shares are targeted at 200% of base salary, with a maximum award of twice that amount, and are also subject to a minimum threshold before any amount can be earned.
- In the event of Mr. Petrello's Termination Without Cause (including in the event of a change of control), or his death or disability, either he or his estate would be entitled to receive, within 30 days thereafter, 2.99 times the average of his base salary and annual cash bonus during the three fiscal years preceding the termination.

We do not have insurance to cover, and we have not recorded an expense or accrued a liability relating to any potential termination obligation.

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Contingencies

Income Tax Contingencies

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

It is possible that future changes to tax laws (including tax treaties) could impact our ability to realize the tax savings recorded to date, as well as future tax savings resulting from our 2002 corporate reorganization. See Note 13 Income Taxes to our 2012 Annual Report for additional discussion.

In 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 proposed to deny depreciation expense deductions relating to drilling rigs operating in Mexico in 2003. The notice also proposed to deny a deduction for payments made to an affiliated company for the procurement of labor services in Mexico. NDIL's Mexico branch took similar deductions for depreciation and labor expenses from 2004 to 2008. In 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 through 2008 and against NDIL II for 2007 to 2010. Although Nabors and its tax advisors previously concluded that the deductions were appropriate for each of the years, a reserve has been recorded in accordance with GAAP. During 2013, we reached a negotiated settlement for NDIL's 2003, 2005 and 2006 tax years (the statute of limitations had previously expired on the 2004 tax year) and NDIL II's 2006 tax year. Accordingly, the corresponding reserves were reduced by approximately \$20 million during the first quarter of 2013. After this settlement, the remaining amounts assessed or expected to be assessed in the aggregate, range from \$30 million to \$35 million, for which reserves are recorded in accordance with GAAP. If we ultimately do not prevail, we would be required to recognize additional tax for any amount in excess of the current reserve.

Self-Insurance

We estimate the level of our liability related to self-insured claims, 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 and are actuarially supported. 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.

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We self-insure for certain losses relating to workers' compensation, employers' liability, general liability, automobile liability and property damage. Some workers' compensation claims, employers' liability and marine employers' liability claims are subject to a \$2.0 million per-occurrence deductible. Some automobile liability claims are subject to a \$1.0 million deductible. General liability claims are subject to a \$5.0 million per-occurrence deductible.

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 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.

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In 2009, the Court of Ouargla entered a judgment of approximately \$18.2 million (at current exchange rates) against us relating to alleged customs infractions in Algeria. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment was excessive in any case. We asserted the lack of legally required notice as a basis for challenging the judgment on appeal to the Algeria Supreme Court. In May 2012, that court reversed the lower court and remanded the case to the Ouargla Court of Appeals for treatment consistent with the Supreme Court's ruling. In January 2013, the Ouargla Court of Appeals reinstated the judgment. We have again lodged an appeal to the Algeria Supreme Court, asserting the same challenges as before. Based upon our understanding of applicable law and precedent, we continue to believe that we will prevail. The Hassi Messaoud customs office recently initiated efforts to collect the judgment prior to the Supreme Court's decision in the case, as permitted by Algerian law. We intend to post security to suspend those efforts and have recorded a reserve in the anticipation of that security. If we are ultimately required to pay a fine or judgment related to this matter, the resulting loss could be up to \$13.6 million in excess of amounts accrued.

In March 2011, the Court of Ouargla entered a judgment of approximately \$35.8 million (at current exchange rates) against us 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 us 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. 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, as well as interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to \$27.8 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 were apprised of this inquiry and we cooperated with the SEC. On June 6, 2013, the staff of the SEC informed us that it had concluded its inquiry and determined not to recommend any enforcement action to the Commission.

On March 9, 2012, Nabors Global Holdings II Limited (NGH2L) signed a contract with ERG Resources, LLC (ERG) relating to the sale of all of the Class A shares of NGH2L's wholly owned subsidiary, Ramshorn International Limited, an oil and gas exploration company. When ERG failed to meet its closing obligations, NGH2L terminated the transaction on March 19, 2012 and, as contemplated in the agreement, retained ERG's \$3 million escrow deposit. ERG filed suit the following day in the 61st Judicial District Court of Harris County, Texas, in a case styled ERG Resources, LLC v. Nabors Global Holdings II Limited, Ramshorn International Limited, and Parex Resources, Inc.; Cause No. 2012-16446, seeking injunctive relief to halt any sale of the shares to a third party, specifically naming as defendant Parex Resources, Inc. (Parex). The lawsuit also seeks monetary damages of up to \$100 million based on an alleged breach of contract by NGH2L and alleged tortious interference with contractual relations by Parex. Nabors successfully defeated ERG's effort to obtain a temporary restraining order from the Texas court on March 20, 2012. Nabors completed the sale of Ramshorn's Class A shares to a Parex affiliate on April 12, 2012, which mooted ERG's application for a temporary injunction that was scheduled for hearing by the Texas court on April 13, 2012. ERG retains its causes of action for monetary damages, but Nabors believes the claims are foreclosed by the terms of the agreement and are without factual or legal merit. Although we are vigorously defending the lawsuit, its ultimate outcome 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

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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:

	Remainder of 2013	Maximum Amount			Total
		2014	2015 (In thousands)	Thereafter	
Financial standby letters of credit and other financial surety instruments	\$ 16,513	18,402			\$ 34,915

Note 10 Earnings (Losses) Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(In thousands, except per share amounts)				
Net income (loss) (numerator):				
Income (loss) from continuing operations, net of tax	\$ 29,259	\$ (98,653)	\$ 126,431	\$ 43,965
Less: net (income) loss attributable to noncontrolling interest	(5,616)	1,174	(5,713)	1,441
Less: earnings allocated to unvested shareholders	74		(740)	
Adjusted income (loss) from continuing operations - basic and diluted	\$ 23,717	\$ (97,479)	\$ 119,978	\$ 45,406
Income (loss) from discontinued operations, net of tax	\$ (28,004)	\$ 24,690	\$ (25,958)	\$ 15,895
Earnings (losses) per share:				
Basic from continuing operations	\$ 0.08	\$ (0.34)	\$ 0.41	\$ 0.16
Basic from discontinued operations	(0.09)	0.09	(0.09)	0.05
Total Basic	\$ (0.01)	\$ (0.25)	\$ 0.32	\$ 0.21
Diluted from continuing operations	\$ 0.08	\$ (0.34)	\$ 0.41	\$ 0.16
Diluted from discontinued operations	(0.09)	0.09	(0.09)	0.05
Total Diluted	\$ (0.01)	\$ (0.25)	\$ 0.32	\$ 0.21
Shares (denominator):				
Weighted-average number of shares outstanding - basic	294,747	290,311	293,217	289,550
Net effect of dilutive stock options, warrants and restricted stock awards based on the if-converted method	2,372		2,427	2,635
Weighted-average number of shares outstanding - diluted	297,119	290,311	295,644	292,185

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For all periods presented, the computation of diluted earnings (losses) per share excludes outstanding stock options and warrants with exercise prices greater than the average market price of our common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. The average number of options and warrants that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share were 11,578,175 and 17,635,173 shares during the three months ended June 30, 2013 and 2012, respectively, and 12,015,219 and 13,395,935 shares during the six months ended June 30, 2013 and 2012, respectively. In any period during which the average market price of our common shares exceeds the exercise prices of these stock options and warrants, such stock options and warrants will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock is 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.

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Accrued liabilities include the following:

	June 30, 2013	December 31, 2012
	(In thousands)	
Accrued compensation	\$ 150,867	\$ 158,095
Deferred revenue	183,383	148,165
Other taxes payable	66,304	58,590
Workers compensation liabilities	22,645	22,645
Interest payable	90,285	90,878
Warranty accrual	6,458	6,436
Litigation reserves	33,592	26,782
Current liability to discontinued operations	57,737	68,961
Professional fees	3,147	2,989
Current deferred tax liability	12,005	10,721
Other accrued liabilities	8,412	5,118
	\$ 634,835	\$ 599,380

Investment income (loss) includes the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Interest and dividend income	\$ 2,342	\$ 3,594	\$ 3,118	\$ 4,949
Gains (losses) on investments, net	12,479	1,774(1)	91,124(2)	20,671(1)(3)
	\$ 14,821	\$ 5,368	\$ 94,242	\$ 25,620

(1) Includes net unrealized gains of \$1.4 million and \$7.4 million from our trading securities during the three and six months ended June 30, 2012, respectively.

(2) Includes realized gains of \$88.7 million from available-for-sale debt and equity securities and net realized gains of \$2.4 million from our trading securities.

(3) Includes \$12.5 million realized gain related to debt securities in addition to unrealized gains discussed above.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Losses (gains) on sales, disposals and involuntary conversions of long-lived assets	\$ 1,977	\$ 5,962	\$ 5,436	\$ 4,180
Provision for retirement of assets		46,264(1)		46,264(1)
Intangible asset impairment		74,960(2)		74,960(2)
Goodwill impairment		26,279(3)		26,279(3)
Termination of employment contract			45,000(4)	
Litigation expenses	(502)	4,996	5,659	5,536
Foreign currency transaction losses (gains)	2,990	2,710	7,307	2,255
Losses (gains) on derivative instruments		(551)		(1,013)
Other losses (gains)	4,847	297	5,717	616
	\$ 9,312	\$ 160,917	\$ 69,119	\$ 159,077

(1) Represents a provision for retirement of long-lived assets totaling \$46.3 million in multiple operating segments, which reduced the carrying value of some assets to their salvage value. The retirements in our Canada operations included functionally inoperable rigs and other drilling equipment. In our Production and Completion operations, the retirements related to rigs and vehicles that would require significant repair to return to work and other non-core assets when we consolidated our pressure pumping and well-servicing operations into one business line. A prolonged 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.

(2) Represents impairment of the Superior trade name. The Superior trade name was initially classified as a ten-year intangible asset at the date of acquisition in September 2010. The impairment is a result of the decision to cease using the Superior trade name to reduce confusion in the marketplace and enhance the Nabors brand.

(3) Represents the impairment of goodwill associated with our U.S. Offshore and International reporting units. The impairments were deemed necessary due to the prolonged 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 as well as our international markets. A significantly prolonged period of lower 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.

(4) Represents a one-time stock grant valued at \$27 million, which vested immediately and \$18 million in cash awarded and paid to Mr. Petrello in connection with the termination of his prior employment agreement. See Note 9 Commitments and Contingencies for additional discussion.

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The changes in accumulated other comprehensive income (loss), by component, include the following:

	Gains (losses) on cash flow hedges	Unrealized gains (losses) on available-for- sale securities	Defined benefit pension plan items (In thousands (a))	Foreign currency items	Total
As of January 1, 2012	\$ (3,254)	\$ 45,179	\$ (7,378)	\$ 286,717	\$ 321,264
Other comprehensive income (loss) before reclassifications		7,215		(2,393)	4,822
Amounts reclassified from accumulated other comprehensive income (loss)	263	(8,579)	318		(7,998)
Net other comprehensive income (loss)	263	(1,364)	318	(2,393)	(3,176)
As of June 30, 2012	\$ (2,991)	\$ 43,815	\$ (7,060)	\$ 284,324	\$ 318,088
As of January 1, 2013	\$ (2,793)	\$ 134,229	\$ (7,632)	\$ 307,791	\$ 431,595
Other comprehensive income (loss) before reclassifications		4,913		(52,569)	(47,656)
Amounts reclassified from accumulated other comprehensive income (loss)	187	(85,454)	344		(84,923)
Net other comprehensive income (loss)	187	(80,541)	344	(52,569)	(132,579)
As of June 30, 2013	\$ (2,606)	\$ 53,688	\$ (7,288)	\$ 255,222	\$ 299,016

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

The line items that were reclassified from net income include the following:

Line item in consolidated statement of income (loss)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Investment income (loss)	\$ 12,183	\$ 19	\$ 88,157	\$ 12,484
Interest expense	153	191	306	382
General and administrative expenses	281	260	562	520
Total before tax	\$ 11,749	\$ (432)	\$ 87,289	\$ 11,582
Tax expense (benefit)	2,082	(165)	2,366	3,584
Reclassification adjustment for (gains)/losses included in net income (loss)	\$ 9,667	\$ (267)	\$ 84,923	\$ 7,998

In January 2013, we purchased the business of NES for a total cash price of approximately \$37.5 million. This business expands our technology and development capability for drilling and measurement tools and services, and is included in our Rig Services operating segment. The purchase price was allocated to the net tangible and intangible assets acquired based on their preliminary fair value estimates as of January 18, 2013. The excess of the purchase price over the fair values of the assets acquired was recorded as goodwill in the amount of \$15.8 million.

Table of Contents**Note 12 Assets Held-for-Sale and Discontinued Operations****Assets Held-for-Sale**

Assets held-for-sale included the following:

Assets Held-for-Sale	June 30, 2013	(In thousands)	December 31, 2012
Oil and Gas (1)	\$	351,263(2)	\$ 377,625
Rig Services		(3)	6,232
	\$	351,263	\$ 383,857

(1) Oil and Gas represents a former operating segment of the Company. We began marketing efforts during 2010 to sell our oil and gas investments. As of December 2012, all remaining assets relating to oil and gas are classified as held-for-sale.

(2) During the six months ended June 30, 2013, the carrying value of these assets was adjusted by \$34.4 million to reflect the sales price or current fair value. In July 2013, we sold some of our gas and oil assets and received initial proceeds of \$90 million, subject to customary post-closing adjustments.

(3) On April 1, 2013, we sold our business that provides logistics services for onshore drilling using helicopter and fixed-wing aircraft for a price of \$9.3 million.

Discontinued Operations

Our condensed statements of income (loss) from discontinued operations for each operating segment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Operating revenues and Earnings (losses) from unconsolidated affiliates				
Oil and Gas	\$ 12,050	\$ 2,919	\$ 22,039	\$ 6,220
Rig Services	\$ 934	\$ 5,554	\$ 4,971	\$ 10,416

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Income (loss) from Oil and Gas discontinued operations:								
Income (loss) from discontinued operations	\$	(4,742)	\$	(2,791)	\$	(2,672)	\$	(8,279)
Impairment charges or other gains and losses on sale of wholly owned assets		(40,193)(1)		41,597		(42,193)(1)		36,468
Less: income tax expense (benefit)		(10,715)		7,042		(10,692)		4,227
Income (loss) from Oil and Gas discontinued operations, net of tax	\$	(34,220)	\$	31,764	\$	(34,173)	\$	23,962
Income (loss) from Rig Services discontinued operations:								
Income (loss) from discontinued operations	\$	6,905	\$	(4,149)	\$	9,823	\$	(5,505)
Impairment charges or other gains and losses on sale of long-lived assets		1,382		(5,283)		1,129		(5,256)
Less: income tax expense (benefit)		2,071		(2,358)		2,737		(2,694)
Income (loss) from Rig Services discontinued operations, net of tax	\$	6,216	\$	(7,074)	\$	8,215	\$	(8,067)

(1) The carrying value of some assets was adjusted. Refer to discussion above.

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We have contracts with pipeline companies to pay specified fees based on committed volumes for gas transport and processing. At June 30, 2013, our undiscounted contractual commitments for these contracts approximated \$290 million, and we had liabilities of \$177 million, \$58 million of which were classified as current and are included in accrued liabilities. At December 31, 2012, we had liabilities of \$206 million, \$69 million of which were classified as current and were included in accrued liabilities. These amounts represent our best estimate of the fair value of the excess capacity of the pipeline commitments calculated using a discounted cash flow model, when considering our disposal plan, current production levels, natural gas prices and expected utilization of the pipeline over the remaining contractual term. Decreases in actual production or natural gas prices could result in future charges related to excess pipeline commitments.

Note 13 Segment Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Operating revenues and Earnings (losses) from unconsolidated affiliates from continuing operations:				
Drilling & Rig Services:				
U.S.	\$ 467,129	\$ 598,765	\$ 951,902	\$ 1,225,870
Canada	64,789	66,015	191,656	210,750
International	351,421	304,622	672,937	611,087
Rig Services (1)	152,462	228,614	331,772	470,372
Subtotal Drilling & Rig Services (2)	1,035,801	1,198,016	2,148,267	2,518,079
Completion & Production Services:				
Production Services	244,602	240,380	496,173	497,639
Completion Services	254,016	387,663	516,154	785,699
Subtotal Completion & Production Services (3)	498,618	628,043	1,012,327	1,283,338
Other reconciling items (4)	(41,473)	(223,262)	(86,108)	(376,863)
Total	\$ 1,492,946	\$ 1,602,797	\$ 3,074,486	\$ 3,424,554

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Adjusted income (loss) derived from operating activities from continuing operations: (5)				
Drilling & Rig Services:				
U.S.	\$ 69,813	\$ 145,351	\$ 147,408	\$ 312,084
Canada	3,895	(529)	34,413	42,617
International	32,481	16,401	53,950	37,539
Rig Services (1)	(4,044)	28,179	3,693	58,025
Subtotal Drilling & Rig Services (2)	102,145	189,402	239,464	450,265
Completion & Production Services:				
Production Services	23,471	25,397	49,485	53,426
Completion Services	6,870	46,144	24,626	111,004
Subtotal Completion & Production Services (3)	30,341	71,541	74,111	164,430
Other reconciling items (6)	(41,543)	(35,596)	(73,044)	(73,812)
Total adjusted income (loss) derived from operating activities	\$ 90,943	\$ 225,347	\$ 240,531	\$ 540,883
U.S. oil and gas joint venture earnings (losses)		(140,434)		(202,996)
Interest expense	(60,271)	(63,459)	(120,279)	(126,113)
Investment income (loss)	14,821	5,368	94,242	25,620
Gains (losses) on sales and disposals of long-lived assets and other income (expense), net	(9,312)	(160,917)	(69,119)	(159,077)
Income (loss) from continuing operations before income taxes	\$ 36,181	\$ (134,095)	\$ 145,375	\$ 78,317

	June 30,	December 31,
	2013	2012
	(In thousands)	
Total assets:		
Drilling & Rig Services:		
U.S.	\$ 4,179,649	\$ 4,157,470
Canada	631,078	699,699
International	3,581,505	3,626,307
Rig Services	630,281	644,350
Subtotal Drilling & Rig Services (7)	9,022,513	9,127,826
Completion & Production Services (8) (9)	2,252,618	2,301,802
Other reconciling items (6) (10)	991,772	1,226,394
Total assets:	\$ 12,266,903	\$ 12,656,022

(1) Includes our drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software, and construction services. These services represent our other businesses that are not aggregated into a reportable operating segment.

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- (2) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of \$1.2 million and \$6.1 million for the three months ended June 30, 2013 and 2012, respectively, and \$4.0 million for the six months ended June 30, 2013.
- (3) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of \$.2 million and \$.3 million for the three and six months ended June 30, 2013, respectively.
- (4) Represents the elimination of inter-segment transactions and earnings (losses), net from our former U.S. unconsolidated oil and gas joint venture, accounted for using the equity method, of \$(140.4) million and \$(203.0) million for the three and six months ended June 30, 2012, respectively. In December 2012, we sold our equity interest in the oil and gas joint venture.
- (5) Adjusted income (loss) derived from operating activities is computed by subtracting the sum of direct costs, general and administrative expenses, depreciation and amortization, and earnings (losses) from our former U.S. oil and gas joint venture from the sum of Operating revenues and Earnings (losses) from unconsolidated affiliates. These amounts should not be used as a substitute for the 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.
- (6) Represents the elimination of inter-segment transactions and unallocated corporate expenses, assets and capital expenditures.
- (7) Includes \$62.7 million and \$59.9 million of investments in unconsolidated affiliates accounted for using the equity method as of June 30, 2013 and December 31, 2012, respectively.
- (8) Reflects assets allocated to the line of business to conduct its operations. Further allocation to individual operating segments of Completion and Production Services is not available.
- (9) Includes \$5.7 million and \$1.8 million of investments in unconsolidated affiliates accounted for using the equity method as of June 30, 2013 and December 31, 2012, respectively.
- (10) Includes assets of \$351.3 million and \$377.6 million from oil and gas businesses classified as assets held-for-sale as of June 30, 2013 and December 31, 2012, respectively.

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Note 14 Condensed Consolidating Financial Information

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

The following condensed consolidating financial information presents condensed consolidating balance sheets as of June 30, 2013 and December 31, 2012, statements of income (loss) and statements of other comprehensive income (loss) for the three and six months ended June 30, 2013 and 2012, and the statements of cash flows for the six months ended June 30, 2013 and 2012 of (a) Nabors, parent/guarantor, (b) Nabors Delaware, issuer of public debt securities guaranteed by Nabors, (c) the non-guarantor subsidiaries, (d) consolidating adjustments necessary to consolidate Nabors and its subsidiaries and (e) Nabors on a consolidated basis.

We corrected our condensed consolidating statement of cash flows for classification of changes in inter-company balances between Nabors Delaware (Issuer) and Other Subsidiaries (Non-Guarantors) for the six months ended June 30, 2012 to present them as cash flows from investing activities rather than cash flows from operating activities. For Nabors Delaware (Issuer), cash used for operating activities decreased \$38.1 million and cash used for investing activities increased by the same amount for the six months ended June 30, 2012. For Other Subsidiaries (Non-Guarantors), cash provided by operating activities decreased \$38.1 million and cash used for investing activities decreased by the same amount for the six months ended June 30, 2012. The impact of these revisions is not material to the related financial statements taken as a whole. Certain reclassifications to inter-company payable and receivable balances in the condensed consolidating balance sheet have been made to the prior period to conform to current period presentation, with no effect on our consolidated financial position, results of operations or cash flows.

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	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	June 30, 2013 Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,509	\$ 12,778	\$ 491,841	\$	\$ 508,128
Short-term investments			99,832		99,832
Assets held for sale			351,263		351,263
Accounts receivable, net			1,342,386		1,342,386
Inventory			235,042		235,042
Deferred income taxes			103,779		103,779
Other current assets	800	22,359	229,243		252,402
Total current assets	4,309	35,137	2,853,386		2,892,832
Long-term investments			3,629		3,629
Property, plant and equipment, net		35,557	8,542,029		8,577,586
Goodwill			487,252		487,252
Intercompany receivables	172,413	3,893	1,019,175	(1,195,481)	
Investment in unconsolidated affiliates	5,746,083	5,812,170	1,630,573	(13,120,382)	68,444
Other long-term assets		29,572	207,588		237,160
Total assets	\$ 5,922,805	\$ 5,916,329	\$ 14,743,632	\$ (14,315,863)	\$ 12,266,903
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	\$	\$	\$ 11,445	\$	\$ 11,445
Trade accounts payable	624	22	497,435		498,081
Accrued liabilities	(381)	90,965	544,251		634,835
Income taxes payable			35,795		35,795
Total current liabilities	243	90,987	1,088,926		1,180,156
Long-term debt		4,085,139	(13,948)		4,071,191
Other long-term liabilities		31,027	433,438		464,465
Deferred income taxes		(72,083)	620,701		548,618
Intercompany payable		1,195,481		(1,195,481)	
Total liabilities	243	5,330,551	2,129,117	(1,195,481)	6,264,430
Subsidiary preferred stock			69,188		69,188
Shareholders' equity	5,922,562	585,778	12,534,605	(13,120,382)	5,922,563
Noncontrolling interest			10,722		10,722
Total equity	5,922,562	585,778	12,545,327	(13,120,382)	5,933,285
Total liabilities and equity	\$ 5,922,805	\$ 5,916,329	\$ 14,743,632	\$ (14,315,863)	\$ 12,266,903

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ASSETS										
Cash and cash equivalents	\$	1,639	\$	106,778	\$	416,505	\$	524,922		
Assets held for sale						383,857		383,857		
Inventory						251,133		251,133		
Other current assets		50				226,510		226,560		
Long-term investments						4,269		4,269		
Goodwill						472,326		472,326		
Investment in unconsolidated affiliates		5,769,518		5,129,458		395,246		(11,232,532)	61,690	
Total assets	\$	5,946,155	\$	6,996,076	\$	13,482,311	\$	(13,768,520)	\$	12,656,022
Current liabilities:										
Trade accounts payable		116		23		498,871			499,010	
Income taxes payable						33,628			33,628	
Long-term debt				4,379,263		73			4,379,336	
Deferred income taxes				(24,906)		624,241			599,335	
Total liabilities		1,226		7,012,871		2,151,608		(2,535,988)	6,629,717	
Shareholders' equity		5,944,929		(16,795)		11,249,327		(11,232,532)	5,944,929	
Total equity		5,944,929		(16,795)		11,261,515		(11,232,532)	5,957,117	

Table of Contents**Condensed Consolidating Statements of Income (Loss)**

	Three Months Ended June 30, 2013				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Revenues and other income:					
Operating revenues	\$	\$	\$ 1,491,586	\$	\$ 1,491,586
Earnings from unconsolidated affiliates			1,360		1,360
Earnings (losses) from consolidated affiliates	(1,005)	13,700	(26,331)	13,636	
Investment income (loss)	1	36	17,057	(2,273)	14,821
Intercompany interest income		32		(32)	
Total revenues and other income	(1,004)	13,768	1,483,672	11,331	1,507,767
Costs and other deductions:					
Direct costs			999,192		999,192
General and administrative expenses	3,221	390	129,137	(136)	132,612
Depreciation and amortization		903	269,296		270,199
Interest expense		62,405	(2,134)		60,271
Intercompany interest expense			32	(32)	
Losses (gains) on sales of long-lived assets and other expense (income), net	136	(89)	9,129	136	9,312
Total costs and other deductions	3,357	63,609	1,404,652	(32)	1,471,586
Income from continuing operations before income taxes	(4,361)	(49,841)	79,020	11,363	36,181
Income tax expense (benefit)		(23,510)	29,682		6,172
Subsidiary preferred stock dividend			750		750
Income (loss) from continuing operations, net of tax	(4,361)	(26,331)	48,588	11,363	29,259
Income (loss) from discontinued operations, net of tax			(28,004)		(28,004)
Net income (loss)	(4,361)	(26,331)	20,584	11,363	1,255
Less: Net (income) loss attributable to noncontrolling interest			(5,616)		(5,616)
Net income (loss) attributable to Nabors	\$ (4,361)	\$ (26,331)	\$ 14,968	\$ 11,363	\$ (4,361)

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	Three Months Ended June 30, 2012				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Revenues and other income:					
Operating revenues	\$	\$	\$ 1,737,114	\$	\$ 1,737,114
Earnings from unconsolidated affiliates			(134,317)		(134,317)
Earnings (losses) from consolidated affiliates	(70,408)	(35,150)	(61,938)	167,496	
Investment income (loss)		16	5,352		5,368
Intercompany interest income		17,078		(17,078)	
Total revenues and other income	(70,408)	(18,056)	1,546,211	150,418	1,608,165
Costs and other deductions:					
Direct costs			1,123,256		1,123,256
General and administrative expenses	2,022	50	131,899	(359)	133,612
Depreciation and amortization		903	260,113		261,016
Interest expense		68,268	(4,809)		63,459
Intercompany interest expense			17,078	(17,078)	
Losses (gains) on sales of long-lived assets and other expense (income), net	359	(546)	160,745	359	160,917
Total costs and other deductions	2,381	68,675	1,688,282	(17,078)	1,742,260
Income from continuing operations before income taxes	(72,789)	(86,731)	(142,071)	167,496	(134,095)
Income tax expense (benefit)		(19,085)	(17,107)		(36,192)
Subsidiary preferred stock dividend			750		750
Income (loss) from continuing operations, net of tax	(72,789)	(67,646)	(125,714)	167,496	(98,653)
Income (loss) from discontinued operations, net of tax			24,690		24,690
Net income (loss)	(72,789)	(67,646)	(101,024)	167,496	(73,963)
Less: Net (income) loss attributable to noncontrolling interest			1,174		1,174
Net income (loss) attributable to Nabors	\$ (72,789)	\$ (67,646)	\$ (99,850)	\$ 167,496	\$ (72,789)

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	Six Months Ended June 30, 2013				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Revenues and other income:					
Operating revenues	\$	\$	\$ 3,070,231	\$	\$ 3,070,231
Earnings from unconsolidated affiliates			4,255		4,255
Earnings (losses) from consolidated affiliates	106,868	56,020	(24,308)	(138,580)	
Investment income (loss)	1	52	96,462	(2,273)	94,242
Intercompany interest income		61		(61)	
Total revenues and other income	106,869	56,133	3,146,640	(140,914)	3,168,728
Costs and other deductions:					
Direct costs			2,025,234		2,025,234
General and administrative expenses	5,055	427	259,955	(280)	265,157
Depreciation and amortization		1,805	541,759		543,564
Interest expense		125,454	(5,175)		120,279
Intercompany interest expense			61	(61)	
Losses (gains) on sales of long-lived assets and other expense (income), net	7,054	(68)	61,853	280	69,119
Total costs and other deductions	12,109	127,618	2,883,687	(61)	3,023,353
Income from continuing operations before income taxes	94,760	(71,485)	262,953	(140,853)	145,375
Income tax expense (benefit)		(47,177)	64,621		17,444
Subsidiary preferred stock dividend			1,500		1,500
Income (loss) from continuing operations, net of tax	94,760	(24,308)	196,832	(140,853)	126,431
Income (loss) from discontinued operations, net of tax			(25,958)		(25,958)
Net income (loss)	94,760	(24,308)	170,874	(140,853)	100,473
Less: Net (income) loss attributable to noncontrolling interest			(5,713)		(5,713)
Net income (loss) attributable to Nabors	\$ 94,760	\$ (24,308)	\$ 165,161	\$ (140,853)	\$ 94,760

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Six Months Ended June 30, 2012

	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Revenues and other income:					
Operating revenues	\$	\$	\$ 3,627,540	\$	\$ 3,627,540
Earnings from unconsolidated affiliates			(202,986)		(202,986)
Earnings (losses) from consolidated affiliates	65,471	19,377	(33,576)	(51,272)	
Investment income (loss)		16	25,604		25,620
Intercompany interest income		34,010		(34,010)	
Total revenues and other income	65,471	53,403	3,416,582	(85,282)	3,450,174
Costs and other deductions:					
Direct costs			2,308,072		2,308,072
General and administrative expenses	3,549	190	266,841	(622)	269,958
Depreciation and amortization		1,805	506,832		508,637
Interest expense		136,436	(10,323)		126,113
Intercompany interest expense			34,010	(34,010)	
Losses (gains) on sales of long-lived assets and other expense (income), net	621	(979)	158,813	622	159,077
Total costs and other deductions	4,170	137,452	3,264,245	(34,010)	3,371,857
Income from continuing operations before income taxes	61,301	(84,049)	152,337	(51,272)	78,317
Income tax expense (benefit)		(38,268)	71,120		32,852
Subsidiary preferred stock dividend			1,500		1,500
Income (loss) from continuing operations, net of tax	61,301	(45,781)	79,717	(51,272)	43,965
Income (loss) from discontinued operations, net of tax			15,895		15,895
Net income (loss)	61,301	(45,781)	95,612	(51,272)	59,860
Less: Net (income) loss attributable to noncontrolling interest			1,441		1,441
Net income (loss) attributable to Nabors	\$ 61,301	\$ (45,781)	\$ 97,053	\$ (51,272)	\$ 61,301

Table of Contents**Condensed Consolidating Statements of Other Comprehensive Income**

	Three Months Ended June 30, 2013					Total
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments		
Net income (loss) attributable to Nabors	\$ (4,361)	\$ (26,331)	\$ 14,968	\$ 11,363	\$ (4,361)	
Other comprehensive income (loss) before taxes:						
Translation adjustment attributable to Nabors	(29,304)	(94)	(29,398)	29,492	(29,304)	
Unrealized gains/(losses) on marketable securities:						
Unrealized gains/(losses) on marketable securities	(5,137)	48	(5,089)	5,041	(5,137)	
Less: reclassification adjustment for (gains)/losses on marketable securities	(12,183)	(5,928)	(18,111)	24,039	(12,183)	
Unrealized gains/(losses) on marketable securities	(17,320)	(5,880)	(23,200)	29,080	(17,320)	
Pension liability amortization and adjustment	281	281	562	(843)	281	
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges	153	153	153	(306)	153	
Other comprehensive income (loss) before taxes	(46,190)	(5,540)	(51,883)	57,423	(46,190)	
Income tax expense (benefit) related to items of other comprehensive income (loss)	(2,063)	(2,063)	(4,185)	6,248	(2,063)	
Other comprehensive income (loss), net of tax	(44,127)	(3,477)	(47,698)	51,175	(44,127)	
Comprehensive income (loss) attributable to Nabors	(48,488)	(29,808)	(32,730)	62,538	(48,488)	
Net income (loss) attributable to noncontrolling interest	5,616		5,616	(5,616)	5,616	
Translation adjustment to noncontrolling interest	613		613	(613)	613	
Comprehensive income (loss) attributable to noncontrolling interest	6,229		6,229	(6,229)	6,229	
Comprehensive income (loss)	\$ (42,259)	\$ (29,808)	\$ (26,501)	\$ 56,309	\$ (42,259)	

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	Three Months Ended June 30, 2012					Total
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments		
Net income (loss) attributable to Nabors	\$ (72,789)	\$ (67,646)	\$ (99,850)	\$ 167,496	\$ (72,789)	
Other comprehensive income (loss) before taxes:						
Translation adjustment attributable to Nabors	(19,659)	52	(19,606)	19,554	(19,659)	
Unrealized gains/(losses) on marketable securities:						
Unrealized gains/(losses) on marketable securities	(5,008)	(52)	(5,061)	5,113	(5,008)	
Less: reclassification adjustment for (gains)/losses on marketable securities	(19)		(19)	19	(19)	
Unrealized gains/(losses) on marketable securities	(5,027)	(52)	(5,080)	5,132	(5,027)	
Pension liability amortization and adjustment	260	260	520	(780)	260	
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges	191	191	191	(382)	191	
Other comprehensive income (loss) before taxes	(24,235)	451	(23,975)	23,524	(24,235)	
Income tax expense (benefit) related to items of other comprehensive income (loss)	140	140	220	(360)	140	
Other comprehensive income (loss), net of tax	(24,375)	311	(24,195)	23,884	(24,375)	
Comprehensive income (loss) attributable to Nabors	(97,164)	(67,335)	(124,045)	191,380	(97,164)	
Net income (loss) attributable to noncontrolling interest	(1,174)		(1,174)	1,174	(1,174)	
Translation adjustment to noncontrolling interest	(216)		(216)	216	(216)	
Comprehensive income (loss) attributable to noncontrolling interest	(1,390)		(1,390)	1,390	(1,390)	
Comprehensive income (loss)	\$ (98,554)	\$ (67,335)	\$ (125,435)	\$ 192,770	\$ (98,554)	

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Six Months Ended June 30, 2013

	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Net income (loss) attributable to Nabors	\$ 94,760	\$ (24,308)	\$ 165,161	\$ (140,853)	\$ 94,760
Other comprehensive income (loss) before taxes:					
Translation adjustment attributable to Nabors	(52,569)	(146)	(52,715)	52,861	(52,569)
Unrealized gains/(losses) on marketable securities:					
Unrealized gains/(losses) on marketable securities	5,002	233	5,235	(5,468)	5,002
Less: reclassification adjustment for (gains)/losses on marketable securities	(88,157)	(7,114)	(95,271)	102,385	(88,157)
Unrealized gains/(losses) on marketable securities	(83,155)	(6,881)	(90,036)	96,917	(83,155)
Pension liability amortization and adjustment	562	562	1,124	(1,686)	562
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges	306	306	306	(612)	306
Other comprehensive income (loss) before taxes	(134,856)	(6,159)	(141,321)	147,480	(134,856)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(2,277)	(2,277)	(4,672)	6,949	(2,277)
Other comprehensive income (loss), net of tax	(132,579)	(3,882)	(136,649)	140,531	(132,579)
Comprehensive income (loss) attributable to Nabors	(37,819)	(28,190)	28,512	(322)	(37,819)
Net income (loss) attributable to noncontrolling interest	5,713		5,713	(5,713)	5,713
Translation adjustment to noncontrolling interest	(801)		(801)	801	(801)
Comprehensive income (loss) attributable to noncontrolling interest	4,912		4,912	(4,912)	4,912
Comprehensive income (loss)	\$ (32,907)	\$ (28,190)	\$ 33,424	\$ (5,234)	\$ (32,907)

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Six Months Ended June 30, 2012

	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Net income (loss) attributable to Nabors	\$ 61,301	\$ (45,781)	\$ 97,053	\$ (51,272)	\$ 61,301
Other comprehensive income (loss) before taxes:					
Translation adjustment attributable to Nabors	(2,392)	(1)	(2,392)	2,392	(2,393)
Unrealized gains/(losses) on marketable securities:					
Unrealized gains/(losses) on marketable securities	7,215	11	7,226	(7,237)	7,215
Less: reclassification adjustment for (gains)/losses on marketable securities	(12,484)	(10,288)	(22,772)	33,060	(12,484)
Unrealized gains/(losses) on marketable securities	(5,269)	(10,277)	(15,546)	25,823	(5,269)
Pension liability amortization and adjustment	519	519	1,040	(1,558)	520
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges	382	382	382	(764)	382
Other comprehensive income (loss) before taxes	(6,760)	(9,377)	(16,516)	25,893	(6,760)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(3,584)	(3,584)	(7,288)	10,872	(3,584)
Other comprehensive income (loss), net of tax	(3,176)	(5,793)	(9,228)	15,021	(3,176)
Comprehensive income (loss) attributable to Nabors	58,125	(51,574)	87,825	(36,251)	58,125
Net income (loss) attributable to noncontrolling interest	(1,441)		(1,441)	1,441	(1,441)
Translation adjustment to noncontrolling interest	27		27	(27)	27
Comprehensive income (loss) attributable to noncontrolling interest	(1,414)		(1,414)	1,414	(1,414)
Comprehensive income (loss)	\$ 56,711	\$ (51,574)	\$ 86,411	\$ (34,837)	\$ 56,711

Table of Contents**Condensed Consolidating Statements of Cash Flows**

	Six Months Ended June 30, 2013				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Net cash provided by (used for) operating activities	\$ (4,554)	\$ (147,280)	\$ 787,443	\$ 29,799	\$ 665,408
Cash flows from investing activities:					
Sales and maturities of investments			163,161		163,161
Proceeds from sale of unconsolidated affiliates			10,000		10,000
Investment in unconsolidated affiliates			(3,927)		(3,927)
Cash paid for acquisition of businesses, net			(37,516)		(37,516)
Capital expenditures			(500,368)		(500,368)
Proceeds from sales of assets and insurance claims			29,731		29,731
Other			(3,142)		(3,142)
Cash paid for investments in consolidated affiliates		(626,000)	(1,252,000)	1,878,000	
Changes in intercompany balances		348,367	(348,367)		
Net cash provided by (used for) investing activities		(277,633)	(1,942,428)	1,878,000	(342,061)
Cash flows from financing activities:					
Increase (decrease) in cash overdrafts			(8,686)		(8,686)
Dividends to shareholders	(25,825)			2,273	(23,552)
Proceeds from debt			11,569		11,569
Debt issuance costs		(87)			(87)
Proceeds from (payments for) commercial paper, net		295,000			295,000
Proceeds from (payments for) issuance of common shares	3,200				3,200
Proceeds from parent contributions		626,000	1,252,000	(1,878,000)	
Proceeds from (payments for) issuance of parent common shares to affiliate	32,072			(32,072)	
Reduction in long-term debt			(17,853)		(17,853)
Reduction in revolving credit facility		(590,000)			(590,000)
Purchase of restricted stock	(3,023)				(3,023)
Net cash (used for) provided by financing activities	6,424	330,913	1,237,030	(1,907,799)	(333,432)
Effect of exchange rate changes on cash and cash equivalents			(6,709)		(6,709)
Net increase (decrease) in cash and cash equivalents	1,870	(94,000)	75,336		(16,794)
Cash and cash equivalents, beginning of period	1,639	106,778	416,505		524,922
Cash and cash equivalents, end of period	\$ 3,509	\$ 12,778	\$ 491,841	\$	\$ 508,128

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Six Months Ended June 30, 2012

	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Net cash provided by (used for) operating activities	\$ 7,762	\$ (55,008)	\$ 771,683	\$ (12,500)	\$ 711,937
Cash flows from investing activities:					
Purchases of investments			(795)		(795)
Sales and maturities of investments			25,517		25,517
Capital expenditures			(967,861)		(967,861)
Proceeds from sales of assets and insurance claims			116,923		116,923
Cash paid for investments in consolidated affiliates					
Changes in intercompany balances		(38,067)	38,067		
Net cash provided by (used for) investing activities		(38,067)	(788,149)		(826,216)
Cash flows from financing activities:					
Increase (decrease) in cash overdrafts			(2,060)		(2,060)
Proceeds from revolving credit facility		200,000			200,000
Proceeds from (payments for) issuance of common shares	(5,066)				(5,066)
Proceeds from parent contributions			(12,500)	12,500	
Debt issuance costs			(1,235)		(1,235)
Reduction in long-term debt					
Paydown of revolving credit facility		(100,000)	(50,000)		(150,000)
Purchase of restricted stock	(2,071)				(2,071)
Tax benefit related to share-based awards			(36)		(36)
Net cash (used for) provided by financing activities	(7,137)	100,000	(65,831)	12,500	39,532
Effect of exchange rate changes on cash and cash equivalents			(3,430)		(3,430)
Net increase (decrease) in cash and cash equivalents	625	6,925	(85,727)		(78,177)
Cash and cash equivalents, beginning of period	203	21	398,351		398,575
Cash and cash equivalents, end of period	\$ 828	\$ 6,946	\$ 312,624	\$	\$ 320,398

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Note 15 Subsequent Event

On July 25, 2013, our Board of Directors declared a cash dividend of \$0.04 per share to the holders of record of our common shares as of September 6, 2013 to be paid on September 27, 2013.

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Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying consolidated balance sheet of Nabors Industries Ltd. and its subsidiaries (the Company) as of June 30, 2013, and the related consolidated statements of income (loss) and other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2013 and June 30, 2012 and the consolidated statements of cash flows and of changes in equity for the six-month periods ended June 30, 2013 and June 30, 2012. This interim financial information is the responsibility of the Company's management.

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

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of income (loss) and other comprehensive income (loss), changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated March 1, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2012, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
August 2, 2013

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, and Section 21E of the Securities Exchange Act of 1934, as amended (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 identify forward-looking statements.

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

- fluctuations in worldwide prices of and demand for oil and natural gas;
- fluctuations in levels of oil and natural gas 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.

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The above description of risks and uncertainties is not all-inclusive, but highlights certain factors that we believe are important for your consideration. For a more detailed description of risk factors, please refer to Part I, Item 1A. *Risk Factors* in our 2012 Annual Report.

Management Overview

This section is intended to help you understand our results of 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.

Nabors has grown from a land drilling business centered in the U.S. Lower 48 states, Canada and Alaska to a global business aimed at optimizing the entire well life cycle, with operations on land and offshore in most of the major oil and gas markets in the world. The majority of our business is conducted through two business lines:

Drilling & Rig Services

This business line is comprised of our global drilling rig operations and drilling-related services, consisting of equipment manufacturing, instrumentation optimization software and directional drilling services.

Completion & Production Services

This business line is comprised of our operations involved in the completion, life-of-well maintenance and eventual plugging and abandonment of a well. These product lines include stimulation, coiled-tubing, cementing, wireline, workover, well-servicing and fluids management.

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

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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 Drilling & Rig Services business line, operations have traditionally been driven by natural gas prices, but the majority of current activity is driven by the price of oil and natural gas liquids from unconventional reservoirs (shales). In our Completion & Production Services business line, operations are primarily driven by oil prices for the Production Services segment while the Completion Services segment is driven by the same factors as our Drilling Services.

The following table sets forth oil and natural gas price data per Bloomberg for the 12-month periods ended June 30, 2013 and 2012:

	Year Ended June 30,		Increase/(Decrease)	
	2013	2012	(In thousands, except percentages)	
Average Henry Hub natural gas spot price (\$/thousand cubic feet)	\$ 3.83	\$ 3.06	\$ 0.77	25%
Average West Texas intermediate crude oil spot price (\$/barrel)	\$ 95.79	\$ 94.91	\$ 0.88	1%

Operating revenues and Earnings (losses) from unconsolidated affiliates for the three months ended June 30, 2013 totaled \$1.5 billion, representing a decrease of \$109.9 million, or 7%, as compared to the three months ended June 30, 2012. Operating revenues and Earnings (losses) from unconsolidated affiliates for the six months ended June 30, 2013 totaled \$3.1 billion, representing a decrease of \$350.1 million, or 10%, as compared to the six months ended June 30, 2012.

Adjusted income derived from operating activities for the three and six months ended June 30, 2013 totaled \$90.9 million and \$240.5 million, respectively, representing decreases of 60% and 56%, compared to the corresponding 2012 periods.

Net income (loss) from continuing operations for the three and six months ended June 30, 2013 totaled \$29.3 million (\$0.08 per diluted share) and \$126.4 million (\$0.41 per diluted share), respectively, representing increases of 130% and 188%, compared to the corresponding 2012 periods. During the three months ended June 30, 2012, our net income from continuing operations was negatively impacted as a result of charges arising from oil and gas full-cost ceiling test writedowns and other impairments.

During the three months ended June 30, 2013, operating results continued to be negatively impacted by a depressed natural gas market, while drilling and completion activity in the oil markets experienced demand and pricing deterioration year-over-year. We believe gas and liquids prices are likely to remain weak through 2013. Crude oil pricing has been more resilient, but remains volatile and potentially vulnerable, which keeps our customers' forward-spending plans suppressed in the near term. Projections of stable crude oil pricing at current levels, if realized, should lead to increased domestic drilling activity later in 2013. However, continuing additions of new rig capacity and improving rig efficiency will likely result in a continued oversupply of rigs for most, if not all, of the year. As well, a portion of our customer base has indicated it may curtail activity levels during the second half of 2013, due to customer-specific issues or capital-budget spending rates during the first half of 2013 that exceeded expectations set at the beginning of the year.

Our international markets have been much slower to respond to improving oil prices during the last two years, and our results continue to be impacted by cost issues in several markets. Recently, we have begun to realize some relief on the cost issues and believe the rig demand has already started to increase. Our expectations include the commencement of several large projects, and the return to work of other rigs. That

combination of factors should improve international results over the balance of 2013 and in 2014.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Increase/(Decrease)		2013	2012	Increase/(Decrease)	
	(In thousands, except percentages)							
Operating revenues and Earnings								
Earnings (losses) from unconsolidated affiliates from continuing operations:								
Drilling & Rig Services:								
U.S.	\$ 467,129	\$ 598,765	\$ (131,636)	(22)%	\$ 951,902	\$ 1,225,870	\$ (273,968)	(22)%
Canada	64,789	66,015	(1,226)	(2)%	191,656	210,750	(19,094)	(9)%
International	351,421	304,622	46,799	15%	672,937	611,087	61,850	10%
Rig Services (1)	152,462	228,614	(76,152)	(33)%	331,772	470,372	(138,600)	(29)%
Subtotal Drilling & Rig Services (2)	1,035,801	1,198,016	(162,215)	(14)%	2,148,267	2,518,079	(369,812)	(15)%
Completion & Production Services:								
Production Services	244,602	240,380	4,222	2%	496,173	497,639	(1,466)	
Completion Services	254,016	387,663	(133,647)	(34)%	516,154	785,699	(269,545)	(34)%
Subtotal Completion & Production Services (3)	498,618	628,043	(129,425)	(21)%	1,012,327	1,283,338	(271,011)	(21)%
Other reconciling items (4)	(41,473)	(223,262)	181,789	81%	(86,108)	(376,863)	290,755	77%
Total	\$ 1,492,946	\$ 1,602,797	\$ (109,851)	(7)%	\$ 3,074,486	\$ 3,424,554	\$ (350,068)	(10)%

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Increase/(Decrease)		2013	2012	Increase/(Decrease)	
	(In thousands, except percentages)							
Adjusted income (loss) derived from operating activities from continuing operations: (5)								
Drilling & Rig Services:								
U.S.	\$ 69,813	\$ 145,351	\$ (75,538)	(52)%	\$ 147,408	\$ 312,084	\$ (164,676)	(53)%
Canada	3,895	(529)	4,424	836%	34,413	42,617	(8,204)	(19)%
International	32,481	16,401	16,080	98%	53,950	37,539	16,411	44%
Rig Services (1)	(4,044)	28,179	(32,223)	(114)%	3,693	58,025	(54,332)	(94)%
Subtotal Drilling & Rig Services (2)	102,145	189,402	(87,257)	(46)%	239,464	450,265	(210,801)	(47)%
Completion & Production Services:								
Production Services	23,471	25,397	(1,926)	(8)%	49,485	53,426	(3,941)	(7)%
Completion Services	6,870	46,144	(39,274)	(85)%	24,626	111,004	(86,378)	(78)%
Subtotal Completion & Production Services (3)	30,341	71,541	(41,200)	(58)%	74,111	164,430	(90,319)	(55)%
Other reconciling items (6)	(41,543)	(35,596)	(5,947)	(17)%	(73,044)	(73,812)	768	1%
Total adjusted income (loss) derived from operating activities	\$ 90,943	\$ 225,347	\$ (134,404)	(60)%	\$ 240,531	\$ 540,883	\$ (300,352)	(56)%

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	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Increase/(Decrease)		2013	2012	Increase/(Decrease)	
	(In thousands, except percentages)							
Total adjusted income (loss) derived from operating activities (5)	\$ 90,943	\$ 225,347	\$ (134,404)	(60)%	\$ 240,531	\$ 540,883	\$ (300,352)	(56)%
U.S. oil and gas joint venture		(140,434)	140,434	100%		(202,996)	202,996	100%
Interest expense	(60,271)	(63,459)	3,188	5%	(120,279)	(126,113)	5,834	5%
Investment income (loss)	14,821	5,368	9,453	176%	94,242	25,620	68,622	268%
Gains (losses) on sales and disposals of long-lived assets and other income (expense), net	(9,312)	(160,917)	151,605	94%	(69,119)	(159,077)	89,958	57%
Income (loss) from continuing operations before income taxes	36,181	(134,095)	170,276	127%	145,375	78,317	67,058	86%
Income tax expense (benefit)	6,172	(36,192)	42,364	117%	17,444	32,852	(15,408)	(47)%
Subsidiary preferred stock dividend	750	750			1,500	1,500		
Income (loss) from continuing operations, net of tax	29,259	(98,653)	127,912	130%	126,431	43,965	82,466	188%
Income (loss) from discontinued operations, net of tax	(28,004)	24,690	(52,694)	(213)%	(25,958)	15,895	(41,853)	(263)%
Net income (loss)	1,255	(73,963)	75,218	102%	100,473	59,860	40,613	68%
Less: Net (income) loss attributable to noncontrolling interest	(5,616)	1,174	(6,790)	(578)%	(5,713)	1,441	(7,154)	(496)%
Net income (loss) attributable to Nabors	\$ (4,361)	\$ (72,789)	\$ 68,428	94%	\$ 94,760	\$ 61,301	\$ 33,459	55%
Diluted earnings (losses) per share:								
From continuing operations	\$ 0.08	\$ (0.34)			\$ 0.41	\$ 0.16		
From discontinued operations	(0.09)	0.09			(0.09)	0.05		
Total diluted	\$ (0.01)	\$ (0.25)			\$ 0.32	\$ 0.21		

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Increase/(Decrease)		2013	2012	Increase/(Decrease)	
	(In thousands, except percentages and rig activity)							
Rig activity:								
Rig years: (7)								
U.S.	195.8	236.3	(40.5)	(17)%	192.8	237.7	(44.9)	(19)%
Canada	17.4	20.3	(2.9)	(14)%	28.6	34.5	(5.9)	(17)%
International (8)	125.2	120.9	4.3	4%	124.0	119.3	4.7	4%
Total rig years	338.4	377.5	(39.1)	(10)%	345.4	391.5	(46.1)	(12)%
Rig hours: (9)								
Production Services	224,681	220,304	4,377	2%	436,979	433,330	3,649	1%
Canada Production Services	28,802	35,710	(6,908)	(19)%	76,829	92,754	(15,925)	(17)%
Total rig hours	253,483	256,014	(2,531)	(1)%	513,808	526,084	(12,276)	(2)%

(1) Includes our drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software, and construction services. These services represent our other businesses that are not aggregated into a reportable operating segment.

(2) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of \$1.2 million and \$6.1 million for the three months ended June 30, 2013 and 2012, respectively, and \$4.0 million for the six months ended June 30, 2013.

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(3) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of \$.2 million and \$.1 million for the three and six months ended June 30, 2013, respectively.

(4) Represents the elimination of inter-segment transactions and earnings (losses), net from our former U.S. unconsolidated oil and gas joint venture, accounted for using the equity method of \$(140.4) million and \$(203.0) million for the three and six months ended June 30, 2012, respectively. In December 2012, we sold our equity interest in the oil and gas joint venture.

(5) Adjusted income (loss) derived from operating activities is computed by subtracting the sum of direct costs, general and administrative expenses, depreciation and amortization, and earnings (losses) from our former U.S. oil and gas joint venture from the sum of Operating revenues and Earnings (losses) from unconsolidated affiliates. These amounts should not be used as a substitute for the 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.

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

(7) 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.

(8) International rig years includes our equivalent percentage ownership of rigs owned by unconsolidated affiliates, which totaled 2.5 years during each of the three and six months ended June 30, 2013 and 2012.

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

Table of Contents**Segment Results of Operations****Drilling & Rig Services**

Our Drilling & Rig Services business line is comprised of drilling on land and offshore, by geographic region. This business line also includes our drilling technology, top drive manufacturing, directional drilling, construction services and rig instrumentation and software businesses.

	Three Months Ended June 30,		Increase/(Decrease)		Six Months Ended June 30,		Increase/(Decrease)		
	2013	2012	(In thousands, except percentages and rig activity)		2013	2012			
U.S.									
Revenues	\$ 467,129	\$ 598,765	\$ (131,636)	(22)%	\$ 951,902	\$ 1,225,870	\$ (273,968)	(22)%	
Adjusted income	\$ 69,813	\$ 145,351	\$ (75,538)	(52)%	\$ 147,408	\$ 312,084	\$ (164,676)	(53)%	
Rig years	195.8	236.3	(40.5)	(17)%	192.8	237.7	(44.9)	(19)%	
Canada									
Revenues	\$ 64,789	\$ 66,015	\$ (1,226)	(2)%	\$ 191,656	\$ 210,750	\$ (19,094)	(9)%	
Adjusted income	\$ 3,895	\$ (529)	\$ 4,424	836%	\$ 34,413	\$ 42,617	\$ (8,204)	(19)%	
Rig years	17.4	20.3	(2.9)	(14)%	28.6	34.5	(5.9)	(17)%	
International									
Revenues	\$ 351,421	\$ 304,622	\$ 46,799	15%	\$ 672,937	\$ 611,087	\$ 61,850	10%	
Adjusted income	\$ 32,481	\$ 16,401	\$ 16,080	98%	\$ 53,950	\$ 37,539	\$ 16,411	44%	
Rig years	125.2	120.9	4.3	4%	124.0	119.3	4.7	4%	
Rig Services									
Revenues	\$ 152,462	\$ 228,614	\$ (76,152)	(33)%	\$ 331,772	\$ 470,372	\$ (138,600)	(29)%	
Adjusted income	\$ (4,044)	\$ 28,179	\$ (32,223)	(114)%	\$ 3,693	\$ 58,025	\$ (54,332)	(94)%	

U.S.

Our U.S. drilling segment includes land drilling activities in the lower 48 states, Alaska and offshore operations in the Gulf of Mexico.

Operating results for this segment decreased during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods, primarily due to lower average dayrates and decreases in drilling activity in both the lower 48 states and Alaska. Realized dayrates for a portion of our rig fleet declined as term contracts expired; current market rates for drilling rigs are now generally lower than rates reflected in expiring term contracts. Results for this segment were also impacted by the industry-wide decrease in land drilling focused on natural gas.

Canada

Operating revenues decreased during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods, primarily as a result of decreases in drilling activity, partially offset by increased drilling dayrates. Drilling activity during the first half of 2013 was lower than the corresponding 2012 period due to decreased customer demand for gas-drilling activities related to the lower natural gas prices and a continued oversupply of natural gas in this market, resulting from lower prices.

International

Operating results increased during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods primarily as a result of increases in overall rig activity with rig deployments in Papua New Guinea and offshore rigs in Mexico and Saudi Arabia, partially offset by reduced rig activity in Colombia.

Table of Contents**Rig Services**

Operating results decreased primarily from our Canrig activities during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods due to lower demand in the United States and Canada drilling markets for top drives, rig instrumentation and data collection services from oil and gas exploration companies, along with lower third-party rental and RigWatch™ units, which generate higher margins.

Completion & Production Services

Our Completion & Production Services business line includes well-servicing, fluid logistics, workover operations and stimulation services in the U.S. and Canada.

	Three Months Ended June 30,		Increase/(Decrease)		Six Months Ended June 30,		Increase/(Decrease)		
	2013	2012	(In thousands, except percentages and rig activity)		2013	2012			
Production Services									
Revenues	\$ 244,602	\$ 240,380	\$ 4,222	2%	\$ 496,173	\$ 497,639	\$ (1,466)		
Adjusted income	\$ 23,471	\$ 25,397	\$ (1,926)	(8)%	\$ 49,485	\$ 53,426	\$ (3,941)	(7)%	
Rig hours:									
U.S.	224,681	220,304	4,377	2%	436,979	433,330	3,649	1%	
Canada	28,802	35,710	(6,908)	(19)%	76,829	92,754	(15,925)	(17)%	
Completion Services									
Revenues	\$ 254,016	\$ 387,663	\$ (133,647)	(34)%	\$ 516,154	\$ 785,699	\$ (269,545)	(34)%	
Adjusted income	\$ 6,870	\$ 46,144	\$ (39,274)	(85)%	\$ 24,626	\$ 111,004	\$ (86,378)	(78)%	

Production Services

Operating results decreased slightly during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods, primarily due to the mix of higher and lower rate rigs working in our Canada markets. U.S. markets have had higher utilization, despite continued pricing challenges. Costs have increased in rig and truck utilization as a result of capital invested over the past few years to increase our rig and truck fleets as well as frac tanks.

Completion Services

Operating results decreased during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods, due to reduced customer activity in part caused by severe weather in our northern operating areas as well as downward pricing pressure across all regions due to

continued overcapacity in the pressure pumping market.

Table of Contents**OTHER FINANCIAL INFORMATION**

	Three Months Ended June 30,		Increase/(Decrease)		Six Months Ended June 30,		Increase/(Decrease)	
	2013	2012	(In thousands, except percentages)		2013	2012		
General and administrative expenses	\$ 132,612	\$ 133,612	\$ (1,000)	(1)%	\$ 265,157	\$ 269,958	\$ (4,801)	(2)%
Depreciation and amortization	270,199	261,016	9,183	4%	543,564	508,637	34,927	7%
Interest expense	60,271	63,459	(3,188)	(5)%	120,279	126,113	(5,834)	(5)%
Investment income	14,821	5,368	9,453	176%	94,242	25,620	68,622	268%
Gains (losses) on sales and disposals of long-lived assets and other income (expense), net	9,312	160,917	(151,605)	(94)%	69,119	159,077	(89,958)	(57)%

General and administrative expenses

General and administrative expenses decreased slightly during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods, primarily as a result of lower activities and cost-reduction efforts across all business units. As a percentage of operating revenues, general and administrative expenses have increased primarily as a result of the drop in operating revenues during the three and six months ended June 30, 2013 as compared to the 2012 corresponding periods.

Depreciation and amortization

Depreciation and amortization expense increased during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods, as a result of the incremental depreciation expense from 30 newly constructed rigs placed into service since January 2012 in the U.S., and to a lesser extent, rig upgrades and other capital expenditures made during 2012 relating to our Drilling & Rig Services business line in our U.S. and international markets.

Interest expense

Interest expense decreased during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods, primarily as a result of the redemption in August 2012 of our aggregate principal amount \$275 million 5.375% senior notes, but also attributable to a reduction in our overall debt levels and the lower interest rates for the revolving credit facility and commercial paper balances.

Investment income

Investment income for the three months ended June 30, 2013 included realized gains of \$12.5 million related to the sale of some of our available-for-sale debt and equity securities and \$2.3 million attributable to interest and dividend income.

Investment income for the six months ended June 30, 2013 was primarily comprised of realized gains of \$88.7 million related to the sale of some of our available-for-sale debt and equity securities. The balance was attributable to interest, dividend income or unrealized gains on the remaining portfolio of investments.

Investment income for the three months ended June 30, 2012 included net unrealized gains of \$1.4 million from our trading securities, interest and dividend income of \$3.6 million from our cash, other short-term and long-term investments and realized gains of \$.4 million from other long-term investments.

Investment income for the six months ended June 30, 2012 included a \$12.5 million realized gain related to the sale of some of our debt securities, net unrealized gains of \$7.4 million from our trading securities, interest and dividend income of \$5.0 million from our cash, other short-term and long-term investments and realized gains of \$.7 million from other long-term investments.

Table of Contents**Gains (losses) on sales and disposals of long-lived assets and other income (expense), net**

The amount of gains (losses) on sales and disposals of long-lived assets and other income (expense), net for the three months ended June 30, 2013 was a net loss of \$9.3 million, which was primarily comprised of foreign currency exchange losses of approximately \$3.0 million and net losses on sales and disposals of assets of approximately \$2.0 million.

The amount of gains (losses) on sales and disposals of long-lived assets and other income (expense), net for the six months ended June 30, 2013 was a net loss of \$69.1 million, which included a one-time stock grant valued at \$27 million, which vested immediately and \$18 million in cash awarded and paid to Mr. Petrello in connection with the termination of his prior employment agreement during the first quarter of 2013. In addition, there were increases to our litigation reserves of \$5.7 million, foreign currency exchange losses of approximately \$7.3 million and net losses on sales and disposals of assets of approximately \$5.4 million.

The amount of gains (losses) on sales and retirements of long-lived assets and other income (expense), net for the three and six months ended June 30, 2012 was comprised of provisions for retirement of long-lived assets totaling \$46.3 million across multiple operating segments, an intangible asset impairment of approximately \$75.0 million related to a trade name, goodwill impairment totaling \$26.3 million related to our U.S. Offshore and International reporting units, net losses on sales and retirements of long-lived assets of approximately \$6.0 million and net increases to our litigation reserves of \$5.0 million.

Income tax rate

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Increase/(Decrease)	2013	2012	Increase/(Decrease)
Effective income tax rate from continuing operations	17%	27%	(10)% (37)%	12%	42%	(30)% (71)%

The changes in our effective tax rate during the three and six months ended June 30, 2013 compared to the corresponding 2012 periods benefited from a lower effective tax rate, principally attributable to the settlement of a longstanding tax dispute. In general, the effective tax rate reflects the proportion of income generated in the United States versus other countries where we operate. Income generated in the United States is generally taxed at a higher rate than other jurisdictions.

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

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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 in 2002.

Table of Contents**Assets Held-for-Sale**

Assets Held-for-Sale	June 30, 2013	(In thousands)	December 31, 2012
Oil and Gas (1)	\$ 351,263	(2)	\$ 377,625
Rig Services		(3)	6,232
	\$ 351,263		\$ 383,857

(1) Oil and Gas represents a former operating segment of the Company. We began marketing efforts during 2010 to sell our oil and gas investments. As of December 2012, all remaining assets relating to oil and gas are classified as held-for-sale.

(2) During the six months ended June 30, 2013, the carrying value of these assets was adjusted by \$34.4 million to reflect the sales price or current fair value. In July 2013, we sold some of our oil and gas assets and received initial proceeds of \$90 million, subject to customary post-closing adjustments.

(3) On April 1, 2013, we sold our business that provides logistics services for onshore drilling using helicopter and fixed-wing aircraft for a price of \$9.3 million.

We have contracts with pipeline companies to pay specified fees based on committed volumes for gas transport and processing. At June 30, 2013, our undiscounted contractual commitments for these contracts approximated \$290 million, and we had liabilities of \$177 million, \$58 million of which were classified as current and are included in accrued liabilities. At December 31, 2012, we had liabilities of \$206 million, \$69 million of which were classified as current and were included in accrued liabilities. These amounts represent our best estimate of the fair value of the excess capacity of the pipeline commitments calculated using a discounted cash flow model, when considering our disposal plan, current production levels, natural gas prices and expected utilization of the pipeline over the remaining contractual term. Decreases in actual production or natural gas prices could result in future charges related to excess pipeline commitments.

Discontinued Operations

Our condensed statements of income (loss) from discontinued operations for each operating segment were as follows:

**Operating
revenues and
Earnings from
unconsolidated**

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affiliates								
Oil and Gas	\$12,050	\$2,919	\$9,131	313%	\$22,039	\$6,220	\$15,819	254%
Rig Services	\$934	\$5,554	\$(4,620)	(83)%	\$4,971	\$10,416	\$(5,445)	(52)%
Income (loss) from discontinued operations								
Oil and Gas	\$(34,220)(1)	\$31,764	\$(65,984)	(208)%	\$(34,173)(1)	\$23,962	\$(58,135)	(243)%
Rig Services	\$6,216	\$(7,074)	\$13,290	188%	\$8,215	\$(8,067)	\$16,282	202%

(1) The carrying value of some assets was adjusted. Refer to discussion above.

Liquidity and Capital Resources

Cash Flows

Certain sources and uses of cash, such as the level of discretionary capital expenditures or acquisitions, purchases and sales of investments, as well as issuances and repurchases of debt and of our common shares, are within our control and are adjusted as necessary based on market conditions. We discuss our cash flows for the six months ended June 30, 2013 and 2012 below.

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Operating Activities. Net cash provided by operating activities totaled \$665.4 million during the six months ended June 30, 2013, compared to net cash provided by operating activities of \$711.9 million during the corresponding 2012 period. Net cash provided by operating activities (operating cash flows) is our primary source of capital and liquidity. Factors affecting changes in operating cash flows are largely the same as those that impact 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 \$633.4 million and \$871.5 million during the six months ended June 30, 2013 and 2012, 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 contributed \$32.0 million and used \$159.6 million, respectively, in cash during the six months ended June 30, 2013 and 2012.

Investing Activities. Net cash used for investing activities totaled \$342.1 million during the six months ended June 30, 2013 compared to net cash used for investing activities of \$826.2 million during the corresponding 2012 period. Our 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 the six months ended June 30, 2013 and 2012, we used cash for capital expenditures totaling \$500.4 million and \$967.9 million, respectively. During the six months ended June 30, 2013, we used cash to purchase NES and, we sold our trading equity securities and some of our available-for-sale equity securities, providing \$163.2 million in cash.

Financing Activities. Net cash used for financing activities totaled \$333.4 million during the six months ended June 30, 2013 compared to net cash provided by financing activities of \$39.5 million during the corresponding 2012 period. During the six months ended June 30, 2013, we issued \$295.0 million in commercial paper and repaid amounts totaling \$590.0 million that were borrowed under our revolving credit facility. During the six months ended June 30, 2012, we borrowed \$200 million from the revolving credit facility and repaid amounts totaling \$150 million. During the six months ended June 30, 2013, we paid cash dividends to shareholders totaling \$23.6 million.

Future Cash Requirements

We expect capital expenditures over the next 12 months to approximate \$1.0 - 1.2 billion. Purchase commitments outstanding at June 30, 2013 totaled approximately \$549.6 million, 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 reflect a number of capital programs that are currently underway or planned. These programs will result in an expansion in the number of land drilling and offshore rigs, and well-servicing equipment, and technology assets that we own and operate. We expect to be able to reduce the planned expenditures if necessary or increase them if market conditions and new business opportunities warrant it.

We have historically completed a number of acquisitions and will continue to evaluate opportunities to acquire assets or businesses to enhance our operations. Several of our previous acquisitions were funded through issuances of debt or our common shares. Future acquisitions may be funded 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).

There have been no significant changes to our contractual cash obligations table that was included in our 2012 Annual Report.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, 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.

Financial Condition and Sources of Liquidity

Our primary sources of liquidity are cash and investments, availability under our revolving credit facility, our commercial paper program, and cash generated from operations. As of June 30, 2013, we had cash and short-term investments of \$608.0 million and working capital of \$1.7 billion. As of December 31, 2012, we had cash and short-term investments of \$778.2 million and working capital of \$2.0 billion. At June 30, 2013, we had \$1.2 billion of availability remaining under our \$1.5 billion revolving credit facility.

In July 2013, we sold some of our oil and gas assets to an unrelated party and received initial proceeds of \$90 million, subject to customary post-closing adjustments.

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During the six months ended June 30, 2013, we sold our trading securities and some of our available-for-sale securities for \$163.2 million. During April 2013, Nabors Delaware established a commercial paper program, allowing for the issuance up to \$1.5 billion in commercial paper with maturity of no more than 397 days. As of June 30, 2013, we had approximately \$295.0 million of borrowings from commercial paper.

We had nine letter-of-credit facilities with various banks as of June 30, 2013. Availability under these facilities as of June 30, 2013 was as follows:

	(In thousands)
Credit available	\$ 281,613
Less: Letters of credit outstanding, inclusive of financial and performance guarantees	(68,061)
Remaining availability	\$ 213,552

Our ability to access capital markets or to otherwise obtain sufficient financing is enhanced by our senior unsecured debt ratings as provided by the major credit rating agencies in the United States and our historical ability to access these 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 ratings downgrade could adversely impact our ability to access debt markets in the future, increase the cost of future debt, and potentially require us to post letters of credit for certain obligations.

Our gross debt to capital ratio was 0.41:1 as of June 30, 2013 and 0.42:1 as of December 31, 2012, respectively. Our net debt to capital ratio was 0.37:1 as of June 30, 2013 and 0.38:1 as of December 31, 2012, respectively. The gross debt to capital ratio is calculated by dividing (x) total debt by (y) total capital. Total capital is defined as total debt *plus* shareholders' equity. The net debt to capital ratio is calculated by dividing (x) net debt by (y) net capital. Net debt is total debt *minus* the sum of cash and cash equivalents and short-term investments. Net capital is the sum of net debt *plus* shareholders' equity. Both of these ratios are used to calculate a company's leverage in relation to its capital. Neither ratio measures operating performance or liquidity as defined by GAAP and, therefore, may not be comparable to similarly titled measures presented by other companies.

Our interest coverage ratio was 7.0:1 as of June 30, 2013 and 7.9:1 as of December 31, 2012. The interest coverage ratio is a trailing 12-month quotient of the sum of (x) operating revenues and earnings (losses) from unconsolidated affiliates, direct costs and general administrative expenses *less* earnings (losses) from the U.S. oil and gas joint venture *divided* by (y) interest expense. 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 facility are expected to adequately finance our purchase commitments, capital expenditures, acquisitions, scheduled debt service requirements, and all other expected cash requirements for the next 12 months.

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.

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The following table summarizes the total maximum amount of financial guarantees issued by Nabors:

	Remainder of 2013	Maximum Amount			Total
		2014	2015 (In thousands)	Thereafter	
Financial standby letters of credit and other financial surety instruments	\$ 16,513	18,402			\$ 34,915

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We may be exposed to market risk through changes in interest rates and foreign-currency risk arising from our operations in international markets as discussed in our 2012 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

(a) **Disclosure Controls and Procedures.** We maintain a set of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) 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.

Our management, with the participation of the Chairman, President and Chief Executive Officer and the Principal Accounting and Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chairman, President and Chief Executive Officer and the Principal Accounting and Financial Officer have concluded that, as of the end of the period, our 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 a reasonable assurance level, in ensuring that information required to be disclosed in those reports is accumulated and communicated to management, including the Chairman, President and Chief Executive Officer and the Principal Accounting and Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

In 2009, the Court of Ouargla entered a judgment of approximately \$18.2 million (at current exchange rates) against us relating to alleged customs infractions in Algeria. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment was excessive in any case. We asserted the lack of legally required notice as a basis for challenging the judgment on appeal to the Algeria Supreme Court. In May 2012, that court reversed the lower court and remanded the case to the Ouargla Court of Appeals for treatment consistent with the Supreme Court's ruling. In January 2013, the Ouargla Court of Appeals reinstated the judgment. We have again lodged an appeal to the Algeria Supreme Court, asserting the same challenges as before. Based upon our understanding of applicable law and precedent, we continue to believe that we will prevail. The Hassi Messaoud customs office has recently initiated efforts to collect the judgment prior to the Supreme Court's decision in the case, as permitted by Algerian law. We intend to post security to suspend these efforts and have recorded a reserve in the anticipation of that security. If we are ultimately required to pay a fine or judgment related to this matter, the resulting loss could be up to \$13.6 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 were apprised of this inquiry and we cooperated with the SEC. On June 6, 2013, the staff of the SEC informed us that it had concluded its inquiry and determined not to recommend any enforcement action to the Commission.

Refer to Note 9 Commitments and Contingencies for discussion of previously disclosed litigation contingencies

Item 1A. Risk Factors

There have been no material changes during the three months ended June 30, 2013 to the Risk Factors discussed in our 2012 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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We withheld the following shares of our common stock to satisfy tax withholding obligations in connection with grants of stock awards during the three months ended June 30, 2013 from the distributions described below. These shares may be deemed to be issuer purchases of shares that are required to be disclosed pursuant to this Item, but were not purchased as part of a publicly announced program to purchase common shares:

(In thousands, except average price paid per share)

Period	Total Number of Shares Purchases (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
April 1 - April 30, 2013	15	\$ 14.75		
May 1 - May 31, 2013	3	\$ 15.25		
June 1 - June 30, 2013		\$ 16.40		

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

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

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit No.	Description
3.1	Memorandum of Association of Nabors Industries Ltd. (incorporated by reference to Annex II to the proxy statement/prospectus included in Nabors Industries Ltd.'s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the Commission on May 10, 2002, as amended).
3.2	Amended and Restated Bye-laws of Nabors Industries Ltd. (incorporated by reference to Exhibit 3.2 to Nabors Industries Ltd.'s Form 10-Q (File No. 001-32657) filed with the Commission on August 3, 2012).
4.1	Rights Agreement, dated as of July 16, 2012, between Nabors Industries Ltd. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to the Form 8-K (File No. 001-32657) filed with the Commission on July 17, 2012).
4.2	Amendment No. 1, dated as of April 4, 2013, to the Rights Agreement, dated as of July 16, 2012, between Nabors Industries Ltd. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the Registration Statement on Form 8-A (File No. 001-32657) filed with the Commission on April 4, 2013).
4.3	Amendment No. 2, dated as of July 15, 2013, to the Rights Agreement, dated as of July 16, 2012, between Nabors Industries Ltd. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.3 to Amendment No. 2 to the Registration Statement on Form 8-A (File No. 001-32657) filed with the Commission on July 15, 2013).
10.1	Agreement, dated as of April 4, 2013, by and between Nabors Industries Ltd. and PHM Investment (USD) I S.à.r.l. (incorporated by reference to Exhibit 10.1 to the Form 8-K (File No. 001-32657) filed with the Commission on April 4, 2013).
15	Awareness Letter of Independent Accountants*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Anthony G. Petrello, Chairman, President and Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of R. Clark Wood, Principal Accounting and Financial Officer*
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Anthony G. Petrello, Chairman, President and Chief Executive Officer and R. Clark Wood, Principal Accounting and Financial Officer (furnished herewith).*
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

* Filed herewith.

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SIGNATURES

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

NABORS INDUSTRIES LTD.

By: */s/ Anthony G. Petrello*
Anthony G. Petrello
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

By: */s/ R. Clark Wood*
R. Clark Wood
Principal Accounting and Financial Officer

Date: August 2, 2013

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Exhibit Index

3.1	Memorandum of Association of Nabors Industries Ltd. (incorporated by reference to Annex II to the proxy statement/prospectus included in Nabors Industries Ltd. s Registration Statement on Form S-4 (Registration No. 333-76198) filed with the Commission on May 10, 2002, as amended).
3.2	Amended and Restated Bye-laws of Nabors Industries Ltd. (incorporated by reference to Exhibit 3.2 to Nabors Industries Ltd. s Form 10-Q (File No. 001-32657) filed with the Commission on August 3, 2012).
4.1	Rights Agreement, dated as of July 16, 2012, between Nabors Industries Ltd. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to the Form 8-K (File No. 001-32657) filed with the Commission on July 17, 2012).
4.2	Amendment No. 1, dated as of April 4, 2013, to the Rights Agreement, dated as of July 16, 2012, between Nabors Industries Ltd. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the Registration Statement on Form 8-A (File No. 001-32657) filed with the Commission on April 4, 2013).
4.3	Amendment No. 2, dated as of July 15, 2013, to the Rights Agreement, dated as of July 16, 2012, between Nabors Industries Ltd. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.3 to Amendment No. 2 to the Registration Statement on Form 8-A (File No. 001-32657) filed with the Commission on July 15, 2013).
10.1	Agreement, dated as of April 4, 2013, by and between Nabors Industries Ltd. and PHM Investment (USD) 1 S.à.r.l. (incorporated by reference to Exhibit 10.1 to the Form 8-K (File No. 001-32657) filed with the Commission on April 4, 2013).
15	Awareness Letter of Independent Accountants*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Anthony G. Petrello, Chairman, President and Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of R. Clark Wood, Principal Accounting and Financial Officer*
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Anthony G. Petrello, Chairman, President and Chief Executive Officer and R. Clark Wood, Principal Accounting and Financial Officer (furnished herewith).*
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

* Filed herewith.