

NABORS INDUSTRIES LTD  
Form 10-Q  
November 01, 2013  
[Table of Contents](#)

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

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

For the Quarterly Period Ended September 30, 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**

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q

**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 October 29, 2013 was 295,166,266.

Table of Contents

**NABORS INDUSTRIES LTD. AND SUBSIDIARIES**

**Index**

**PART I FINANCIAL INFORMATION**

Item 1.	Financial Statements	
	<u>Consolidated Balance Sheets as of September 30, 2013 (unaudited) and December 31, 2012</u>	3
	<u>Consolidated Statements of Income (Loss) for the Three and Nine Months Ended September 30, 2013 and 2012 (unaudited)</u>	4
	<u>Consolidated Statements of Other Comprehensive Income for the Three and Nine Months Ended September 30, 2013 and 2012 (unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012 (unaudited)</u>	6
	<u>Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2013 and 2012 (unaudited)</u>	7
	<u>Notes to Consolidated Financial Statements</u>	8
	<u>Report of Independent Registered Public Accounting Firm</u>	41
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	58
<u>Item 4.</u>	<u>Controls and Procedures</u>	58

**PART II OTHER INFORMATION**

<u>Item 1.</u>	<u>Legal Proceedings</u>	59
<u>Item 1A.</u>	<u>Risk Factors</u>	59
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	60
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	60
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	60
<u>Item 5.</u>	<u>Other Information</u>	60
<u>Item 6.</u>	<u>Exhibits</u>	61
<u>Signatures</u>		62



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

(In thousands, except share amounts)	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 395,923	\$ 524,922
Short-term investments	96,015	253,282
Assets held for sale	396,201	383,857
Accounts receivable, net	1,362,434	1,382,623
Inventory	229,494	251,133
Deferred income taxes	239,171	110,480
Other current assets	237,217	226,560
Total current assets	2,956,455	3,132,857
Long-term investments and other receivables	3,371	4,269
Property, plant and equipment, net	8,463,804	8,712,088
Goodwill	479,557	472,326
Investment in unconsolidated affiliates	68,907	61,690
Other long-term assets	230,022	272,792
Total assets	\$ 12,202,116	\$ 12,656,022
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of debt	\$ 11,441	\$ 364
Trade accounts payable	521,133	499,010
Accrued liabilities	579,476	599,380
Income taxes payable	13,372	33,628
Total current liabilities	1,125,422	1,132,382
Long-term debt	4,036,027	4,379,336
Other long-term liabilities	441,372	518,664
Deferred income taxes	692,514	599,335
Total liabilities	6,295,335	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 323,534 and 318,813, respectively	323	319
Capital in excess of par value	2,384,421	2,337,244
Accumulated other comprehensive income	311,631	431,595
Retained earnings	4,074,420	4,120,398
Less: treasury shares, at cost, 28,414 common shares	(944,627)	(944,627)
Total shareholders' equity	5,826,168	5,944,929
Noncontrolling interest	11,425	12,188
Total equity	5,837,593	5,957,117
Total liabilities and equity	\$ 12,202,116	\$ 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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>Revenues and other income:</b>				
Operating revenues	\$ 1,550,819	\$ 1,729,907	\$ 4,544,263	\$ 5,272,499
Earnings (losses) from unconsolidated affiliates	(2,628)	(99,527)	1,627	(302,513)
Investment income (loss)	1,229	7,224	95,471	32,844
Total revenues and other income	1,549,420	1,637,604	4,641,361	5,002,830
<b>Costs and other deductions:</b>				
Direct costs	980,911	1,107,032	2,948,213	3,353,520
General and administrative expenses	127,943	130,681	390,023	398,534
Depreciation and amortization	273,444	265,637	809,019	766,441
Interest expense	56,059	63,776	176,343	190,068
Losses (gains) on sales and disposals of long-lived assets and other expense (income), net	3,266	10,216	27,245	21,777
Impairments and other charges	242,241		287,241	147,503
Total costs and other deductions	1,683,864	1,577,342	4,638,084	4,877,843
Income (loss) from continuing operations before income taxes	(134,444)	60,262	3,277	124,987
Income tax expense (benefit):				
Current	(32,316)	50,979	(2,106)	111,683
Deferred	(12,368)	(55,956)	(26,692)	(89,562)
Total income tax expense (benefit)	(44,684)	(4,977)	(28,798)	22,121
Subsidiary preferred stock dividend	750	750	2,250	2,250
Income (loss) from continuing operations, net of tax	(90,510)	64,489	29,825	100,616
Income (loss) from discontinued operations, net of tax	(14,430)	12,155	(34,292)	35,888
Net income (loss)	(104,940)	76,644	(4,467)	136,504
Less: Net (income) loss attributable to noncontrolling interest	(441)	(988)	(6,154)	453
Net income (loss) attributable to Nabors	\$ (105,381)	\$ 75,656	\$ (10,621)	\$ 136,957
<b>Earnings (losses) per share:</b>				
Basic from continuing operations	\$ (0.30)	\$ 0.22	\$ 0.08	\$ 0.35
Basic from discontinued operations	(0.05)	0.04	(0.11)	0.12
Total Basic	\$ (0.35)	\$ 0.26	\$ (0.03)	\$ 0.47
Diluted from continuing operations	\$ (0.30)	\$ 0.22	\$ 0.08	\$ 0.35
Diluted from discontinued operations	(0.05)	0.04	(0.11)	0.12
Total Diluted	\$ (0.35)	\$ 0.26	\$ (0.03)	\$ 0.47
<b>Weighted-average number of common shares outstanding:</b>				
Basic	295,076	290,367	293,837	289,822
Diluted	295,076	292,501	296,208	292,290

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q

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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss) attributable to Nabors	\$ (105,381)	\$ 75,656	\$ (10,621)	\$ 136,957
Other comprehensive income (loss), before tax:				
Translation adjustment attributable to Nabors	15,716	31,550	(36,853)	29,157
Unrealized gains/(losses) on marketable securities	(3,416)	13,667	1,586	20,882
Less: reclassification adjustment for (gains)/losses included in net income (loss) (Note 11)	(2)	(1,523)	(88,159)	(14,007)
Unrealized gains/(losses) on marketable securities	(3,418)	12,144	(86,573)	6,875
Pension liability amortization	280	260	842	780
Unrealized gains/(losses) on cash flow hedges	153	166	459	548
Other comprehensive income (loss), before tax	12,731	44,120	(122,125)	37,360
Income tax expense (benefit) related to items of other comprehensive income (loss)	116	(272)	(2,161)	(3,856)
Other comprehensive income (loss), net of tax	12,615	44,392	(119,964)	41,216
Comprehensive income (loss) attributable to Nabors	(92,766)	120,048	(130,585)	178,173
Net income (loss) attributable to noncontrolling interest	441	988	6,154	(453)
Translation adjustment attributable to noncontrolling interest	229	390	(572)	417
Comprehensive income (loss) attributable to noncontrolling interest	670	1,378	5,582	(36)
Comprehensive income (loss)	\$ (92,096)	\$ 121,426	\$ (125,003)	\$ 178,137

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)	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Cash flows from operating activities:		
Net income (loss) attributable to Nabors	\$ (10,621)	\$ 136,957
Adjustments to net income (loss):		
Depreciation and amortization	820,898	778,393
Depletion and other oil and gas expenses	22,235	223
Deferred income tax expense (benefit)	(31,535)	(81,116)
Losses (gains) on long-lived assets, net	12,254	7,016
Impairments and other charges	71,322	162,450
Loss on debt extinguishment	211,981	
Losses (gains) on investments, net	(90,635)	(27,773)
Share-based compensation	45,898	13,541
Foreign currency transaction losses (gains), net	7,021	5,054
Gain on sale of oil and gas operations		(48,486)
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	(1,263)	302,512
Other	4,966	6,207
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(21,568)	46,973
Inventory	20,220	10,900
Other current assets	5,572	(47,086)
Other long-term assets	34,435	(26,743)
Trade accounts payable and accrued liabilities	11,271	(221,252)
Income taxes payable	(53,846)	10,576
Other long-term liabilities	(83,890)	65,699
Net cash provided by operating activities	974,715	1,094,045
Cash flows from investing activities:		
Purchases of investments		(949)
Sales and maturities of investments	163,944	30,111
Cash paid for acquisition of businesses, net	(37,516)	
Capital expenditures	(780,711)	(1,221,769)
Proceeds from sale of affiliate	10,000	
Investment in unconsolidated affiliate	(5,967)	
Proceeds from sales of assets and insurance claims	139,254	128,432
Other	(7)	
Net cash used for investing activities	(511,003)	(1,064,175)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	(7,497)	(1,748)
Dividends to shareholders	(35,357)	
Debt issuance costs	(3,505)	
Proceeds from debt	710,086	
Proceeds from revolving credit facility		710,000
Proceeds from (payments for) commercial paper, net	332,250	
Proceeds from (payments for) issuance of common shares	4,375	(4,007)
Reduction in long-term debt	(994,181)	(276,232)
Reduction in revolving credit facility	(590,000)	(380,000)
Purchase of restricted stock	(3,096)	(2,071)
Tax (expense) benefit related to share-based awards		(54)
Net cash (used for) provided by financing activities	(586,925)	45,888

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q

Effect of exchange rate changes on cash and cash equivalents	(5,786)	(2,771)
Net increase (decrease) in cash and cash equivalents	(128,999)	72,987
Cash and cash equivalents, beginning of period	524,922	398,575
Cash and cash equivalents, end of period	\$ 395,923	\$ 471,562

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

Table of Contents

## 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, 2012	318,813	\$ 319	\$ 2,337,244	\$ 431,595	\$ 4,120,398	\$ (944,627)	\$ 12,188	\$ 5,957,117
Net income (loss)					(10,621)		6,154	(4,467)
Dividends to shareholders (\$.04/share)					(35,357)			(35,357)
Other comprehensive income (loss), net of tax				(119,964)			(572)	(120,536)
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options	470		4,375					4,375
Sale of non- controlling interest							(2,899)	(2,899)
Share-based compensation	4,251	4	45,898					45,902
Other			(3,096)				(3,446)	(6,542)
As of September 30, 2013	323,534	\$ 323	\$ 2,384,421	\$ 311,631	\$ 4,074,420	\$ (944,627)	\$ 11,425	\$ 5,837,593

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

Table of Contents

**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:

- 477 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.
- 448 actively marketed rigs for land well-servicing and workover services in the United States and approximately 104 rigs for land well-servicing and workover services in Canada.

## Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q

- 36 platform, 8 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

Table of Contents

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, 2012 ( 2012 Annual Report ). In management's opinion, the consolidated financial statements contain all adjustments necessary to present fairly our financial position as of September 30, 2013, as well as the results of our operations and other comprehensive income for the three and nine months ended September 30, 2013 and 2012, and our cash flows and changes in equity for the nine months ended September 30, 2013 and 2012, in accordance with GAAP. Interim results for the nine months ended September 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 or average cost method, and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	September 30, 2013		December 31, 2012
	(In thousands)		
Raw materials	\$ 149,630	\$	148,822
Work-in-progress	29,256		45,733
Finished goods	50,608		56,578
	\$ 229,494	\$	251,133





Table of Contents**Goodwill**

The carrying amount and changes in recorded goodwill for our business lines as of and for the nine months ended September 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 September 30, 2013
Drilling & Rig Services:					
U.S.	\$ 50,149	\$	\$	\$	\$ 50,149
Rig Services	32,113	15,828(1)	(8,000)(2)	(597)	39,344
Subtotal Drilling & Rig Services	82,262	15,828	(8,000)	(597)	89,493
Completion & Production Services					
Completion	334,992				334,992
Production	55,072				55,072
Subtotal Completion & Production					
Services	390,064				390,064
<b>Total</b>	<b>\$ 472,326</b>	<b>\$ 15,828</b>	<b>\$ (8,000)</b>	<b>\$ (597)</b>	<b>\$ 479,557</b>

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

(2) Represents the goodwill related to Peak Oilfield Service Company ( Peak ), a wholly owned subsidiary in Alaska, for which the accounting criteria of assets held for sale was met at September 30, 2013. Accordingly, we reclassified the goodwill and related carrying value of these assets to assets held for sale at September 30, 2013. See Note 12 Assets Held for Sale and Discontinued Operations for additional information.

**Note 3 Cash and Cash Equivalents and Short-term Investments**

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

	September 30, 2013	December 31, 2012
	(In thousands)	
Cash and cash equivalents	\$ 395,923	\$ 524,922
Short-term investments:		
Trading equity securities	\$	\$ 52,705
Available-for-sale equity securities	76,469	174,610

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q

Available-for-sale debt securities		19,546		25,967
Total short-term investments	\$	96,015	\$	253,282

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

Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q

Table of Contents

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

	September 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	\$ 395,923	\$	\$	\$ 524,922	\$	\$
Short-term investments:						
Trading equity securities				52,705	46,981	
Available-for-sale equity securities	76,469	47,922		174,610	137,282	(1,030)
Available-for-sale debt securities:						
Commercial paper and CDs				206		
Corporate debt securities	18,448	3,188		23,399	1,870	
Mortgage-backed debt securities	213	12		244	15	
Mortgage-CMO debt securities	60	2	(2)	523	10	(3)
Asset-backed debt securities	825		(67)	1,595	28	(192)
Total available-for-sale debt securities	19,546	3,202	(69)	25,967	1,923	(195)
Total available-for-sale securities	96,015	51,124	(69)	200,577	139,205	(1,225)
Total short-term investments	96,015	51,124	(69)	253,282	186,186	(1,225)
Total cash, cash equivalents and short-term investments	\$ 491,938	\$ 51,124	\$ (69)	\$ 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 September 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 debt securities:				
(1)				
Mortgage-CMO debt securities	\$ 22	\$ 2	\$	\$
Asset-backed debt securities			446	67
Total available-for-sale debt securities	22	2	446	67
Total	\$ 22	\$ 2	\$ 446	\$ 67

(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

## Edgar Filing: NABORS INDUSTRIES LTD - Form 10-Q

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 September 30, 2013.

Table of Contents

The estimated fair values of our corporate, mortgage-backed, mortgage-CMO and asset-backed debt securities at September 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.

	<b>Estimated Fair Value September 30, 2013 (In thousands)</b>
<b>Debt securities:</b>	
Due in one year or less	\$
Due after one year through five years	15,113
Due in more than five years	4,433
<b>Total debt securities</b>	<b>\$ 19,546</b>

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>			
<b>Available-for-sale</b>				
Proceeds from sales and maturities	\$ 408	\$ 3,953	\$ 107,361	\$ 23,186
Realized gains (losses), net	\$ 2	\$ 1,732	\$ 88,159	\$ 14,007

**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 September 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 September 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.

	<b>Fair Value as of September 30, 2013</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>(In thousands)</b>			
<b>Assets:</b>				