NABORS INDUSTRIES LTD
Form 10-Q
August 03, 2012

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, 2012

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

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

Crown House

Second Floor

4 Par-la-Ville Road

Hamilton, HM08

Bermuda

(441) 292-1510

(Address of principal executive offices)

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 x NO ¨

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

The number of common shares, par value $.001 per share, outstanding as of July 31, 2012 was 290,386,130.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 320,398	$ 398,575
Short-term investments	134,784	140,914
Assets held for sale	396,413	401,500
Accounts receivable, net	1,607,422	1,576,555
Inventory	259,943	272,852
Deferred income taxes	70,288	127,874
Other current assets	185,922	170,044
Total current assets	2,975,170	3,088,314
Long-term investments and other receivables	5,452	11,124
Property, plant and equipment, net	8,904,324	8,629,946
Goodwill	471,913	501,258
Investment in unconsolidated affiliates	165,003	371,021
Other long-term assets	321,610	310,477
Total assets	$ 12,843,472	$ 12,912,140
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 275,323	$ 275,326
Trade accounts payable	606,571	782,753
Accrued liabilities	604,627	744,483
Total current liabilities	1,486,521	1,802,562
Long-term debt	4,398,452	4,348,490
Other long-term liabilities	326,202	292,758
Deferred income taxes	834,207	797,925
Total liabilities	7,045,382	7,241,735
Commitments and contingencies (Note 12)		
Subsidiary preferred stock	69,188	69,188
Equity:		
Shareholders equity:		
Common shares, par value $.001 per share:		
Authorized common shares 800,000; issued 318,719 and 317,042, respectively	319	317
Capital in excess of par value	2,326,590	2,287,743
Accumulated other comprehensive income	318,088	321,264
Retained earnings	4,017,665	3,956,364
Less: treasury shares, at cost, 28,414 and 29,414 common shares, respectively	(944,627)	(977,873)
Total shareholders equity	5,718,035	5,587,815
Noncontrolling interest	10,867	13,402
Total equity	5,728,902	5,601,217

Total liabilities and equity	$ 12,843,472	$ 12,912,140

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	**2012**	**2011**	**2012**	**2011**
Revenues and other income:				
Operating revenues	$ 1,737,114	$ 1,343,642	$ 3,627,540	$ 2,717,210
Earnings (losses) from unconsolidated affiliates	(134,317)	9,308	(202,986)	25,582
Investment income (loss)	5,368	(975)	25,620	11,305
Total revenues and other income	1,608,165	1,351,975	3,450,174	2,754,097
Costs and other deductions:				
Direct costs	1,123,256	827,450	2,308,072	1,668,558
General and administrative expenses	133,612	122,970	269,958	238,921
Depreciation and amortization	261,016	225,042	508,637	450,252
Interest expense	63,459	63,755	126,113	137,721
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	13,414	4,348	11,574	10,507
Impairments and other charges	147,503		147,503	
Total costs and other deductions	1,742,260	1,243,565	3,371,857	2,505,959
Income (loss) from continuing operations before income taxes	(134,095)	108,410	78,317	248,138
Income tax expense (benefit):				
Current	34,698	7,849	60,704	27,538
Deferred	(70,890)	28,924	(27,852)	53,661
Total income tax expense (benefit)	(36,192)	36,773	32,852	81,199
Subsidiary preferred stock dividend	750	750	1,500	1,500
Income (loss) from continuing operations, net of tax	(98,653)	70,887	43,965	165,439
Income (loss) from discontinued operations, net of tax	24,690	121,167	15,895	108,771
Net income (loss)	(73,963)	192,054	59,860	274,210
Less: Net (income) loss attributable to noncontrolling interest	1,174	394	1,441	1,063
Net income (loss) attributable to Nabors	$ (72,789)	$ 192,448	$ 61,301	$ 275,273
Earnings (losses) per share:				
Basic from continuing operations	$ (.34)	$ .25	$ .16	$ .58
Basic from discontinued operations	.09	.42	.05	.38
Total Basic	$ (.25)	$ .67	$ .21	$ .96
Diluted from continuing operations	$ (.34)	$ .24	$ .16	$ .57
Diluted from discontinued operations	.09	.41	.05	.37

Total Diluted	$ (.25)	$ .65	$ .21	$ .94
Weighted-average number of common shares outstanding:				
Basic	290,311	287,311	289,550	286,712
Diluted	290,311	294,298	292,185	293,493

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2012**	**2011**	**2012**	**2011**
Net income (loss) attributable to Nabors	$ (72,789)	$ 192,448	$ 61,301	$ 275,273
Other comprehensive income (loss), before tax:				
Translation adjustment attributable to Nabors	(19,659)	7,910	(2,393)	39,349
Unrealized gains/(losses) on marketable securities:				
Unrealized gains/(losses) on marketable securities	(5,008)	(11,192)	7,215	(4,884)
Less: reclassification adjustment for (gains)/losses included in net income (loss)	(19)	2	(12,484)	(1)
Unrealized gains/(losses) on marketable securities	(5,027)	(11,190)	(5,269)	(4,885)
Defined benefit pension plans:				
Pension liability amortization	260	149	520	300
Pension liability adjustment				
Defined benefit pension plans	260	149	520	300
Unrealized gains/(losses) and amortization of (gains)/losses on cash flow hedges	191	190	382	381
Other comprehensive income (loss), before tax	(24,235)	(2,941)	(6,760)	35,145
Income tax expense (benefit) related to items of other comprehensive income (loss)	140	124	(3,584)	306
Other comprehensive income (loss), net of tax	(24,375)	(3,065)	(3,176)	34,839
Comprehensive income (loss)	(97,164)	189,383	58,125	310,112
Net income (loss) attributable to noncontrolling interest	(1,174)	(394)	(1,441)	(1,063)
Translation adjustment attributable to noncontrolling interest	(216)	95	27	452
Comprehensive income (loss) attributable to noncontrolling interest	(1,390)	(299)	(1,414)	(611)
Comprehensive income (loss) attributable to Nabors	$ (98,554)	$ 189,084	$ 56,711	$ 309,501

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
(In thousands)	**2012**	**2011**
Cash flows from operating activities:		
Net income (loss) attributable to Nabors	$ 61,301	$ 275,273
Adjustments to net income (loss):		
Depreciation and amortization	508,748	451,986
Depletion and other exploratory expenses	151	19,072
Deferred income tax expense (benefit)	(15,404)	47,308
Deferred financing costs amortization	2,185	2,922
Pension liability amortization and adjustments	520	300
Discount amortization on long-term debt	993	26,081
Amortization of loss on hedges	463	464
Impairments and other charges	159,950	
Losses (gains) on long-lived assets, net	8,335	(41,458)
Losses (gains) on investments, net	(21,400)	(8,761)
Losses (gains) on debt retirement, net		58
Losses (gains) on derivative instruments	90	338
Share-based compensation	8,784	8,107
Foreign currency transaction losses (gains), net	2,285	615
Gain on sale of oil and gas operations	(48,486)	
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	202,985	(102,122)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(33,981)	(82,533)
Inventory	6,636	(39,807)
Other current assets	(26,906)	21,051
Other long-term assets	6,693	61,543
Trade accounts payable and accrued liabilities	(94,423)	237,743
Income taxes payable	(33,147)	(13,363)
Other long-term liabilities	15,565	5,085
Net cash provided by operating activities	711,937	869,902
Cash flows from investing activities:		
Purchases of investments	(795)	(7,945)
Sales and maturities of investments	25,517	20,622
Investment in unconsolidated affiliates		(29,762)
Distribution of proceeds from asset sales from unconsolidated affiliates		119,207
Capital expenditures	(967,861)	(1,003,245)
Proceeds from sales of assets and insurance claims	116,923	102,067
Net cash used for investing activities	(826,216)	(799,056)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	(2,060)	11,203
Proceeds from revolving credit facilities	200,000	1,200,000
Proceeds from issuance of common shares	(5,066)	11,622
Debt issuance costs		(2,188)
Reduction in long-term debt	(1,235)	(1,404,247)

Paydown of revolving credit facilities	(150,000)	
Repurchase of equity component of convertible debt		(14)
Purchase of restricted stock	(2,071)	(2,527)
Tax benefit related to share-based awards	(36)	42
Net cash provided by (used for) financing activities	39,532	(186,109)
Effect of exchange rate changes on cash and cash equivalents	(3,430)	2,383
Net increase (decrease) in cash and cash equivalents	(78,177)	(112,880)
Cash and cash equivalents, beginning of period	398,575	641,702
Cash and cash equivalents, end of period	$ 320,398	$ 528,822

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)

	Common Shares							
(In thousands)	Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Total Equity
Balances, 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
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
Other			(2,107)				(1,121)	(3,228)
Share-based compensation	678	1	8,783					8,784
Balances, June 30, 2012	318,719	$ 319	$ 2,326,590	$ 318,088	$ 4,017,665	$ (944,627)	$ 10,867	$ 5,728,902

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)

	Common Shares							
(In thousands)	Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Total Equity
Balances, December 31, 2010	315,034	$ 315	$ 2,255,787	$ 342,052	$ 3,707,881	$ (977,873)	$ 14,701	$ 5,342,863
Net income (loss)					275,273		(1,063)	274,210
Comprehensive income, net of tax				34,839			452	35,291
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options	956	1	11,621					11,622
Other	868		(2,499)				(1,119)	(3,618)
Share-based compensation			8,107					8,107
Balances, June 30, 2011	316,858	$ 316	$ 2,273,016	$ 376,891	$ 3,983,154	$ (977,873)	$ 12,971	$ 5,668,475

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

- We actively market approximately 513 land drilling rigs for oil and gas land drilling operations in the U.S. Lower 48 states, Alaska, Canada, South and Central America, Mexico, the Middle East, the Far East, the South Pacific, Russia and Africa.
- We actively market approximately 424 rigs for land well-servicing and workover work in the United States and approximately 176 rigs for land well-servicing and workover work in Canada.

We are also a leading provider of offshore platform workover and drilling rigs, and actively market 40 platform, 12 jackup and four barge rigs in the United States, including the Gulf of Mexico, and multiple international markets.

In addition to the foregoing services:

- We provide completion and production services, including hydraulic fracturing, cementing, nitrogen and acid pressure pumping services with over 805,000 hydraulic horsepower in key basins throughout the United States and Canada.
- We offer a wide range of ancillary well-site services, including engineering, transportation and disposal, construction, maintenance, well logging, directional drilling, rig instrumentation, data collection and other support services in select U.S. and international markets.
- We manufacture and lease or sell top drives for a broad range of drilling applications, directional drilling systems, rig instrumentation and data collection equipment, pipeline handling equipment and rig reporting software.
- We have a 51% ownership interest in a joint venture in Saudi Arabia, which owns and actively markets nine rigs in addition to the rigs we lease to the joint venture.
- We have invested in oil and gas exploration, development and production activities through both our wholly owned subsidiaries and our oil and gas joint ventures in which we hold 49-50% ownership interests.

The majority of our business is conducted through our Drilling and Rig Services and our Completion and Production business lines. Our Drilling and Rig Services business line includes our drilling operations for oil and natural gas wells, on land and offshore, and companies engaged in drilling technology, top drive manufacturing, directional drilling, construction services, and rig instrumentation and software. Our Completion and Production Services business line includes our well-servicing, fluid logistics, workover operations and our pressure pumping services. In addition to these two primary business lines, we have an Oil and Gas operating segment. Our oil and gas exploration, development and production operations are included in our Oil and Gas operating segment, or in discontinued operations in some cases.

Unless the context requires otherwise, references in this report and in Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations to we, us, our, Company or Nabors mean Nabors Industries Ltd., together with our subsidiaries where the context requ including Nabors Industries, Inc., a Delaware corporation (Nabors Delaware).

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Note 2 Summary of Significant Accounting Policies

Interim Financial Information

The unaudited consolidated financial statements of Nabors are prepared in conformity with accounting principles generally accepted in the United States (GAAP). Certain reclassifications have been made to the prior period to conform to the current-period presentation, with no effect on our consolidated financial position, results of operations or cash flows. Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. Therefore, these financial statements should be read along with our annual report on Form 10-K for the year ended December 31, 2011 (2011 Annual Report). In management s opinion, the consolidated financial statements contain all adjustments necessary to present fairly our financial position as of June 30, 2012, the results of our operations and other comprehensive income for the three and six months ended June 30, 2012 and 2011, and cash flows and changes in equity for the six months ended June 30, 2012 and 2011, in accordance with GAAP. Interim results for the three and six months ended June 30, 2012 may not be indicative of results that will be realized for the full year ending December 31, 2012.

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. Our consolidated financial statements exclude majority-owned entities for which we do not have either (1) the ability to control the operating and financial decisions and policies of that entity or (2) a controlling financial interest in a variable interest entity. All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in operating entities where we have the ability to exert significant influence, but where we do not control operating and financial policies, are accounted for using the equity method. Our share of the net income (loss) of these entities is recorded as earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss), and our investment in these entities is included in both investment in unconsolidated affiliates and assets held for sale in our consolidated balance sheets. The portion of such investments included in investments in unconsolidated affiliates totaled $165.0 million and $371.0 million as of June 30, 2012 and December 31, 2011, respectively. At June 30, 2012 and December 31, 2011, the portion of such investments included in assets held for sale totaled $13.7 million. See Note 4 Discontinued Operations for additional information.

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

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, 2012	December 31, 2011
	(In thousands)	
Raw materials	$ 136,734	$ 133,480
Work-in-progress	43,799	50,951
Finished goods	79,410	88,421
	$ 259,943	$ 272,852

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Goodwill

We determined it was necessary to perform our annual goodwill impairment test, a level 3 fair value measurement, during the second quarter of 2012. The impairment test compares the estimated fair value of the reporting unit to its carrying amount. If the carrying amount exceeds the fair value, a second step is required to measure the goodwill impairment loss. This second step compares the implied fair value of the reporting unit s goodwill to its carrying amount. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to the excess. Our goodwill impairment test results required the second step measurement for two reporting units.

The fair values calculated in these impairment tests were determined using discounted cash flow models involving assumptions based on our utilization of rigs or other oil and gas service equipment, revenues and earnings from affiliates, as well as direct costs, general and administrative costs, depreciation, applicable income taxes, capital expenditures and working capital requirements. Our discounted cash flow projections for each reporting unit were based on financial forecasts. The future cash flows were discounted to present value using discount rates determined to be appropriate for each reporting unit. Terminal values for each reporting unit were calculated using a Gordon Growth methodology with a long-term growth rate of 3%.

Our estimated fair values of our reporting units incorporate judgment and the use of estimates by management. Potential factors requiring assessment include a further or sustained decline in our stock price, declines in natural gas and oil prices, a variance in results of operations from forecasts, and additional transactions in the oil and gas industry. Another factor in determining whether impairment has occurred is the relationship between our market capitalization and our book value. As part of our annual review, we compared the sum of our reporting units estimated fair value, which included the estimated fair value of non-operating assets and liabilities, less debt, to our market capitalization and assessed the reasonableness of our estimated fair value. Any of the above-mentioned factors may cause us to re-evaluate goodwill during any quarter throughout the year.

The carrying amounts and change of goodwill for our operating segments as of and for the six months ended June 30, 2012 were as follows:

	Balance as of December 31, 2011	Acquisitions and Purchase Price Adjustments	Disposals and Impairments	Cumulative Translation Adjustment	Balance as of June 30, 2012
			(In thousands)		
Drilling and Rig Services:					
U.S. Lower 48 Land Drilling	$ 30,154	$	$	$	$ 30,154
U.S. Offshore	7,296		7,296[(1)]		
Alaska	19,995				19,995
International	18,983		18,983 [(1)]		
Other Rig Services	34,766		3,035[(2)]	(31)	31,700
Subtotal Drilling and Rig Services	111,194		29,314	(31)	81,849
Completion and Production Services:					
U.S. Land Well-servicing	55,072				55,072
Pressure Pumping	334,992				334,992
Subtotal Completion and Production Services	390,064				390,064
Total	$ 501,258	$	$ 29,314	$ (31)	$ 471,913

(1) Represents the impairment of goodwill associated with our U.S. Offshore and International reporting units. As of June 30, 2012, these reporting units had no recorded goodwill. The impairments were deemed necessary due to the prolonged uncertainty of utilization of some of our rigs as a result of changes in our

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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.

(2) Represents the removal of goodwill in connection with our sale of Peak USA to an unrelated third party for $13.5 million cash during the second quarter of 2012. Peak USA, a subsidiary included in our Other Rig Services reporting unit, provided trucking and logistics services to the oilfield service market in the U.S. Lower 48 states.

Note 3 Impairments and Other Charges

Impairments and other charges included the following:

(In thousands)	Three Months Ended June 30, 2012	2011
Goodwill impairment	$ 26,279	$
Intangible asset impairment [(1)]	74,960	
Provision for retirement of assets: [(2)]		
Canada	15,095	
U.S. Well-servicing	4,628	
Pressure Pumping	26,541	
Total impairments and other charges	$ 147,503	$

(1) Represents $75.0 million related to the 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.

(2) During the three months ended June 30, 2012, we recorded a provision for retirement of long-lived assets totaling $46.2 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. Our U.S. Well-servicing operations related to retirements of rigs and vehicles that would require significant repair to return to work. We recorded retirements of some non-core assets as we have begun the process to streamline our operations and consolidate our Pressure Pumping and U.S. Well-servicing segments into one business line, Nabors Completion and Production Services. As a result, we decided to retire these assets. As we continue to streamline our lines of business, there could be future retirement or impairment charges, which could have a potential impact on our future operating results. In addition, 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.

Note 4 Discontinued Operations

Assets held for sale included the following:

(In thousands)	June 30, 2012	December 31, 2011
Assets Held for Sale		
Oil and Gas	$ 385,047	$ 385,414
Other Rig Services	11,366	16,086
Assets Held for Sale	$ 396,413	$ 401,500

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Our condensed statements of income (loss) from discontinued operations for the three and six months ended June 30, 2012 and 2011 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Operating revenues and Earnings (losses) from unconsolidated affiliates				
Oil and Gas	$ 2,919	$ 9,397	$ 6,220	$ 20,816
Other Rig Services (1)	$ 5,554	$ 7,245	$ 10,416	$ 11,839
Income (loss) from Oil and Gas discontinued operations:				
Income (loss) from discontinued operations	$ (2,476)	$ 77,356	$ (7,921)	$ 60,140
Gain (loss) on sale of wholly owned assets	41,282	42,717	36,110	42,717
Less: income tax expense (benefit)	7,042	(2,223)	4,227	(8,563)
Income (loss) from Oil and Gas discontinued operations, net of tax	$ 31,764	$ 122,296	$ 23,962	$ 111,420
Income (loss) from Other Rig Services discontinued operations: (1)				
Income (loss) from discontinued operations	$ (4,190)	$ (1,506)	$ (5,519)	$ (3,533)
Gain (loss) on sale of assets	(5,242)		(5,242)	
Less: income tax expense (benefit)	(2,358)	(377)	(2,694)	(884)
Income (loss) from Other Rig Services discontinued operations, net of tax	$ (7,074)	$ (1,129)	$ (8,067)	$ (2,649)

(1) Represents our aircraft logistics operations in Canada included in our Other Rig Services operating segment.

In April 2012, we sold our remaining wholly owned oil and gas business in Colombia to an unrelated third party for a cash purchase price of $72.6 million, which resulted in a pre-tax gain of approximately $48.5 million. These assets were included in our assets held for sale as part of our Oil and Gas operating segment.

In May 2012, we sold some of our U.S. wholly owned oil and gas business in the Fayetteville Shale, Floyd Shale, and Barnett Shale areas to unrelated third parties for cumulative cash receipts of $5.7 million, which did not result in any gain or loss. These assets were included in our assets held for sale as part of our Oil and Gas operating segment. Based on current market conditions and our assessment of the sales price, we adjusted the carrying value of our U.S. wholly owned oil and gas business by $7.2 million in the second quarter of 2012 to reflect their estimated sales price or current fair value.

Our contracts with pipeline companies include pipeline transmission commitments in the Horn River Basin. During the year ended December 31, 2011, we evaluated current production levels, natural gas prices and the anticipated sales cycle related to the sale of properties corresponding to these commitments. As a result, we recorded liabilities for excess pipeline capacity. Our consolidated balance sheets included current liabilities related to discontinued operations of $63.9 million and $54.3 million that were included in accrued liabilities and noncurrent liabilities related to discontinued operations of $35.3 million and $71.4 million that were included in other long-term liabilities at June 30, 2012 and December 31, 2011, respectively. These amounts represent our best estimate of the excess capacity of the pipeline, based upon the estimated sales date of the properties, as compared to the contractual commitments. Our commitments beyond December 31, 2013 could approximate $265.4 million if the related properties are not sold or developed. Decreases in actual production, natural gas prices or a change in the estimated sales date could result in future charges related to excess capacity of the pipeline that may materially impact our results of operations.

Based on current market conditions and our assessment of the sales price, we adjusted the carrying value of our aircraft logistics assets by $5.2 million in the second quarter of 2012 to reflect their estimated sales price or current fair value.

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Note 5 Cash and Cash Equivalents and Short-term Investments

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

	June 30, 2012	December 31, 2011
	(In thousands)	
Cash and cash equivalents	$ 320,398	$ 398,575
Short-term investments:		
Trading equity securities	19,049	11,600
Available-for-sale equity securities	77,993	71,433
Available-for-sale debt securities	37,742	57,881
Total short-term investments	$ 134,784	$ 140,914

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

	June 30, 2012			December 31, 2011		
	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	$ 320,398	$	$	$ 398,575	$	$
Short-term investments:						
Trading equity securities	19,049	13,325		11,600	5,876	
Available-for-sale equity securities	77,993	41,014	(1,379)	71,433	33,075	
Available-for-sale debt securities:						
Commercial paper and CDs	673			1,230		
Corporate debt securities	32,400	11,819	(3,310)	51,300	22,494	(2,095)
Mortgage-backed debt securities	261	15		309	10	
Mortgage-CMO debt securities	2,343	11	(12)	2,547	13	(15)
Asset-backed debt securities	2,065		(180)	2,495		(238)
Total available-for-sale debt securities	37,742	11,845	(3,502)	57,881	22,517	(2,348)
Total available-for-sale securities	115,735	52,859	(4,881)	129,314	55,592	(2,348)
Total short-term investments	134,784	66,184	(4,881)	140,914	61,468	(2,348)
Total cash, cash equivalents and short-term investments	$ 455,182	$ 66,184	$ (4,881)	$ 539,489	$ 61,468	$ (2,348)

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

	As of June 30, 2012	
	Less Than 12 Months	More Than 12 Months

	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
		(In thousands)		
Available-for-sale equity securities	$ 17,516	$ 1,379	$	$
Available-for-sale debt securities:				
Corporate debt securities (1)			16,500	3,310
Mortgage-CMO debt securities (2)	2,069	9	62	3
Asset-backed debt securities (2)	2,065	180		
Total available-for-sale debt securities	4,134	189	16,562	3,313
Total	$ 21,650	$ 1,568	$ 16,562	$ 3,313

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(1) Our unrealized loss on corporate debt securities relates to our investment in NFR Energy LLC s 9.75% senior notes. This investment is in addition to our equity interest in NFR Energy LLC. The senior notes mature in 2017 and interest is paid semi-annually on February 15 and August 15. We do not intend to sell this investment, and it is less likely than not that we will be required to sell it to satisfy our own cash flow and working capital requirements. We believe that we will continue to collect all amounts due according to the contractual terms of the investment and, therefore, do not consider the decline in value of the investment to be other-than-temporary at June 30, 2012. See Note 8 Investments in Unconsolidated Affiliates for additional discussion of our equity investment.

(2) 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 Servi and is considered of high credit quality. In each case, we do not intend to sell these investments, and it is less likely than not that we will be required to sell them to satisfy our own cash flow and working capital requirements. We believe that we will be able to collect all amounts due according to the contractual terms of each investment and, therefore, do not consider the decline in value of these investments to be other-than-temporary at June 30, 2012.

The estimated fair values of our corporate, mortgage-backed, mortgage-CMO and asset-backed debt securities at June 30, 2012, classified by time to contractual maturity, are shown below. Expected maturities differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties and we may elect to sell the securities prior to the contractual maturity date.

	Estimated Fair Value June 30, 2012 (In thousands)
Debt securities:	
Due in one year or less	$ 673
Due after one year through five years	16,500
Due in more than five years	20,569
Total debt securities	$ 37,742

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

	Six Months Ended June 30, 2012	2011
	(In thousands)	
Available-for-sale:		
Proceeds from sales and maturities	$ 19,233	$ 782
Realized gains (losses), net	12,484	(7)

Note 6 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, 2012. 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, 2012, there were no transfers of our financial assets and liabilities 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.

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Recurring Fair Value Measurements

	Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Short-term investments:				
Available-for-sale equity securities energy industry	$ 71,054	$ 6,939	$	$ 77,993
Available-for-sale debt securities				
Commercial paper and CDs	673			673
Corporate debt securities		32,400		32,400
Mortgage-backed debt securities		261		261
Mortgage-CMO debt securities		2,343		2,343
Asset-backed debt securities	2,065			2,065
Trading securities energy industry	19,049			19,049
Total short-term investments	$ 92,841	$ 41,943	$	$ 134,784
Liabilities:				
Derivative contract	$	$ 268	$	$ 268

Nonrecurring Fair Value Measurements

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

Fair Value of Financial Instruments

The fair value of our financial instruments has been estimated in accordance with GAAP. We measure the estimated fair value of our long-term debt, subsidiary preferred stock and revolving credit facilities using significant other observable inputs, which represent Level 2 fair value measurements, including quoted market prices or prices quoted from third-party financial institutions as well as the terms and credit spreads for such instruments. The carrying and fair values of these liabilities were as follows:

	June 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
5.375% senior notes due August 2012 [(1)]	$ 274,918	$ 277,475	$ 274,604	$ 281,188
6.15% senior notes due February 2018	968,098	1,125,365	967,490	1,113,986
9.25% senior notes due January 2019	1,125,000	1,457,741	1,125,000	1,419,514
5.00% senior notes due September 2020	697,495	750,792	697,343	734,475
4.625% senior notes due September 2021	697,787	706,776	697,667	708,176
Subsidiary preferred stock	69,188	68,625	69,188	68,625
Revolving credit facilities	910,000	910,000	860,000	860,000
Other	477	477	1,712	1,712
	$ 4,742,963	$ 5,297,251	$ 4,693,004	$ 5,187,676

(1)

Includes $.1 million and $.3 million as of June 30, 2012 and December 31, 2011, respectively, related to the unamortized loss on the interest rate swap that was unwound during the fourth quarter of 2005.

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

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As of June 30, 2012, our short-term investments were carried at fair market value and included $115.7 million and $19.0 million in securities classified as available-for-sale and trading, respectively. As of December 31, 2011, our short-term investments were carried at fair market value and included $129.3 million and $11.6 million in securities classified as available-for-sale and trading, respectively.

Note 7 Share-Based Compensation

We have several share-based employee compensation plans, which are more fully described in Note 8 Share-Based Compensation in our 2011 Annual Report. Total share-based compensation expense, which includes both stock options and restricted stock, totaled $4.3 million and $4.1 million for the three months ended June 30, 2012 and 2011, respectively, and $8.8 million and $8.1 million for the six months ended June 30, 2012 and 2011, respectively. Total share-based compensation is included in direct costs and general and administrative expenses in our consolidated statements of income (loss). Share-based compensation expense has been allocated to our various operating segments. See Note 15 Segment Information.

During the six months ended June 30, 2012 and 2011, we awarded 923,131 and 1,029,157 shares of restricted stock, respectively, vesting over periods up to four years, to our employees and directors. These awards had an aggregate value at their grant date of $19.2 million and $28.8 million, respectively. The fair value of restricted stock that vested during the six months ended June 30, 2012 and 2011 was $9.3 million and $15.9 million, respectively.

The total intrinsic value of stock options exercised during the six months ended June 30, 2012 and 2011 was $5.1 million and $15.1 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, 2012 and 2011 was $7.6 million and $5.1 million, respectively.

Note 8 Investments in Unconsolidated Affiliates

We have several unconsolidated affiliates that are integral to our operations. For a full description, refer to Note 10 Investments in Unconsolidated Affiliates in our 2011 Annual Report.

At June 30, 2012 and December 31, 2011, our consolidated balance sheets reflect our investments in unconsolidated affiliates accounted for using the equity method totaling $165.0 million and $371.0 million, respectively. In addition, assets held for sale include investments in unconsolidated affiliates accounted for using the equity method totaling $13.7 million at June 30, 2012 and December 31, 2011.

Presented below is summarized income statement (loss) information for our unconsolidated U.S. oil and gas joint venture:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In thousands)			
Gross revenues	$ 74,140	$ 65,840	$ 125,469	$ 103,752
Gross margin	$ 45,421	$ 52,418	$ 83,057	$ 82,817
Net income (loss)	$ (282,403)	$ 39,217	$ (409,512)	$ 38,491
Nabors earnings (losses) from our U.S. oil and gas joint venture(1)	$ (140,434)	$ 6,216	$ (202,996)	$ 21,376

(1) During the three and six months ended June 30, 2012, our unconsolidated U.S. oil and gas joint venture recorded full-cost ceiling test writedowns, of which our proportionate share was $145.5 million and $213.7 million, respectively. The writedowns are included in our Oil and Gas operating segment. If the average of the historical unweighted first-day-of-the-month natural gas prices for the prior 12-month periods remain at current levels or decline further through the end of the third and fourth quarters of 2012 due to price declines, there could be further reductions in our joint venture s asset carrying value for oil and gas properties.

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Note 9 Debt

Long-term debt consisted of the following:

	June 30, 2012	December 31, 2011
	(In thousands)	
5.375% senior notes due August 2012	$ 274,918	$ 274,604
6.15% senior notes due February 2018	968,098	967,490
9.25% senior notes due January 2019	1,125,000	1,125,000
5.00% senior notes due September 2020	697,495	697,343
4.625% senior notes due September 2021	697,787	697,667
Revolving credit facilities	910,000	860,000
Other	477	1,712
	4,673,775	4,623,816
Less: current portion	275,323	275,326
	$ 4,398,452	$ 4,348,490

5.375% Senior Notes Due August 2012

At June 30, 2012, the current portion of our long-term debt included Nabors Delaware s 5.375% senior notes of $274.9 million. We intend to utilize cash on hand and capacity under our revolving credit facilities to meet this obligation.

Revolving Credit Facilities

At June 30, 2012, we had $490 million of remaining availability from a combined total of $1.4 billion under our existing revolving credit facilities. The existing revolving credit facilities mature in September 2014, and can be used for general corporate purposes, including capital expenditures and working capital. The weighted average interest rate on borrowings at June 30, 2012 was 1.75%. We fully and unconditionally guarantee the obligations under all of these credit facilities.

The revolving credit facilities contain various covenants and restrictive provisions that limit our ability to incur additional indebtedness, make investments or loans and create liens and require us to maintain a net funded indebtedness to total capitalization ratio, as defined in each agreement. We were in compliance with all covenants under the agreements at June 30, 2012 and December 31, 2011. If we should fail to perform our obligations under the covenants, the revolving credit commitments could be terminated and any outstanding borrowings under the relevant facility could be declared immediately due and payable.

Note 10 Common Shares

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 proceeds of $15.9 million from exercised vested options and used approximately $21.0 million, the value of the unexercised vested options that were surrendered, to satisfy some of the option exercise price and related tax withholding obligations pursuant to stock option share settlements and exercises by some of the employees. During the six months ended June 30, 2011, our employees exercised vested options to acquire 1.0 million of our common shares, resulting in proceeds of $11.6 million. For each of the six months ended June 30, 2012 and 2011, we withheld .1 million of our common shares with a fair value of $2.1 million and $2.5 million, respectively, to satisfy tax withholding obligations in connection with the vesting of all stock awards.

At December 31, 2011, accrued liabilities included a provision of $100 million for a contingent liability related to the change of our Chief Executive Officer that occurred in October 2011. In February 2012, our former

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Chief Executive Officer elected to forego triggering that payment. In connection with that development, we announced plans to make charitable contributions to benefit the needs of our employees and other community-based causes. During the first quarter of 2012, we contributed one million of our treasury shares to the Nabors Charitable Foundation, a 501(c)(3) organization, in support of this objective. We consider the former Chief Executive Officer to be a significant shareholder of the Company and, therefore, have recorded these transactions as equity. We recorded the release of the contingent liability, net of tax, through capital in excess of par as a forgiveness of liability from a beneficial owner. We recorded the donation of the treasury shares at their weighted-average cost, net of tax, through capital in excess of par.

Shareholder Rights Plan

On July 16, 2012, the Board of Directors declared the issuance of one preferred share purchase right (a Right) for each Common Share issued and outstanding on July 27, 2012 (the Record Date) to the shareholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a Series A Junior Participating Preferred Share, par value US$0.001 per share (the Preferred Shares), of the Company, at a price of $70.00 per one one-thousandth of a Preferred Share (the Purchase Price), subject to adjustment.

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an Acquiring Person) has acquired beneficial ownership (including derivative positions) of 10% or more of the issued and outstanding Common Shares (or, in the event an exchange is effected in accordance with Section 24 of the Rights Agreement and the Board of Directors determines that a later date is advisable, then such later date that is not more than 20 days after such public announcement) or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 10% or more of the issued and outstanding Common Shares (the earlier of such dates being called the Distribution Date), the Rights will be evidenced, with respect to any of the Common Share certificates issued and outstanding as of the Record Date, by such Common Share certificate with a copy of the Summary of Rights attached as Exhibit C to the Rights Agreement.

The Rights are not exercisable until the Distribution Date. The Rights will expire on July 16, 2013 (the Final Expiration Date), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed by the Company, in each case.

Note 11 Subsidiary Preferred Stock

During the three months ended June 30, 2012, dividends of $.75 million on outstanding shares of preferred stock had been declared and paid in full.

Note 12 Commitments and Contingencies

Commitments

Employment Contracts

The employment agreement for Mr. Petrello currently provides for a term through March 30, 2015, with automatic one-year extensions each April 1, unless either party gives notice of nonrenewal. In the event of Mr. Petrello s termination without cause or constructive termination without cause, he would be entitled to receive three times the average of his base salary and annual bonus during the three fiscal years preceding the termination. If, by way of example, Mr. Petrello were terminated without cause subsequent to June 30, 2012, his payment would be approximately $31.1 million. The formula will be further reduced to two times the average stated above in April 1, 2015. In the event of his death or disability, either he or his estate would be entitled to receive within 30 days thereafter a payment of $50 million.

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We do not have insurance to cover, and we have not recorded an expense or accrued a liability relating to, this potential obligation. See Note 18 Commitments and Contingencies to our 2011 Annual Report for additional discussion and description of Mr. Petrello s employment agreement.

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 2011 Annual Report for additional discussion.

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

Self-Insurance

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

Effective April 1, 2012, our workers compensation claims are subject to a $2.0 million per-occurrence deductible, and our automobile claims are subject to a $1.0 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.

On July 5, 2007, we received an inquiry from the U.S. Department of Justice relating to its investigation of one of our vendors and compliance with the Foreign Corrupt Practices Act. The inquiry relates to transactions with and involving Panalpina, which provided freight forwarding and customs clearance services to some of our affiliates. The inquiry focused on transactions in Kazakhstan, Saudi Arabia, Algeria and Nigeria. The Audit Committee of our Board of Directors engaged outside counsel to review some of our transactions with this vendor, received periodic updates at its regularly scheduled meetings, and the Chairman of the Audit Committee received updates between meetings as circumstances warranted. The investigation included a review of certain amounts paid to and by Panalpina in connection with obtaining permits for the temporary importation of equipment and clearance of goods and materials through customs. Both the SEC and the Department of Justice have been advised of the results of our investigation. The SEC has advised us that it concluded its review of this matter and does not intend to recommend any enforcement action against us. Although the Department of Justice has not concluded its inquiry, we do not anticipate that its final determination will have an adverse effect on the Company.

In 2009, the Court of Ouargla (in Algeria) entered a judgment of approximately $19.7 million against us related to alleged customs infractions in 2009. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment 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. On May 31, 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. Based upon our understanding of applicable law and precedent, we continue to believe that we will prevail. We do not believe that a loss is probable and have not accrued any amounts related to this matter. If we are ultimately required to pay a fine or judgment related to this matter, the amount of the loss could range from approximately $140,000 to $19.7 million.

In March 2011, the Court of Ouargla entered a judgment of approximately $39.1 million 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, and is not payable pending appeal. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals has upheld the lower court s ruling, and we have appealed the matter to the Algeria Supreme Court. While our payments were consistent with our historical operations in the country and, we believe, those of other multinational corporations there, and interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to $31.1 million in excess of amounts accrued.

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

Nabors Industries Ltd. and its Board of Directors were sued in three separate purported shareholder derivative lawsuits filed in federal and state court in Houston, Texas. The cases were filed on November 18, 2011, January 9, 2012, and November 30, 2011, respectively, before Judges Ewing Werlein and Gray Miller in the United States

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Southern District of Texas, Houston Division, and Judge Mike Miller of the 11th Judicial District Court of Harris County, Texas. As previously disclosed, the case pending before Judge Gray Miller was voluntarily dismissed on January 31, 2012. On July 30, 2012, Judge Werlein entered a final judgment, dismissing the case pending in United States Southern District of Texas finding that plaintiffs lacked standing to sue and failed to state a claim for which relief could be granted. Judge Werlein also denied the plaintiffs request for leave to replead their claim. The other case in the 11th Judicial District Court of Harris County, Texas remains pending. The allegations of each lawsuit were substantially similar, alleging that the members of the Board breached their fiduciary duties to the Company, wasted corporate assets, and committed oppressive conduct against the shareholders by agreeing to acquiesce to certain compensation arrangements with two senior officers of the Company, Eugene M. Isenberg and Anthony G. Petrello. The remaining lawsuit seeks relief that includes an award of monetary damages in an unspecified amount, disgorgement by Messrs. Isenberg and Petrello of allegedly excessive compensation in an unspecified amount of at least $90 million, and equitable relief to reform Nabors compensations practices. Nabors intends to vigorously defend the remaining lawsuit. The ultimate outcome of these lawsuits cannot be determined at this time.

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 61 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 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. On March 23, 2012, ERG filed and obtained an *ex parte* stay from the Supreme Court of Bermuda (Commercial Court), in a case styled as *ERG Resources LLC v. Nabors Global Holdings II Limited,* Case No. 2012: No. 110. Nabors challenged the stay and, following a series of oral hearings on the matter, the Bermuda court discharged the stay by a ruling dated April 5, 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. While Nabors intends to vigorously defend the lawsuit, the ultimate outcome of the lawsuit cannot be determined at this time.

Off-Balance Sheet Arrangements (Including Guarantees)

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

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

	Maximum Amount				
	Remainder of 2012	2013	2014	Thereafter	Total
			(In thousands)		
Financial standby letters of credit and other financial surety instruments	$ 48,158	$ 60,580	$ 75	$	$ 108,813

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Note 13 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,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
Net income (loss) (numerator):				
Income (loss) from continuing operations, net of tax	$ (98,653)	$ 70,887	$ 43,965	$ 165,439
Less: net (income) loss attributable to noncontrolling interest	1,174	394	1,441	1,063
Adjusted income (loss) from continuing operations, net of tax basic	(97,479)	71,281	45,406	166,502
Add: interest expense on assumed conversion of our 0.94% senior exchangeable notes, net of tax (1)				
Adjusted net income (loss) from continuing operations, net of tax diluted	(97,479)	71,281	45,406	166,502
Income (loss) from discontinued operations, net of tax	24,690	121,167	15,895	108,771
Adjusted net income (loss) attributable to Nabors	(72,789)	192,448	61,301	275,273
Earnings (losses) per share:				
Basic from continuing operations	$ (.34)	$ .25	$ .16	$ .58
Basic from discontinued operations	.09	.42	.05	.38
Total Basic	$ (.25)	$ .67	$ .21	$ .96
Diluted from continuing operations	$ (.34)	$ .24	$ .16	$ .57
Diluted from discontinued operations	.09	.41	.05	.37
Total Diluted	$ (.25)	$ .65	$ .21	$ .94
Shares (denominator):				
Weighted-average number of shares outstanding basic	290,311	287,311	289,550	286,712
Net effect of dilutive stock options, warrants and restricted stock awards based on the if-converted method		6,987	2,635	6,781
Assumed conversion of our 0.94% senior exchangeable notes due 2011 (1)				
Weighted-average number of shares outstanding diluted	290,311	294,298	292,185	293,493

(1) At maturity in May 2011, we redeemed the remaining aggregate principal amount of $1.4 billion of our 0.94% senior exchangeable notes. Prior to maturity, we had purchased $1.4 billion par value of these notes in the open market for cash of $1.2 billion.

For all periods presented, the computation of diluted earnings (losses) per Nabors share excludes outstanding stock options and warrants with exercise prices greater than the average market price of Nabors common shares because their inclusion would be anti-dilutive and because they are not considered participating securities. The average number of options and warrants that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share in the future was 17,635,173 and 5,494,895 shares during the three months ended June 30, 2012 and 2011, respectively, and 13,395,935 and 6,381,967 shares during the six months ended June 30, 2012 and 2011, respectively. In any period during which the average market price of Nabors common shares exceeds the exercise prices of these stock options and warrants, such stock options and warrants will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock will be included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered a participating security.

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Note 14 Supplemental Balance Sheet, Income Statement and Cash Flow Information

Accrued liabilities include the following:

	June 30, 2012	December 31, 2011
	(In thousands)	
Accrued compensation	$ 145,927	$ 173,732
Deferred revenue	194,699	172,578
Other taxes payable	43,546	44,652
Workers compensation liabilities	22,645	22,645
Interest payable	97,223	99,869
Due to joint venture partners		6,041
Warranty accrual	7,086	5,237
Litigation reserves	26,451	23,687
Provision for termination payment		100,000
Current liability to discontinued operations	63,912	54,287
Professional fees	3,452	6,413
Income taxes payable	(8,539)	27,710
Current deferred tax liability		269
Other accrued liabilities	8,225	7,363
	$ 604,627	$ 744,483

Investment income (loss) includes the following:

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
	(In thousands)			
Interest and dividend income	$ 3,594	$ 1,948	$ 4,949	$ 3,773
Gains (losses) on investments, net (1)	1,774	(2,923)	20,671 (2)	7,532 (3)

(1) Includes net unrealized gains/(losses) of $1.4 million and $(3.4) million, during the three months ended June 30, 2012 and 2011, respectively, and $7.4 million and $(6.7) million during the six months ended June 30, 2012 and 2011, respectively, from our trading securities.

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

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

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

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
	(In thousands)			
Losses (gains) on sales, retirements and involuntary conversions of long-lived assets	$ 5,962	$ (959)	$ 4,180	$ 134
Litigation expenses	4,996	4,007	5,536	9,926
Foreign currency transaction losses (gains)	2,710	998	2,255	446
Losses (gains) on derivative instruments	(551)	(350)	(1,013)	(861)

Losses (gains) on debt extinguishment				58
Other losses (gains)	297	652	616	804
	$ 13,414	$ 4,348	$ 11,574	$ 10,507

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Note 15 Segment Information

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

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(In thousands)			
Operating revenues and earnings (losses) from unconsolidated affiliates from continuing operations: [1]				
Drilling and Rig Services:				
U.S. Lower 48 Land Drilling	$ 494,371	$ 404,984	$ 990,068	$ 783,552
U.S. Offshore	71,978	40,284	141,093	70,738
Alaska	32,416	32,336	94,709	73,651
Canada	92,390	87,974	284,683	260,417
International	304,622	265,231	611,087	527,708
Other Rig Services [2]	228,614	155,246	470,372	272,035
Subtotal Drilling and Rig Services [3]	1,224,391	986,055	2,592,012	1,988,101
Completion and Production Services:				
U.S. Land Well-servicing	214,005	164,140	423,706	314,396
Pressure Pumping	387,663	265,930	785,699	523,789
Subtotal Completion and Production Services	601,668	430,070	1,209,405	838,185
Oil and Gas [4]	(140,434)	6,216	(202,996)	21,376
Other reconciling items [5]	(82,828)	(69,391)	(173,867)	(104,870)
Total	$ 1,602,797	$ 1,352,950	$ 3,424,554	$ 2,742,792
Adjusted income (loss) derived from operating activities from continuing operations: [1][6]				
Drilling and Rig Services:				
U.S. Lower 48 Land Drilling	$ 126,532	$ 99,231	$ 258,113	$ 179,326
U.S. Offshore	9,924	(1,059)	17,656	(5,036)
Alaska	8,895	8,288	36,315	19,307
Canada	(3,718)	(2,512)	45,569	36,480
International	16,401	35,851	37,539	71,348
Other Rig Services [2]	28,179	13,946	58,025	22,290
Subtotal Drilling and Rig Services [3]	186,213	153,745	453,217	323,715
Completion and Production Services:				
U.S. Land Well-servicing	28,599	16,526	50,487	27,649
Pressure Pumping	46,144	43,888	111,004	87,603
Subtotal Completion and Production Services	74,743	60,414	161,491	115,252
Oil and Gas [7]	5,066	6,216	10,716	21,376
Other reconciling items [8]	(35,609)	(42,887)	(73,825)	(75,282)
Total adjusted income derived from operating activities	230,413	177,488	551,599	385,061
Full-cost ceiling test writedowns	(145,500)		(213,712)	
Interest expense	(63,459)	(63,755)	(126,113)	(137,721)
Investment income (loss)	5,368	(975)	25,620	11,305
	(13,414)	(4,348)	(11,574)	(10,507)

Gains (losses) on sales and retirements of long-lived assets and other income (expense), net				
Impairments and other charges	(147,503)		(147,503)	
Income (loss) from continuing operations before income taxes	(134,095)	108,410	78,317	248,138
Income tax expense (benefit)	(36,192)	36,773	32,852	81,199
Subsidiary preferred stock dividend	750	750	1,500	1,500
Income (loss) from continuing operations, net of tax	(98,653)	70,887	43,965	165,439
Income (loss) from discontinued operations, net of tax	24,690	121,167	15,895	108,771
Net income (loss)	(73,963)	192,054	59,860	274,210
Less: Net income (loss) attributable to noncontrolling interest	1,174	394	1,441	1,063
Net income (loss) attributable to Nabors	$ (72,789)	$ 192,448	$ 61,301	$ 275,273

	June 30, 2012	December 31, 2011
	(In thousands)	
Total assets:		
Drilling and Rig Services:		
U.S. Lower 48 Land Drilling	$ 3,487,357	$ 3,216,803
U.S. Offshore	445,956	402,506
Alaska	272,956	288,253
Canada	837,694	962,239
International	3,713,632	3,702,611
Other Rig Services (2)	677,803	720,775
Subtotal Drilling and Rig Services (9)	9,435,398	9,293,187
Completion and Production Services:		
U.S. Well-servicing	840,616	812,049
Pressure Pumping	1,477,427	1,503,298
Subtotal Completion and Production Services	2,318,043	2,315,347
Oil and Gas (10)	582,981	796,327
Other reconciling items (8)	507,050	507,279
Total assets	$ 12,843,472	$ 12,912,140

(1) All periods present the operating activities of our wholly owned oil and gas business in the United States, Canada and Colombia, including equity interests in joint ventures in Canada and Colombia, as well as our aircraft logistics operations in Canada as discontinued operations.

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

(3) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $6.1 million and $3.1 million for the three months ended June 30, 2012 and 2011, respectively, and $4.2 million for the six months ended June 30, 2011.

(4) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $(140.4) million and $6.2 million for the three months ended June 30, 2012 and 2011, respectively, and $(203.0) million and $21.4 million for the six months ended June 30, 2012 and 2011, respectively.

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

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

(7) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of $5.1 million (excluding $145.5 million, which represents our proportionate share of full-cost ceiling test writedowns by our oil and gas joint venture) and $6.2 million for the three months ended June 30, 2012 and 2011, respectively, and $10.7 million (excluding $213.7 million, which represents our proportionate share of full-cost ceiling test writedowns by our oil and gas joint venture) and $21.4 million, for the six months ended June 30, 2012 and 2011, respectively.

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

(9) Includes $70.9 million and $76.9 million of investments in unconsolidated affiliates accounted for using the equity method as of June 30, 2012 and December 31, 2011, respectively.

(10) Includes $94.1 million and $294.1 million of investments in unconsolidated affiliates accounted for using the equity method as of June 30, 2012 and December 31, 2011, respectively.

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Note 16 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, 2012 and December 31, 2011, statements of income (loss) and statements of other comprehensive income for the three and six months ended June 30, 2012 and 2011, and statements of cash flows for the six months ended June 30, 2012 and 2011, of (a) Nabors, parent/guarantor, (b) Nabors Delaware, issuer of public debt securities guaranteed by Nabors, (c) the non-guarantor subsidiaries, (d) consolidating adjustments necessary to consolidate Nabors and its subsidiaries and (e) Nabors on a consolidated basis.

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Condensed Consolidating Balance Sheets

(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	June 30, 2012 Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 828	$ 6,946	$ 312,624	$	$ 320,398
Short-term investments			134,784		134,784
Assets held for sale			396,413		396,413
Accounts receivable, net			1,607,422		1,607,422
Inventory			259,943		259,943
Deferred income taxes			70,288		70,288
Other current assets	50	671	185,201		185,922
Total current assets	878	7,617	2,966,675		2,975,170
Long-term investments and other receivables			5,452		5,452
Property, plant and equipment, net		39,042	8,865,282		8,904,324
Goodwill			471,913		471,913
Intercompany receivables	169,994		537,881	(707,875)	
Investment in unconsolidated affiliates	5,549,273	6,165,994	1,604,915	(13,155,179)	165,003
Other long-term assets		29,688	291,922		321,610
Total assets	$ 5,720,145	$ 6,242,341	$ 14,744,040	$ (13,863,054)	$ 12,843,472
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$	$ 274,918	$ 405	$	$ 275,323
Trade accounts payable	86	23	606,462		606,571
Accrued liabilities	2,024	97,305	505,298		604,627
Total current liabilities	2,110	372,246	1,112,165		1,486,521
Long-term debt		4,398,381	71		4,398,452
Other long-term liabilities		32,132	294,070		326,202
Deferred income taxes		11,319	822,888		834,207
Intercompany payable		336,350	371,525	(707,875)	
Total liabilities	2,110	5,150,428	2,600,719	(707,875)	7,045,382
Subsidiary preferred stock			69,188		69,188
Shareholders equity	5,718,035	1,091,913	12,063,266	(13,155,179)	5,718,035
Noncontrolling interest			10,867		10,867
Total equity	5,718,035	1,091,913	12,074,133	(13,155,179)	5,728,902
Total liabilities and equity	$ 5,720,145	$ 6,242,341	$ 14,744,040	$ (13,863,054)	$ 12,843,472

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(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	December 31, 2011 Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 203	$ 21	$ 398,351	$	$ 398,575
Short-term investments			140,914		140,914
Assets held for sale			401,500		401,500
Accounts receivable, net			1,576,555		1,576,555
Inventory			272,852		272,852
Deferred income taxes			127,874		127,874
Other current assets	50	671	169,323		170,044
Total current assets	253	692	3,087,369		3,088,314
Long-term investments and other receivables			11,124		11,124
Property, plant and equipment, net		40,792	8,589,154		8,629,946
Goodwill			501,258		501,258
Intercompany receivables	164,760		537,881	(702,641)	
Investment in unconsolidated affiliates	5,429,029	6,084,868	1,843,654	(12,986,530)	371,021
Other long-term assets		32,037	278,440		310,477
Total assets	$ 5,594,042	$ 6,158,389	$ 14,848,880	$ (13,689,171)	$ 12,912,140
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$	$ 274,604	$ 722	$	$ 275,326
Trade accounts payable	42	23	782,688		782,753
Accrued liabilities	6,185	100,101	638,197		744,483
Total current liabilities	6,227	374,728	1,421,607		1,802,562
Long-term debt		4,297,500	50,990		4,348,490
Other long-term liabilities		32,303	260,454		292,757
Deferred income taxes		11,221	786,705		797,926
Intercompany payable		379,400	323,241	(702,641)	
Total liabilities	6,227	5,095,152	2,842,997	(702,641)	7,241,735
Subsidiary preferred stock			69,188		69,188
Shareholders equity	5,587,815	1,063,237	11,923,293	(12,986,530)	5,587,815
Noncontrolling interest			13,402		13,402
Total equity	5,587,815	1,063,237	11,936,695	(12,986,530)	5,601,217
Total liabilities and equity	$ 5,594,042	$ 6,158,389	$ 14,848,880	$ (13,689,171)	$ 12,912,140

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Condensed Consolidating Statements of Income (Loss)

	Three Months Ended June 30, 2012				
(In thousands)	**Nabors (Parent/ Guarantor)**	**Nabors Delaware (Issuer/ Guarantor)**	**Other Subsidiaries (Non Guarantors)**	**Consolidating Adjustments**	**Consolidated Total**
Revenues and other income:					
Operating revenues	$	$	$ 1,737,114	$	$ 1,737,114
Earnings (losses) 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 and retirements of long-lived assets and other expense (income), net	359	(546)	13,242	359	13,414
Impairments and other charges			147,503		147,503
Total costs and other deductions	2,381	68,675	1,688,282	(17,078)	1,742,260
Income (loss) 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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(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
	Three Months Ended June 30, 2011				
Revenues and other income:					
Operating revenues	$	$	$ 1,343,642	$	$ 1,343,642
Earnings (losses) from unconsolidated affiliates			9,308		9,308
Earnings (losses) from consolidated affiliates	195,770	18,971	(7,481)	(207,260)	
Investment income (loss)	1	68	(1,044)		(975)
Intercompany interest income		17,405		(17,405)	
Total revenues and other income	195,771	36,444	1,344,425	(224,665)	1,351,975
Costs and other deductions:					
Direct costs			827,450		827,450
General and administrative expenses	3,120	49	120,005	(204)	122,970
Depreciation and amortization		871	224,171		225,042
Interest expense		69,059	(5,304)		63,755
Intercompany interest expense			17,405	(17,405)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	203	(344)	4,285	204	4,348
Total costs and other deductions	3,323	69,635	1,188,012	(17,405)	1,243,565
Income (loss) from continuing operations before income taxes	192,448	(33,191)	156,413	(207,260)	108,410
Income tax expense (benefit)		(19,300)	56,073		36,773
Subsidiary preferred stock dividend			750		750
Income (loss) from continuing operations, net of tax	192,448	(13,891)	99,590	(207,260)	70,887
Income (loss) from discontinued operations, net of tax			121,167		121,167
Net income (loss)	192,448	(13,891)	220,757	(207,260)	192,054
Less: Net (income) loss attributable to noncontrolling interest			394		394
Net income (loss) attributable to Nabors	$ 192,448	$ (13,891)	$ 221,151	$ (207,260)	$ 192,448

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(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
	Six Months Ended June 30, 2012				
Revenues and other income:					
Operating revenues	$	$	$ 3,627,540	$	$ 3,627,540
Earnings (losses) 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 and retirements of long-lived assets and other expense (income), net	621	(979)	11,310	622	11,574
Impairments and other charges			147,503		147,503
Total costs and other deductions	4,170	137,452	3,264,245	(34,010)	3,371,857
Income (loss) 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

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	Six Months Ended June 30, 2011				
(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
Revenues and other income:					
Operating revenues	$	$	$ 2,717,210	$	$ 2,717,210
Earnings (losses) from unconsolidated affiliates			25,582		25,582
Earnings (losses) from consolidated affiliates	281,564	78,864	22,177	(382,605)	
Investment income (loss)	4	68	11,233		11,305
Intercompany interest income		36,089		(36,089)	
Total revenues and other income	281,568	115,021	2,776,202	(418,694)	2,754,097
Costs and other deductions:					
Direct costs			1,668,558		1,668,558
General and administrative expenses	5,993	90	233,140	(302)	238,921
Depreciation and amortization		1,742	448,510		450,252
Interest expense		146,408	(8,687)		137,721
Intercompany interest expense			36,089	(36,089)	
Losses (gains) on sales and retirements of long-lived assets and other expense (income), net	302	(808)	10,711	302	10,507
Total costs and other deductions	6,295	147,432	2,388,321	(36,089)	2,505,959
Income (loss) from continuing operations before income taxes	275,273	(32,411)	387,881	(382,605)	248,138
Income tax expense (benefit)		(41,172)	122,371		81,199
Subsidiary preferred stock dividend			1,500		1,500
Income (loss) from continuing operations, net of tax	275,273	8,761	264,010	(382,605)	165,439
Income (loss) from discontinued operations, net of tax			108,771		108,771
Net income (loss)	275,273	8,761	372,781	(382,605)	274,210
Less: Net (income) loss attributable to noncontrolling interest			1,063		1,063
Net income (loss) attributable to Nabors	$ 275,273	$ 8,761	$ 373,844	$ (382,605)	$ 275,273

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Condensed Consolidating Statements of Other Comprehensive Income

	Three Months Ended June 30, 2012				
(In thousands)	**Nabors (Parent/ Guarantor)**	**Nabors Delaware (Issuer/ Guarantor)**	**Other Subsidiaries (Non Guarantors)**	**Consolidating Adjustments**	**Consolidated Total**
Net income (loss) attributable to Nabors	$ (72,789)	$ (67,646)	$ (99,850)	$ 167,496	$ (72,789)
Other comprehensive income (loss), before tax					
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 included in net income (loss)	(19)		(19)	19	(19)
Unrealized gains (losses) on marketable securities	(5,027)	(52)	(5,080)	5,132	(5,027)
Defined benefit pension plans:					
Pension liability amortization	260	260	520	(780)	260
Pension liability adjustment					
Defined benefit pension plans	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 tax	(24,235)	451	(23,975)	23,524	(24,235)
Income tax expense 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)	(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) attributable to Nabors	$ (98,554)	$ (67,335)	$ (125,435)	$ 192,770	$ (98,554)

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	Three Months Ended June 30, 2011				
(In thousands)	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer/ Guarantor)	Other Subsidiaries (Non Guarantors)	Consolidating Adjustments	Consolidated Total
Net income (loss) attributable to Nabors	$ 192,448	$ (13,891)	$ 221,151	$ (207,260)	$