

NABORS INDUSTRIES LTD
Form 10-Q
May 09, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2014

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of incorporation or organization)

98-0363970

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

Crown House

Second Floor

4 Par-la-Ville Road

Hamilton, HM08

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Bermuda

(441) 292-1510

(Address of principal executive office)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

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

The number of common shares, par value \$.001 per share, outstanding as of May 5, 2014 was 297,444,279.

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share amounts)	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 326,881	\$ 389,915
Short-term investments	97,886	117,218
Assets held for sale	231,880	243,264
Accounts receivable, net	1,454,368	1,399,543
Inventory	194,371	209,793
Deferred income taxes	133,667	121,316
Other current assets	252,215	272,781
Total current assets	2,691,268	2,753,830
Long-term investments and other receivables	2,915	3,236
Property, plant and equipment, net	8,690,759	8,597,813
Goodwill	512,391	512,964
Investment in unconsolidated affiliates	63,069	64,260
Other long-term assets	226,671	227,708
Total assets	\$ 12,187,073	\$ 12,159,811
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	\$ 5,296	\$ 10,185
Trade accounts payable	631,015	545,512
Accrued liabilities	584,748	697,093
Income taxes payable	17,083	58,634
Total current liabilities	1,238,142	1,311,424
Long-term debt	3,812,476	3,904,117
Other long-term liabilities	569,993	377,744
Deferred income taxes	526,005	516,161
Total liabilities	6,146,616	6,109,446
Commitments and contingencies (Note 9)		
Subsidiary preferred stock	69,188	69,188
Equity:		
Shareholders' equity:		
Common shares, par value \$0.001 per share:		
Authorized common shares 800,000; issued 325,772 and 323,711, respectively	326	324
Capital in excess of par value	2,401,614	2,392,585
Accumulated other comprehensive income (Revised)	160,466	216,140
Retained earnings (Revised)	4,342,690	4,304,664
Less: treasury shares, at cost, 28,414 common shares	(944,627)	(944,627)
Total shareholders' equity	5,960,469	5,969,086
Noncontrolling interest	10,800	12,091
Total equity	5,971,269	5,981,177
Total liabilities and equity	\$ 12,187,073	\$ 12,159,811

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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)

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2014	2013
Revenues and other income:		
Operating revenues	\$ 1,589,618	\$ 1,535,478
Earnings (losses) from unconsolidated affiliates	(2,445)	2,895
Investment income (loss)	980	79,421
Total revenues and other income	1,588,153	1,617,794
Costs and other deductions:		
Direct costs	1,061,739	994,992
General and administrative expenses	134,266	130,878
Depreciation and amortization	282,127	269,365
Interest expense	44,810	60,011
Losses (gains) on sales and disposals of long-lived assets and other expense (income), net	1,476	59,737
Total costs and other deductions	1,524,418	1,514,983
Income (loss) from continuing operations before income tax	63,735	102,811
Income tax expense (benefit):		
Current	13,658	18,829
Deferred	350	(8,975)
Total income tax expense (benefit)	14,008	9,854
Subsidiary preferred stock dividend	750	750
Income (loss) from continuing operations, net of tax	48,977	92,207
Income (loss) from discontinued operations, net of tax	1,515	7,011
Net income (loss)	50,492	99,218
Less: Net (income) loss attributable to noncontrolling interest	(573)	(97)
Net income (loss) attributable to Nabors	\$ 49,919	\$ 99,121
Earnings (losses) per share:		
Basic from continuing operations	\$ 0.16	\$ 0.31
Basic from discontinued operations	0.01	0.03
Total Basic	\$ 0.17	\$ 0.34
Diluted from continuing operations	\$ 0.16	\$ 0.31
Diluted from discontinued operations		0.02
Total Diluted	\$ 0.16	\$ 0.33
Weighted-average number of common shares outstanding:		
Basic	296,210	291,687
Diluted	299,050	294,170

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)

(In thousands)	Three Months Ended March 31,	
	2014	2013
Net income (loss) attributable to Nabors	\$ 49,919	\$ 99,121
Other comprehensive income (loss), before tax:		
Translation adjustment attributable to Nabors	(36,594)	(23,265)
Unrealized gains/(losses) on marketable securities:		
Unrealized gains/(losses) on marketable securities	(19,208)	10,139
Less: reclassification adjustment for (gains)/losses on marketable securities		(75,974)
Unrealized gains/(losses) on marketable securities	(19,208)	(65,835)
Pension liability amortization and adjustment	123	281
Unrealized gains/(losses) and amortization of cash flow hedges	153	153
Other comprehensive income (loss), before tax	(55,526)	(88,666)
Income tax expense (benefit) related to items of other comprehensive income (loss)	148	(214)
Other comprehensive income (loss), net of tax	(55,674)	(88,452)
Comprehensive income (loss) attributable to Nabors	(5,755)	10,669
Net income (loss) attributable to noncontrolling interest	573	97
Translation adjustment attributable to noncontrolling interest	(481)	(1,414)
Comprehensive income (loss) attributable to noncontrolling interest	92	(1,317)
Comprehensive income (loss)	\$ (5,663)	\$ 9,352

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

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	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 50,492	\$ 99,218
Adjustments to net income (loss):		
Depreciation and amortization	282,349	273,423
Deferred income tax expense (benefit)	451	(5,371)
Losses (gains) on long-lived assets, net	3,517	
Losses (gains) on investments, net	(7)	(78,655)
Share-based compensation	10,685	32,853
Foreign currency transaction losses (gains), net	(3,293)	4,316
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	2,445	(2,896)
Other	910	12,827
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(57,004)	(61,399)
Inventory	14,480	5,500
Other current assets	4,742	(33,829)
Other long-term assets	1,275	16,233
Trade accounts payable and accrued liabilities	(28,471)	(63,130)
Income taxes payable	(26,036)	11,327
Other long-term liabilities	188,028	(31,123)
Net cash provided by operating activities	444,563	179,295
Cash flows from investing activities:		
Purchases of investments	(286)	
Sales and maturities of investments	733	142,336
Proceeds from sale of unconsolidated affiliates		
Cash paid for acquisition of businesses, net	(10,200)	(37,516)
Investment in unconsolidated affiliates	(1,255)	(12)
Capital expenditures	(396,465)	(235,539)
Proceeds from sales of assets and insurance claims	21,605	6,605
Net cash used for investing activities	(385,868)	(124,126)
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	(1,822)	(1,975)
Proceeds from (payments for) issuance of common shares	4,931	1,027
Dividends to shareholders	(11,893)	
Proceeds from (payment for) commercial paper, net	(39,594)	(12,891)
Proceeds from revolving credit facilities	15,000	
Reduction in revolving credit facilities	(67,500)	
Other	(11,585)	1,395
Net cash (used for) provided by financing activities	(112,463)	(12,444)
Effect of exchange rate changes on cash and cash equivalents	(9,266)	(2,759)
Net increase (decrease) in cash and cash equivalents	(63,034)	39,966
Cash and cash equivalents, beginning of period	389,915	524,922
Cash and cash equivalents, end of period	\$ 326,881	\$ 564,888

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

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NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(In thousands)	Common Shares Shares	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non- controlling Interest	Total Equity
As of December 31, 2012 (As previously reported)	318,813	\$ 319	\$ 2,337,244	\$ 431,595	\$ 4,120,398	\$ (944,627)	\$ 12,188	\$ 5,957,117
Revision (Note 2)				(91,452)	91,452			
As of December 31, 2012 (Revised)	318,813	319	2,337,244	340,143	4,211,850	(944,627)	12,188	5,957,117
Net income (loss)					99,121		97	99,218
Dividends to shareholders (\$0.04/share)					(12,891)			(12,891)
Other comprehensive income (loss), net of tax				(88,452)			(1,414)	(89,866)
Issuance of common shares for stock options exercised	108		1,027					1,027
Share-based compensation			32,853					32,853
Other	4,098	4	(2,777)					(2,773)
As of March 31, 2013	323,019	\$ 323	\$ 2,368,347	\$ 251,691	\$ 4,298,080	\$ (944,627)	\$ 10,871	\$ 5,984,685
As of December 31, 2013 (As previously reported)	323,711	\$ 324	\$ 2,392,585	\$ 307,592	\$ 4,213,212	\$ (944,627)	\$ 12,091	\$ 5,981,177
Revision (Note 2)				(91,452)	91,452			
As of December 31, 2013 (Revised)	323,711	324	2,392,585	216,140	4,304,664	(944,627)	12,091	5,981,177
Net income (loss)					49,919		573	50,492
Dividends to shareholders (\$0.04/share)					(11,893)			(11,893)
Other comprehensive income (loss), net of tax				(55,674)			(481)	(56,155)
Issuance of common shares for stock options exercised	517	1	4,930					4,931
Share-based compensation			10,685					10,685
Other	1,544	1	(6,586)				(1,383)	(7,968)
As of March 31, 2014	325,772	\$ 326	\$ 2,401,614	\$ 160,466	\$ 4,342,690	\$ (944,627)	\$ 10,800	\$ 5,971,269

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

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Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

Nabors has grown from a land drilling business centered in the United States and Canada 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 land-based and offshore oil and natural gas wells, Nabors' fleet of rigs and equipment includes:

- 493 actively marketed land drilling rigs for oil and gas land drilling operations in the United States, Canada and over 20 other countries throughout the world.
- 445 actively marketed rigs for land well-servicing and workover services in the United States and approximately 98 rigs for land well-servicing and workover services in Canada.
- 39 platform, 7 jackup and 4 barge rigs actively marketed in the United States and multiple international markets.

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- 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:

- 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.

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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). 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, 2013 (2013 Annual Report). In management 's opinion, the consolidated financial statements contain all adjustments necessary to present fairly our financial position as of March 31, 2014, as well as the results of our operations, other comprehensive income, our cash flows and changes in equity for the three months ended March 31, 2014 and 2013, in accordance with GAAP. Interim results for the three months ended March 31, 2014 may not be indicative of results that will be realized for the full year ending December 31, 2014.

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.

Prior Period Revision

During the first quarter of 2014, we determined that we had incorrectly applied certain aspects of ASC 830 - Foreign Currency Matters with respect to the recording of foreign currency gains or losses on certain intercompany transactions. GAAP requires the recognition of foreign currency gains or losses on U.S. dollar denominated intercompany balances of our subsidiaries that have a functional currency other than the U.S. dollar. The primary years impacted were 2002 and 2009, which is the period over which a series of intercompany loans were outstanding between our Canadian subsidiary, whose functional currency is the Canadian dollar, and other subsidiaries whose functional currencies are the U.S. dollar.

The net effect understated net income for periods before 2009 by approximately \$91.5 million, due to foreign currency gains that should have been recorded through net income, rather than through Cumulative Translation Adjustments (a component of Accumulated Other Comprehensive Income). The correction of this error resulted in a revision to increase the beginning Retained Earnings at January 1, 2010 by approximately \$91.5 million with the offset being a decrease to Accumulated Other Comprehensive Income, both of which are components of Shareholders' Equity. There was no other material impact to our assets, liabilities, cash flows or profit and loss for any periods presented. We do not consider this revision material to any period.

Principles of Consolidation

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Our consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries required to be consolidated under GAAP. 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 weighted-average cost methods and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	March 31, 2014		December 31, 2013
	(In thousands)		
Raw materials	\$ 121,780	\$	128,606
Work-in-progress	27,009		26,762
Finished goods	45,582		54,425
	\$ 194,371	\$	209,793

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We review goodwill for impairment annually during the second quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the carrying amount of such goodwill and intangible assets exceed their fair value. We initially assess goodwill for impairment based on qualitative factors to determine whether to perform the two-step annual goodwill impairment test, a Level 3 fair value measurement. After our qualitative assessment, step one of 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. The 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 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 oil and natural gas prices, a variance in results of operations from forecasts, a change in operating strategy for particular assets 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 compare the sum of our reporting units' estimated fair value, which includes the estimated fair value of non-operating assets and liabilities, less debt, to our market capitalization and assess 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.

Note 3 Cash and Cash Equivalents and Short-term Investments

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

	March 31, 2014			December 31, 2013		
	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	\$ 326,881	\$	\$	\$ 389,915	\$	\$
Short-term investments:						
Available-for-sale equity securities	77,591	49,045		96,942	68,395	
Available-for-sale debt securities:						
Corporate debt securities	19,525	4,252		19,388	4,122	
Mortgage-backed debt securities	209	11		210	11	
Mortgage-CMO debt securities	20		(1)	20		(2)
Asset-backed debt securities	541	1	(37)	658	2	(54)
Total available-for-sale debt securities	20,295	4,264	(38)	20,276	4,135	(56)
Total available-for-sale securities	97,886	53,309	(38)	117,218	72,530	(56)

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Total short-term investments	97,886	53,309	(38)	117,218	72,530	(56)
Total cash, cash equivalents and short-term investments	\$ 424,767	\$ 53,309	\$ (38)	\$ 507,133	\$ 72,530	\$ (56)

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

	As of March 31, 2014			
	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	\$ 20	\$ 1	\$	\$
Asset-backed debt securities			361	37
Total available-for-sale debt securities	20	1	361	37
Total	\$ 20	\$ 1	\$ 361	\$ 37

(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 and is considered to be of high credit quality. In each case, we do not intend to sell these investments, and it is less likely than not that we will be required to sell them to satisfy our own cash flow and working capital requirements. We believe that we will be able to collect all amounts due according to the contractual terms of each investment and, therefore, do not consider the decline in value of these investments to be other-than-temporary at March 31, 2014.

The estimated fair values of our corporate, mortgage-backed, mortgage-CMO and asset-backed debt securities at March 31, 2014, classified by time to contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties and we may elect to sell the securities prior to the contractual maturity date.

	Estimated Fair Value March 31, 2014 (In thousands)
Debt securities:	
Due in one year or less	\$
Due after one year through five years	15,525
Due in more than five years	4,770
Total debt securities	\$ 20,295

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

	Three Months Ended March 31, 2014		2013	
	(In thousands)			
Available-for-sale				
Proceeds from sales and maturities	\$	135	\$	86,601

Realized gains (losses), net	\$	\$	75,974
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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 March 31, 2014. 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 March 31, 2014, 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.

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	Level 1	Fair Value as of March 31, 2014		Total
		Level 2	Level 3	
(In thousands)				
Assets:				
Short-term investments:				
Available-for-sale equity securities (energy industry)	\$ 76,729	\$ 862	\$	\$ 77,591
Available-for-sale debt securities:				
Corporate debt securities		19,525		19,525
Mortgage-backed debt securities		209		209
Mortgage-CMO debt securities		20		20
Asset-backed debt securities	541			541
Total short-term investments	\$ 77,270	\$ 20,616	\$	\$ 97,886

Nonrecurring Fair Value Measurements

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

Fair Value of Financial Instruments

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

	March 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In thousands)				
2.35% senior notes due September 2016	\$ 349,836	\$ 357,851	\$ 349,820	\$ 354,694
6.15% senior notes due February 2018	970,234	1,102,511	969,928	1,097,480
9.25% senior notes due January 2019	339,607	427,966	339,607	428,733
5.00% senior notes due September 2020	698,208	748,720	697,947	731,955
4.625% senior notes due September 2021	698,024	723,030	698,148	709,793
5.10% senior notes due September 2023	348,797	362,250	348,765	349,731
Subsidiary preferred stock	69,188	69,000	69,188	69,000
Revolving credit facility	117,500	117,500	170,000	170,000

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Commercial paper	290,250	290,250	329,844	329,844
Other	5,316	5,316	10,243	10,243
Total	\$ 3,886,960	\$ 4,204,394	\$ 3,983,490	\$ 4,251,473

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.

Note 5 Share-Based Compensation

We have several share-based employee and director compensation plans, which are more fully described in Note 9 Share-Based Compensation in our 2013 Annual Report. Total share-based compensation expense, which includes stock options and restricted stock, totaled \$10.7 million and \$32.9 million for the three months ended March 31, 2014 and 2013, respectively. Share-based compensation expense has been allocated to our various operating segments. See Note 13 Segment Information.

Stock Options

The total intrinsic value of stock options exercised during the three months ended March 31, 2014 and 2013 was \$6.0 million and \$0.7 million, respectively. The total fair value of stock options that vested during the three months ended March 31, 2014 and 2013 was \$1.5 million and \$3.8 million, respectively.

Table of Contents***Restricted Stock***

During the three months ended March 31, 2014 and 2013, we awarded 1,106,919 and 4,061,027 shares of restricted stock, respectively, vesting over periods of up to four years, to our employees and directors. These awards had an aggregate value at their date of grant of \$25.2 million and \$66.8 million, respectively. The fair value of restricted stock that vested during the three months ended March 31, 2014 and 2013 was \$22.4 million and \$35.5 million, respectively.

Restricted Stock Based on Performance

During the three months ended March 31, 2014, we awarded 362,311 shares of restricted stock, vesting over a period of three years to some of our executives. The performance awards granted were based upon achievement of specific financial or operational objectives. The number of shares granted was determined by the number of performance goals achieved during the period January 1, 2013 through December 31, 2013.

Our performance awards based on performance conditions are liability-classified awards until shares are granted, of which our accrued liabilities included \$0.4 million at March 31, 2014 for the performance period beginning January 1, 2014 through December 31, 2014. The fair value of these awards are estimated at each reporting period, based on internal metrics and marked to market.

Restricted Stock Based on Market Conditions

During the three months ended March 31, 2014 and 2013, we awarded 395,550 and 353,933 shares of restricted stock, respectively, which will vest based on our performance compared to our peer group over a three-year period. These awards had an aggregate value at their date of grant of \$4.5 million and \$3.7 million, respectively, after consideration of all assumptions. The grant date fair value of these awards was based on a Monte Carlo model, using the following assumptions during the three months ended March 31, 2014 and 2013:

	2014	2013
Risk free interest rate	0.80%	0.41%
Expected volatility	40.00%	46.00%
Closing stock price	\$ 18.19	\$ 16.53
Expected term (in years)	2.97 years	2.82 years

Note 6 Debt

Debt consisted of the following:

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	March 31, 2014	December 31, 2013
	(In thousands)	
2.35% senior notes due September 2016	\$ 349,836	\$ 349,820
6.15% senior notes due February 2018	970,234	969,928
9.25% senior notes due January 2019	339,607	339,607
5.00% senior notes due September 2020	698,208	697,947
4.625% senior notes due September 2021	698,024	698,148
5.10% senior notes due September 2023	348,797	348,765
Revolving credit facility	117,500	170,000
Commercial paper	290,250	329,844
Other	5,316	10,243
	\$ 3,817,772	\$ 3,914,302
Less: current portion	5,296	10,185
	\$ 3,812,476	\$ 3,904,117

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Commercial Paper Program

As of March 31, 2014, we had approximately \$290.3 million of commercial paper outstanding. The weighted average interest rate on borrowings at March 31, 2014 was 0.33%. Our commercial paper borrowings are classified as long-term debt because the borrowings are fully supported by availability under our revolving credit facility, which matures as currently structured in November 2017, more than one year from now.

Revolving Credit Facility

As of March 31, 2014, we had approximately \$117.5 million of borrowings outstanding. The weighted average interest rate on borrowings at March 31, 2014 was 1.46%. The revolving credit facility contains various covenants and restrictive provisions that limit our ability to incur additional indebtedness, make investments or loans and create liens and require us to maintain a net funded indebtedness to total capitalization ratio, as defined in each agreement. We were in compliance with all covenants under the agreement at March 31, 2014. If we fail to perform our obligations under the covenants, the revolving credit commitment could be terminated, and any outstanding borrowings under the facility could be declared immediately due and payable.

Note 7 Common Shares

During the three months ended March 31, 2014 and 2013, our employees exercised vested options to acquire 0.5 million and 0.1 million of our common shares, respectively, resulting in proceeds of \$4.9 million and \$1.0 million respectively. During the three months ended March 31, 2014 and 2013, we withheld 0.3 million and 0.2 million, respectively, of our common shares with a fair value of \$6.6 million and \$2.8 million, respectively, to satisfy tax withholding obligations in connection with the vesting of all stock awards.

On February 21, 2014, a cash dividend of \$0.04 per share was declared for shareholders of record on March 10, 2014. The dividend was paid on March 31, 2014 in the amount of \$11.9 million and was charged to retained earnings in our consolidated statement of changes in equity for the three months ended March 31, 2014.

Note 8 Subsidiary Preferred Stock

As of March 31, 2014, dividends on outstanding shares of preferred stock had been declared and paid in full with respect to each quarter since their issuance.

Note 9 Commitments and Contingencies

Commitments

Employment Agreement

Effective March 3, 2014, we entered an employment agreement with William Restrepo, our Chief Financial Officer. The employment agreement provides for an initial term through December 2017, with automatic one-year extensions at the end of each term, subject to a 365-day notice of termination provided within the agreement. Mr. Restrepo's annual base salary was set at \$0.65 million. In addition, the employment agreement provides for an annual bonus targeted at base salary, with a cap of twice that amount, based on the achievement of one or more annual financial and operational performance goals, as determined by the Compensation Committee of our Board of Directors.

The employment agreement also provides for long-term equity incentive awards. Mr. Restrepo will receive awards of restricted stock that may or may not vest depending upon the Company's performance relative to a Performance Peer Group (as defined) over a three-year period (TSR Shares). The agreement provides that the target number of TSR Shares that will vest is valued at 100% of base salary, with a maximum number of TSR Shares valued at twice that amount. In addition, Mr. Restrepo's employment agreement provides for long-term equity incentive awards in the form of restricted stock based upon the achievement of specific financial or operational objectives (Performance Shares). Once earned, Performance Shares are then subject to three-year vesting requirements. Performance Shares are targeted at 100% of base salary, with a maximum award of twice that amount, and are also subject to a minimum threshold before any amount can be earned.

As an inducement to join the Company and to make him whole for certain foregone amounts at his prior employer, Mr. Restrepo received an award of restricted stock with a grant-date fair value of \$4.9 million. The award vests over four years.

Mr. Restrepo's employment agreement provides for severance payments in the event the agreement is terminated, including in connection with a change in control (as defined in the employment agreement), (i) by the Company prior to the expiration date of the agreement for any reason other than for cause, or (ii) by Mr. Restrepo for constructive termination without cause, each as defined in the employment agreement. Mr. Restrepo would have the right to receive within 30 days of a termination without cause or constructive termination without cause, 2.99 times the sum of the average of his base salary and annual bonus during the three fiscal years preceding the termination (or, if employed less than three completed fiscal years, his then-current base salary and target annual bonus would be used for the years not employed).

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Mr. Restrepo's employment agreement also provides that, upon death, disability, termination without cause, or constructive termination without cause, he would receive (a) any unvested stock options and restricted stock outstanding (except for TSR Shares), which will immediately and fully vest; (b) any amounts earned, accrued or owing to him but not yet paid (including executive benefits, life insurance, disability benefits and reimbursement of expenses and perquisites); (c) continued participation in medical, dental and life insurance coverage; and (d) certain perquisites and other or additional benefits in accordance with applicable plans and programs of Nabors. In addition, under the employment agreement, any unvested TSR Shares at the time of termination for these reasons will vest at target levels.

Contingencies

Income Tax

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 14 – Income Taxes to our 2013 Annual Report for additional discussion.

In 2006, Nabors Drilling International Limited, one of our wholly owned Bermuda subsidiaries (NDIL), received a Notice of Assessment from Mexico's federal tax authorities in connection with the audit of NDIL's Mexico branch for 2003. The notice proposed to deny depreciation expense deductions relating to drilling rigs operating in Mexico in 2003. The notice also proposed to deny a deduction for payments made to an affiliated company for the procurement of labor services in Mexico. NDIL's Mexico branch took similar deductions for depreciation and labor expenses from 2004 to 2008. In 2009, the government proposed similar assessments against the Mexico branch of another wholly owned Bermuda subsidiary, Nabors Drilling International II Ltd. (NDIL II) for 2006. We anticipate that a similar assessment will eventually be proposed against NDIL through 2008 and against NDIL II for 2007 to 2010. Although we previously concluded that the deductions were appropriate for each of the years, a reserve has been recorded in accordance with GAAP. During 2013, we reached a negotiated settlement for NDIL's 2003, 2005 and 2006 tax years (the statute of limitations had previously expired on the 2004 tax year) and NDIL II's 2006 tax year. Accordingly, the corresponding reserves were reduced by approximately \$20 million during 2013. After this settlement, the remaining amounts assessed or expected to be assessed in the aggregate, range from \$30 million to \$35 million, for which reserves are recorded in accordance with GAAP. If we ultimately do not prevail, we would be required to recognize additional tax expense for any amount in excess of the current reserve.

Self-Insurance

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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 and are actuarially supported. Although we believe our insurance coverage and reserve estimates are reasonable, a significant accident or other event that is not fully covered by insurance or contractual indemnity could occur and could materially affect our financial position and results of operations for a particular period.

We self-insure for certain losses relating to workers' compensation, employers' liability, general liability, automobile liability and property damage. Effective April 1, 2014, some of our workers' compensation claims, employers' liability and marine employers' liability claims are subject to a \$3.0 million per-occurrence deductible; additionally, some of our automobile liability claims are subject to a \$2.5 million deductible. General liability claims remain subject to a \$5.0 million per-occurrence deductible.

In addition, we are subject to a \$5.0 million deductible for land rigs and for offshore rigs. This applies to all kinds of risks of physical damage except for named windstorms in the U.S. Gulf of Mexico for which we are self-insured.

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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.

In 2009, the Court of Ouargla entered a judgment of approximately \$17.7 million (at current exchange rates) against us relating to alleged customs infractions in Algeria. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment was excessive in any case. We asserted the lack of legally required notice as a basis for challenging the judgment on appeal to the Algeria Supreme Court. In May 2012, that court reversed the lower court and remanded the case to the Ouargla Court of Appeals for treatment consistent with the Supreme Court's ruling. In January 2013, the Ouargla Court of Appeals reinstated the judgment. We have again lodged an appeal to the Algeria Supreme Court, asserting the same challenges as before. Based upon our understanding of applicable law and precedent, we continue to believe that we will prevail. Although the appeal remains ongoing at this time, the Hassi Messaoud customs office recently initiated efforts to collect the judgment prior to the Supreme Court's decision in the case. As a result, we paid approximately \$3.1 million and posted security of approximately \$1.33 million to suspend those collection efforts and to enter into a formal negotiations process with the customs authority. We have recorded a reserve in the amount of the posted security. If we are ultimately required to pay a fine or judgment related to this matter, the resulting loss could be up to \$13.3 million in excess of amounts accrued.

In March 2011, the Court of Ouargla entered a judgment of approximately \$34.8 million (at current exchange rates) against us relating to alleged violations of Algeria's foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to us by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately \$7.5 million of the total contract amount was paid offshore in foreign currency, and approximately \$3.2 million was paid in local currency. The judgment includes fines and penalties of approximately four times the amount at issue. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals has upheld the lower court's ruling, and we have appealed the matter to the Algeria Supreme Court. While our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations there, as well as interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to \$26.8 million in excess of amounts accrued.

In 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 \$3.0 million escrow deposit. ERG filed suit the following day in the 61st Judicial District Court of Harris County, Texas, in a case styled ERG Resources, LLC v. Nabors Global Holdings II Limited, Ramshorn International Limited, and Parex Resources, Inc.; Cause No. 2012-16446, seeking injunctive relief to halt any sale of the shares to a third party, specifically naming as defendant Parex Resources, Inc. (Parex). The lawsuit also seeks monetary damages of up to \$750.0 million based on an alleged breach of contract by NGH2L and alleged tortious interference with contractual relations by Parex. Nabors successfully defeated ERG's effort to obtain a temporary restraining order from the Texas court on March 20, 2012. Nabors completed the sale of Ramshorn's Class A shares to a Parex affiliate in April 2012, which mooted ERG's application for a temporary injunction. The lawsuit is staid, pending further court actions. ERG retains its causes of action for monetary damages, but Nabors believes the claims are foreclosed by the terms of the agreement and are without factual or legal merit. Although we are vigorously defending the lawsuit, its ultimate outcome cannot be determined at this time.

Off-Balance Sheet Arrangements (Including Guarantees)

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

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

	Maximum Amount				Total
	Remainder of 2014	2015	2016 (In thousands)	Thereafter	
Financial standby letters of credit and other financial surety instruments	\$ 115,018	\$ 40,408	\$	\$ 19	\$ 155,445

Note 10 Earnings (Losses) Per Share

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

	Three Months Ended March 31,	
	2014	2013
(In thousands, except per share amounts)		
Net income (loss) (numerator):		
Income (loss) from continuing operations, net of tax	\$ 48,977	\$ 92,207
Less: net (income) loss attributable to noncontrolling interest	(573)	(97)
Less: (earnings) losses allocated to unvested shareholders	(733)	(814)
Adjusted income (loss) from continuing operations - basic and diluted	\$ 47,671	\$ 91,296
Income (loss) from discontinued operations, net of tax	\$ 1,515	\$ 7,011
Earnings (losses) per share:		
Basic from continuing operations	\$ 0.16	\$ 0.31
Basic from discontinued operations	0.01	0.03
Total Basic	\$ 0.17	\$ 0.34
Diluted from continuing operations	\$ 0.16	\$ 0.31
Diluted from discontinued operations	0.02	0.02
Total Diluted	\$ 0.16	\$ 0.33
Shares (denominator):		
Weighted-average number of shares outstanding - basic	296,210	291,687
Net effect of dilutive stock options, warrants and restricted stock awards based on the if-converted method	2,840	2,483
Weighted-average number of shares outstanding - diluted	299,050	294,170

For all periods presented, the computation of diluted earnings (losses) per share excludes outstanding stock options with exercise prices greater than the average market price of our common shares, because their inclusion would be anti-dilutive and because they are not considered participating securities. The average number of options and warrants that were excluded from diluted earnings (losses) per share that would potentially dilute earnings per share were 7,853,509 and 12,452,263 shares during the three months ended March 31, 2014 and 2013, respectively. In any period during which the average market price of our common shares exceeds the exercise prices of these stock options and

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warrants, such stock options and warrants will be included in our diluted earnings (losses) per share computation using the if-converted method of accounting. Restricted stock is included in our basic and diluted earnings (losses) per share computation using the two-class method of accounting in all periods because such stock is considered participating securities.

Table of Contents**Note 11 Supplemental Balance Sheet, Income Statement and Cash Flow Information**

Accrued liabilities include the following:

	March 31, 2014	December 31, 2013
	(In thousands)	
Accrued compensation	\$ 158,676	\$ 172,803
Deferred revenue	234,900	202,918
Other taxes payable	41,047	76,781
Workers compensation liabilities	29,459	29,459
Interest payable	18,284	64,728
Warranty accrual	4,240	4,653
Litigation reserves	24,774	30,784
Current liability to discontinued operations	29,381	64,404
Professional fees	2,652	2,971
Current deferred tax liability	3,075	3,075
Current liability to acquisition of KVS	22,033	22,033
Other accrued liabilities	16,227	22,484
	\$ 584,748	\$ 697,093

Investment income (loss) includes the following:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Interest and dividend income	\$ 970	\$ 776
Gains (losses) on investments, net	10	78,645(1)
	\$ 980	\$ 79,421

(1) Includes realized gains of \$76.2 million from the sale of short-term and other long-term investments and net realized gains of \$2.4 million from the sale of our trading securities.

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Losses (gains) on sales, disposals and involuntary conversions of long-lived assets	\$ 2,432	\$ 3,411

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Termination of employment contract			45,000(1)
Litigation expenses	3,060		6,161
Foreign currency transaction losses (gains)	(3,293)		4,317
Other losses (gains)	(723)		848
	\$	1,476	\$ 59,737

(1) Represents a one-time stock grant valued at \$27 million, which vested immediately and \$18 million in cash awarded and paid to Mr. Petrello in connection with the termination of his prior employment agreement. See Note 9 Commitments and Contingencies to our 2013 Annual Report for additional discussion.

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Interest expense, net of income taxes of \$60 and \$59		(153)		(153)
General and administrative expenses, net of income taxes of \$48 and \$108		(123)		(281)
Total before tax	\$	276	\$	(75,540)
Tax expense (benefit)		108		(284)
Reclassification adjustment for (gains)/losses included in net income (loss)	\$	168	\$	(75,256)

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

Assets Held-for-Sale	March 31, 2014	(In thousands)	December 31, 2013
Oil and Gas	\$ 231,880		\$ 239,936
Rig Services			3,328
	\$ 231,880		\$ 243,264

We have contracts with pipeline companies to pay specified fees based on committed volumes for gas transport and processing. At March 31, 2014, our undiscounted contractual commitments for these contracts approximated \$145.4 million and we had liabilities of \$64.9 million, \$29.4 million of which were classified as current and were included in accrued liabilities. At December 31, 2013, we had liabilities of \$113.6 million, \$64.4 million of which were classified as current and were included in accrued liabilities. These amounts represent our best estimate of the fair value of the excess capacity of the pipeline commitments calculated using a discounted cash flow model, when considering our disposal plan, current production levels, natural gas prices and expected utilization of the pipeline over the remaining contractual term. Decreases in actual production or natural gas prices could result in future charges related to excess pipeline commitments.

Discontinued Operations

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

Operating revenues			
Oil and Gas	\$ 5,057	\$ 9,989	
Rig Services	\$	\$ 47,204	
Income (loss) from Oil and Gas discontinued operations:			
Income (loss) from discontinued operations	\$ 2,618	\$ 2,070	
Less: Impairment charges or other (gains) and losses on sale of wholly owned assets	1,002	2,000	
Less: Income tax expense (benefit)	101	(283)	
Income (loss) from Oil and Gas discontinued operations, net of tax	\$ 1,515	\$ 353	
Income (loss) from Rig Services discontinued operations:			
Income (loss) from discontinued operations	\$	\$ 9,371	
Less: Impairment charges or other (gains) and losses on sale of long-lived assets		323	
Less: Income tax expense (benefit)		2,390	
Income (loss) from Rig Services discontinued operations, net of tax	\$	\$ 6,658	

Table of Contents**Note 13 Segment Information**

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Operating revenues and Earnings (losses) from unconsolidated affiliates: (1)		
Drilling & Rig Services:		
U.S.	\$ 510,476	\$ 484,773
Canada	111,621	126,867
International	375,069	321,516
Rig Services (2)	143,726	134,231
Subtotal Drilling & Rig Services (3)	1,140,892	1,067,387
Completion & Production Services:		
Completion Services	227,899	262,138
Production Services	275,400	251,571
Subtotal Completion & Production Services (4)	503,299	513,709
Other reconciling items (5)	(57,018)	(42,723)
Total	\$ 1,587,173	\$ 1,538,373

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Adjusted income (loss) derived from operating activities (1) (6)		
Drilling & Rig Services:		
U.S.	\$ 72,494	\$ 77,595
Canada	26,160	30,518
International	48,119	21,469
Rig Services (2)	8,728	1,287
Subtotal Drilling & Rig Services (3)	155,501	130,869
Completion & Production Services:		
Completion Services	(33,635)	17,756
Production Services	30,591	26,014
Subtotal Completion & Production Services (4)	(3,044)	43,770
Other reconciling items (5)	(43,416)	(31,501)
Total adjusted income (loss) derived from operating activities	\$ 109,041	\$ 143,138
Interest expense	(44,810)	(60,011)
Investment income (loss)	980	79,421
Gains (losses) on sales and disposals of long-lived assets and other income (expense), net	(1,476)	(59,737)
Income (loss) from continuing operations before income taxes	63,735	102,811
Income tax expense (benefit)	14,008	9,854

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Subsidiary preferred stock dividend	750	750
Income (loss) from continuing operations, net of tax	48,977	92,207
Income (loss) from discontinued operations, net of tax	1,515	7,011
Net income (loss)	50,492	99,218
Less: Net (income) loss attributable to noncontrolling interest	(573)	(97)
Net income (loss) attributable to Nabors	\$ 49,919	\$ 99,121

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	March 31, 2014	December 31, 2013
	(In thousands)	
Total assets:		
Drilling & Rig Services:		
U.S.	\$ 4,340,581	\$ 4,248,630
Canada	608,533	608,018
International	3,668,340	3,584,339
Rig Services	479,252	474,275
Subtotal Drilling & Rig Services (7)	9,096,706	8,915,262
Completion & Production Services (8) (9)	2,314,481	2,394,865
Other reconciling items (5)	775,886	849,684
Total assets:	\$ 12,187,073	\$ 12,159,811

(1) All periods present the operating activities of our wholly owned oil and gas businesses, our previously held equity interests in oil and gas joint ventures in Canada and Colombia, aircraft logistics operations and construction services as discontinued operations.

(2) Includes our drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software 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 (\$2.5) million and \$2.8 million for the three months ended March 31, 2014 and 2013, respectively.

(4) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of \$0.1 for each of the three months ended March 31, 2014 and 2013.

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

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

(7) Includes \$54.4 million and \$56.9 million of investments in unconsolidated affiliates accounted for using the equity method as of March 31, 2014 and December 31, 2013, respectively.

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(8) Reflects assets allocated to the line of business necessary to conduct its operations. Further allocation to individual operating segments of Completion & Production Services is not available.

(9) Includes \$8.7 million and \$7.4 million of investments in unconsolidated affiliates accounted for using the equity method as of March 31, 2014 and December 31, 2013, respectively.

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Note 14 Condensed Consolidating Financial Information

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

The following condensed consolidating financial information presents condensed consolidating balance sheets as of March 31, 2014 and December 31, 2013 and statements of income (loss), statements of other comprehensive income (loss) and statements of cash flows for the three months ended March 31, 2014 and 2013 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.

Table of Contents**Condensed Consolidating Balance Sheets**

	March 31, 2014				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 892	\$ 4	\$ 325,985	\$	\$ 326,881
Short-term investments			97,886		97,886
Assets held for sale			231,880		231,880
Accounts receivable, net			1,454,368		1,454,368
Inventory			194,371		194,371
Deferred income taxes			133,667		133,667
Other current assets	50	30,214	221,951		252,215
Total current assets	942	30,218	2,660,108		2,691,268
Long-term investments			2,915		2,915
Property, plant and equipment, net		32,944	8,657,815		8,690,759
Goodwill			512,391		512,391
Intercompany receivables	153,352		1,787,393	(1,940,745)	
<u>Investment in consolidated affiliates</u>	<u>5,806,653</u>	<u>6,088,501</u>	<u>1,749,780</u>	<u>(13,644,934)</u>	
Investment in unconsolidated affiliates			63,069		63,069
Other long-term assets		32,630	194,041		226,671
Total assets	\$ 5,960,947	\$ 6,184,293	\$ 15,627,512	\$ (15,585,679)	\$ 12,187,073
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of debt	\$	\$	\$ 5,296	\$	\$ 5,296
Trade accounts payable	150	2	630,863		631,015
Accrued liabilities	328	18,094	566,326		584,748
Income taxes payable			17,083		17,083
Total current liabilities	478	18,096	1,219,568		1,238,142
Long-term debt		3,804,956	7,520		3,812,476
Other long-term liabilities		30,142	539,851		569,993
Deferred income taxes		(237,076)	763,081		526,005
Intercompany payable		1,940,745		(1,940,745)	
Total liabilities	478	5,556,863	2,530,020	(1,940,745)	6,146,616
Subsidiary preferred stock			69,188		69,188
Shareholders' equity	5,960,469	627,430	13,017,504	(13,644,934)	5,960,469
Noncontrolling interest			10,800		10,800
Total equity	5,960,469	627,430	13,028,304	(13,644,934)	5,971,269
Total liabilities and equity	\$ 5,960,947	\$ 6,184,293	\$ 15,627,512	\$ (15,585,679)	\$ 12,187,073

Table of Contents**Condensed Consolidating Balance Sheets**

	December 31, 2013				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
ASSETS					
Current assets:					
Cash	\$ 730	\$ 7,029	\$ 382,156	\$	\$ 389,915
Short-term investments			117,218		117,218
Assets held for sale			243,264		243,264
Accounts receivable, net	27		1,399,516		1,399,543
Inventory			209,793		209,793
Deferred income taxes			121,316		121,316
Other current assets	50	26,378	246,353		272,781
Total current assets	807	33,407	2,719,616		2,753,830
Long-term investments			3,236		3,236
Property, plant and equipment, net		33,815	8,563,998		8,597,813
Goodwill			512,964		512,964
Intercompany receivables	160,136	3,891	1,583,539	(1,747,566)	
Investment in consolidated affiliates	5,808,607	6,097,337	1,789,851	(13,695,795)	
Investment in unconsolidated affiliates			64,260		64,260
Other long-term assets		34,487	193,221		227,708
Total assets	\$ 5,969,550	\$ 6,202,937	\$ 15,430,685	\$ (15,443,361)	\$ 12,159,811
LIABILITIES AND EQUITY					
Current liabilities:					
Current debt	\$	\$	\$ 10,185	\$	\$ 10,185
Trade accounts payable	86	25	545,401		545,512
Accrued liabilities	378	65,947	630,768		697,093
Income taxes payable			58,634		58,634
Total current liabilities	464	65,972	1,244,988		1,311,424
Long-term debt		3,904,059	58		3,904,117
Other long-term liabilities		31,071	346,673		377,744
Deferred income taxes		(213,233)	729,394		516,161
Intercompany payable		1,747,566		(1,747,566)	
Total liabilities	464	5,535,435	2,321,113	(1,747,566)	6,109,446
Subsidiary preferred stock			69,188		69,188
Shareholders equity	5,969,086	667,502	13,028,293	(13,695,795)	5,969,086
Noncontrolling interest			12,091		12,091
Total equity	5,969,086	667,502	13,040,384	(13,695,795)	5,981,177
Total liabilities and equity	\$ 5,969,550	\$ 6,202,937	\$ 15,430,685	\$ (15,443,361)	\$ 12,159,811

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

Revenues and other income:										
Operating revenues	\$		\$		\$	1,589,618	\$		\$	1,589,618
Earnings from unconsolidated affiliates						(2,445)				(2,445)
Earnings (losses) from consolidated affiliates		52,583		(8,760)		(40,089)		(3,734)		
Investment income (loss)						2,116		(1,136)		980
Total revenues and other income		52,583		(8,760)		1,549,200		(4,870)		1,588,153
Costs and other deductions:										
Direct costs						1,061,739				1,061,739
General and administrative expenses		2,453		(319)		132,281		(149)		134,266
Depreciation and amortization				902		281,225				282,127
Interest expense				49,369		(4,559)				44,810
Intercompany interest expense		62				(62)				
Losses (gains) on sales and disposals of long-lived assets and other expense (income), net		149		(223)		1,401		149		1,476
Total costs and other deductions		2,664		49,729		1,472,025				1,524,418
Income from continuing operations before income tax		49,919		(58,489)		77,175		(4,870)		63,735
Income tax expense (benefit)				(18,400)		32,408				14,008
Subsidiary preferred stock dividend						750				750
Income (loss) from continuing operations, net of tax		49,919		(40,089)		44,017		(4,870)		48,977
Income (loss) from discontinued operations, net of tax						1,515				1,515
Net income (loss)		49,919		(40,089)		45,532		(4,870)		50,492
Less: Net (income) loss attributable to noncontrolling interest						(573)				(573)
Net income (loss) attributable to Nabors	\$	49,919	\$	(40,089)	\$	44,959	\$	(4,870)	\$	49,919

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

	Three Months Ended March 31, 2013				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Revenues and other income:					
Operating revenues	\$	\$	\$ 1,535,478	\$	\$ 1,535,478
Earnings from unconsolidated affiliates			2,895		2,895
Earnings (losses) from consolidated affiliates	107,873	42,320	2,023	(152,216)	
Investment income (loss)		16	79,405		79,421
Intercompany interest income		29		(29)	
Total revenues and other income	107,873	42,365	1,619,801	(152,245)	1,617,794
Costs and other deductions:					
Direct costs			994,992		994,992
General and administrative expenses	1,834	37	129,151	(144)	130,878
Depreciation and amortization		902	268,463		269,365
Interest expense		63,049	(3,038)		60,011
Intercompany interest expense			29	(29)	
Losses (gains) on sales and disposals of long-lived assets and other expense (income), net	6,918	21	52,654	144	59,737
Total costs and other deductions	8,752	64,009	1,442,251	(29)	1,514,983
Income from continuing operations before income tax	99,121	(21,644)	177,550	(152,216)	102,811
Income tax expense (benefit)		(23,667)	33,521		9,854
Subsidiary preferred stock dividend			750		750
Income (loss) from continuing operations, net of tax	99,121	2,023	143,279	(152,216)	92,207
Income (loss) from discontinued operations, net of tax			7,011		7,011
Net income (loss)	99,121	2,023	150,290	(152,216)	99,218
Less: Net (income) loss attributable to noncontrolling interest			(97)		(97)
Net income (loss) attributable to Nabors	\$ 99,121	\$ 2,023	\$ 150,193	\$ (152,216)	\$ 99,121

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

	Three Months Ended March 31, 2014					Total
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments		
Net income (loss) attributable to Nabors	\$ 49,919	\$ (40,089)	\$ 44,959	\$ (4,870)	\$ 49,919	
Other comprehensive income (loss) before taxes:						
Translation adjustment attributable to Nabors	(36,594)	(216)	(36,813)	37,029	(36,594)	
Unrealized gains/(losses) on marketable securities	(19,208)		(19,208)	19,208	(19,208)	
Pension liability amortization and adjustment	123	123	246	(369)	123	
Unrealized gains/(losses) and amortization of cash flow hedges	153	153	153	(306)	153	
Other comprehensive income (loss) before tax	(55,526)	60	(55,622)	55,562	(55,526)	
Income tax expense (benefit) related to items of other comprehensive income (loss)	148	148	236	(384)	148	
Other comprehensive income (loss), net of tax	(55,674)	(88)	(55,858)	55,946	(55,674)	
Comprehensive income (loss) attributable to Nabors	(5,755)	(40,177)	(10,899)	51,076	(5,755)	
Net income (loss) attributable to noncontrolling interest			573		573	
Translation adjustment to noncontrolling interest			(481)		(481)	
Comprehensive income (loss) attributable to noncontrolling interest			92		92	
Comprehensive income (loss)	\$ (5,755)	\$ (40,177)	\$ (10,807)	\$ 51,076	\$ (5,663)	

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

	Three Months Ended March 31, 2013					Total
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments		
Net income (loss) attributable to Nabors	\$ 99,121	\$ 2,023	\$ 150,193	\$ (152,216)	\$ 99,121	
Other comprehensive income (loss) before taxes:						
Translation adjustment attributable to Nabors	(23,265)	(52)	(23,317)	23,369	(23,265)	
Unrealized gains/(losses) on marketable securities:						
Unrealized gains/(losses) on marketable securities	10,139	185	10,324	(10,509)	10,139	
Less: reclassification adjustment for (gains)/losses on marketable securities	(75,974)	(1,186)	(77,160)	78,346	(75,974)	
Unrealized gains/(losses) on marketable securities	(65,835)	(1,001)	(66,836)	67,837	(65,835)	
Pension liability amortization and adjustment	281	281	562	(843)	281	
Unrealized gains/(losses) and amortization of cash flow hedges	153	153	153	(306)	153	
Other comprehensive income (loss) before tax	(88,666)	(619)	(89,438)	90,057	(88,666)	
Income tax expense (benefit) related to items of other comprehensive income (loss)	(214)	(214)	(487)	701	(214)	
Other comprehensive income (loss), net of tax	(88,452)	(405)	(88,951)	89,356	(88,452)	
Comprehensive income (loss) attributable to Nabors	10,669	1,618	61,242	(62,860)	10,669	
Net income (loss) attributable to noncontrolling interest			97		97	
Translation adjustment to noncontrolling interest			(1,414)		(1,414)	
Comprehensive income (loss) attributable to noncontrolling interest			(1,317)		(1,317)	
Comprehensive income (loss)	\$ 10,669	\$ 1,618	\$ 59,925	\$ (62,860)	\$ 9,352	

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

Net cash provided by (used for) operating activities	\$	(1,579)	\$	(83,877)	\$	514,731	\$	15,288	\$	444,563
Purchase of investments						(286)				(286)
Cash paid for acquisition of businesses, net						(10,200)				(10,200)
Capital expenditures						(396,465)				(396,465)
Changes in intercompany balances				176,446		(176,446)				
Cash flows from financing activities:										
Proceeds from (payments for) issuance of common shares		4,931								4,931
Proceeds from (payments for) commercial paper, net				(39,594)						(39,594)
Reduction in revolving credit facilities				(60,000)		(7,500)				(67,500)
Other		(6,585)				(5,000)				(11,585)
Effect of exchange rate changes on cash and cash equivalents						(9,266)				(9,266)
Cash and cash equivalents, beginning of period		730		7,029		382,156				389,915

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

	Three Months Ended March 31, 2013				
	Nabors (Parent/ Guarantor)	Nabors Delaware (Issuer)	Other Subsidiaries (Non- Guarantors) (In thousands)	Consolidating Adjustments	Total
Net cash provided by (used for) operating activities	\$ 1,144	\$ (138,791)	\$ 304,142	\$ 12,800	\$ 179,295
Cash flows from investing activities:					
Sales and maturities of investments			142,336		142,336
Cash paid for acquisition of businesses, net			(37,516)		(37,516)
Investment in unconsolidated affiliates			(12)		(12)
Capital expenditures			(235,539)		(235,539)
Proceeds from sales of assets and insurance claims			6,605		6,605
Cash paid for investments in consolidated affiliates		(100,000)	(200,000)	300,000	
Changes in intercompany balances		54,192	(54,192)		
Net cash provided by (used for) investing activities		(45,808)	(378,318)	300,000	(124,126)
Cash flows from financing activities:					
Increase (decrease) in cash overdrafts			(1,975)		(1,975)
Proceeds from (payments for) issuance of common shares	1,027				1,027
Dividends to shareholders	(12,891)				(12,891)
Proceeds from (payments for) issuance of parent common shares to affiliates	12,800			(12,800)	
Proceeds from parent contributions		100,000	200,000	(300,000)	
Other	(2,773)	(89)	4,257		1,395
Net cash (used for) provided by financing activities	(1,837)	99,911	202,282	(312,800)	(12,444)
Effect of exchange rate changes on cash and cash equivalents			(2,759)		(2,759)
Net increase (decrease) in cash and cash equivalents	(693)	(84,688)	125,347		39,966
Cash and cash equivalents, beginning of period	1,639	106,778	416,505		524,922
Cash and cash equivalents, end of period	\$ 946	\$ 22,090	\$ 541,852	\$	\$ 564,888

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Note 15 Subsequent Events

On April 25, 2014, our Board of Directors declared a cash dividend of \$0.04 per share to the holders of record of our common shares as of June 9, 2014 to be paid on June 30, 2014.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

of Nabors Industries Ltd.:

We have reviewed the accompanying consolidated balance sheet of Nabors Industries Ltd. and its subsidiaries (the Company) as of March 31, 2014, and the related consolidated statements of income (loss) and of other comprehensive income (loss) for the three-month periods ended March 31, 2014 and March 31, 2013 and the consolidated statements of cash flows and of changes in equity for the three-month periods ended March 31, 2014 and March 31, 2013. This interim financial information is the responsibility of the Company's management.

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

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of income (loss), of other comprehensive income (loss), of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated March 3, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2013, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Houston, Texas

May 9, 2014

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

We often discuss expectations regarding our future markets, demand for our products and services, and our performance in our annual, quarterly and current reports, press releases, and other written and oral statements. Statements relating to matters that are not historical facts are forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as anticipate, believe, expect, plan, intend, estimate, project, will, should, could, may, predict and similar expressions identify forward-looking statements.

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

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

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The above description of risks and uncertainties is not all-inclusive, but highlights certain factors that we believe are important for your consideration. For a more detailed description of risk factors, please refer to Part I, Item 1A. *Risk Factors* in our 2013 Annual Report.

Management Overview

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

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

Drilling & Rig Services

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

Completion & Production Services

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

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

Our customers' spending is determined principally by their internally generated cash flow and to a lesser extent by joint venture arrangements and funding from the capital markets. In our Drilling & Rig Services business line, operations have traditionally been driven by natural gas prices, but the majority of current activity is driven by the price of oil and to a lesser extent natural gas liquids

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from unconventional reservoirs (shales). Activity in our international markets is increasingly driven by the development of natural gas reserves. In our Completion & Production Services business line, operations are primarily driven by oil prices.

The following table sets forth oil and natural gas price data per Bloomberg for the 12-month periods ended March 31, 2014 and 2013:

	Three Months Ended March 31,				Increase/(Decrease)		
	2014	2013					
Average Henry Hub natural gas spot price (\$/thousand cubic feet)	\$	5.16	\$	3.01	\$	2.15	71%
Average West Texas intermediate crude oil spot price (\$/barrel)	\$	98.65	\$	91.94	\$	6.71	7%

Operating revenues and Earnings (losses) from unconsolidated affiliates for the three months ended March 31, 2014 totaled \$1.6 billion, representing an increase of \$48.8 million, or 3%, as compared to the three months ended March 31, 2013. Adjusted income derived from operating activities and net income (loss) from continuing operations for the three months ended March 31, 2014 totaled \$109.0 million and \$49.0 million (\$0.16 per diluted share), respectively, representing decreases of 24% and 47%, respectively, compared to the three months ended March 31, 2013.

During the three months ended March 31, 2014, operating results reflected generally rising crude oil prices. Crude oil prices remain the primary driver of U.S. drilling activity. Our customers' financial results are benefitting from these higher prices, resulting, we believe, in increased drilling. Continued resilient crude oil prices could lead to increased domestic drilling activity for the balance of 2014. Although prices of natural gas and natural gas liquids in the U.S. have increased since early 2012, they remain at levels that negatively impact gas-directed drilling activity and we believe they would have to increase further in order for our customers to increase their gas-directed drilling activity significantly.

Our international markets have begun to respond to improving oil prices during the last two years. Several of our international markets have also begun to experience an increase in demand for drilling driven by increasing natural gas prices. Beginning in 2013, we signed agreements for several new and significantly upgraded drilling rigs, for both oil- and gas-directed drilling. We plan to deploy those rigs during 2014, and the combination of these deployments and rate increases commencing in 2014 should improve international results beginning in the second half of 2014.

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

	Three Months Ended March 31,				Increase/(Decrease)	
	2014	2013				
	(In thousands, except percentages)					

Operating revenues and Earnings (losses) from unconsolidated affiliates: (1)

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Drilling & Rig Services:					
U.S.	\$	510,476	\$	484,773	\$ 25,703 5%
Canada		111,621		126,867	(15,246) (12)%
International		375,069		321,516	53,553 17%
Rig Services (2)		143,726		134,231	9,495 7%
Subtotal Drilling & Rig Services (3)		1,140,892		1,067,387	73,505 7%
Completion & Production Services:					
Completion Services		227,899		262,138	(34,239) (13)%
Production Services		275,400		251,571	23,829 9%
Subtotal Completion & Production Services (4)		503,299		513,709	(10,410) (2)%
Other reconciling items		(57,018)		(42,723)	(14,295) (33)%
Total (5)	\$	1,587,173	\$	1,538,373	\$ 48,800 3%

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	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013	(In thousands, except percentages)	
Adjusted income (loss) derived from operating activities (1) (6)				
Drilling & Rig Services:				
U.S.	\$ 72,494	\$ 77,595	\$ (5,101)	(7)%
Canada	26,160	30,518	(4,358)	(14)%
International	48,119	21,469	26,650	124%
Rig Services (2)	8,728	1,287	7,441	578%
Subtotal Drilling & Rig Services (3)	155,501	130,869	24,632	19%
Completion & Production Services:				
Completion Services	(33,635)	17,756	(51,391)	(289)%
Production Services	30,591	26,014	4,577	18%
Subtotal Completion & Production Services (4)	(3,044)	43,770	(46,814)	(107)%
Other reconciling items (5)	(43,416)	(31,501)	(11,915)	(38)%
Total adjusted income (loss) derived from operating activities	\$ 109,041	\$ 143,138	\$ (34,097)	(24)%

	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013	(In thousands, except percentages)	
Total adjusted income (loss) derived from operating activities (6)				
	\$ 109,041	\$ 143,138	\$ (34,097)	(24)%
Interest expense	(44,810)	(60,011)	15,201	25%
Investment income (loss)	980	79,421	(78,441)	(99)%
Gains (losses) on sales and disposals of long-lived assets and other income (expense), net	(1,476)	(59,737)	58,261	98%
Income (loss) from continuing operations before income taxes				
	63,735	102,811	(39,076)	(38)%
Income tax expense (benefit)	14,008	9,854	4,154	42%
Subsidiary preferred stock dividend	750	750		
Income (loss) from continuing operations, net of tax	48,977	92,207	(43,230)	(47)%
Income (loss) from discontinued operations, net of tax	1,515	7,011	(5,496)	(78)%
Net income (loss)	50,492	99,218	(48,726)	(49)%
Less: Net (income) loss attributable to noncontrolling interest	(573)	(97)	(476)	(491)%
Net income (loss) attributable to Nabors	\$ 49,919	\$ 99,121	\$ (49,202)	(50)%
Diluted earnings (losses) per share:				
From continuing operations	\$ 0.16	\$ 0.31		
From discontinued operations		0.02		
Total diluted	\$ 0.16	\$ 0.33		

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	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013		
	(In thousands, except percentages and rig activity)			
Rig activity:				
Rig years: (7)				
U.S.	206.6	189.6	17.0	9%
Canada	43.8	40.0	3.8	10%
International (8)	129.8	122.7	7.1	6%
Total rig years	380.2	352.3	27.9	8%
Rig hours: (9)				
U.S. Production Services	209,982	212,298	(2,316)	(1)%
Canada Production Services	41,540	48,027	(6,487)	(14)%
Total rig hours	251,522	260,325	(8,803)	(3)%

(1) All periods present the operating activities of our wholly owned oil and gas businesses, our previously held equity interests in oil and gas joint ventures in Canada and Colombia, aircraft logistics operations and construction services as discontinued operations.

(2) Includes our drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software 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 (\$2.5) million and \$2.8 million for the three months ended March 31, 2014 and 2013, respectively.

(4) Includes earnings (losses), net from unconsolidated affiliates, accounted for using the equity method, of \$0.1 million for each of the three months ended March 31, 2014 and 2013.

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

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

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

(8) Includes our equivalent percentage ownership of rigs owned by unconsolidated affiliates, which totaled 2.5 years during each of the three months ended March 31, 2014 and 2013.

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

Table of Contents**Segment Results of Operations****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.

	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013	(In thousands, except percentages and rig activity)	
U.S.				
Revenues	\$ 510,476	\$ 484,773	\$ 25,703	5%
Adjusted income	\$ 72,494	\$ 77,595	\$ (5,101)	(7)%
Rig years	206.6	189.6	17.0	9%
Canada				
Revenues	\$ 111,621	\$ 126,867	\$ (15,246)	(12)%
Adjusted income	\$ 26,160	\$ 30,518	\$ (4,358)	(14)%
Rig years	43.8	40.0	3.8	10%
International				
Revenues	\$ 375,069	\$ 321,516	\$ 53,553	17%
Adjusted income	\$ 48,119	\$ 21,469	\$ 26,650	124%
Rig years	129.8	122.7	7.1	6%
Rig Services				
Revenues	\$ 143,726	\$ 134,231	\$ 9,495	7%
Adjusted income	\$ 8,728	\$ 1,287	\$ 7,441	578%

U.S.

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

Operating revenues increased during the three months ended March 31, 2014 compared to the corresponding 2013 period primarily as a result of an increase in drilling activity in the lower 48 states. This was partially offset by decreased drilling activity in offshore operations due to lower utilization of our MODS® Rigs. Adjusted income derived from operating activities decreased during the three months ended March 31, 2014 compared to the corresponding 2013 period due to slight decreases in average dayrates and increases in operating costs, in the lower 48 states.

Canada

Operating results decreased during the three months ended March 31, 2014 compared to the corresponding 2013 period primarily due to an unfavorable foreign exchange variance. In addition, revenue was unfavorably impacted by lower average drilling dayrates, partially offset by increased drilling activity. The Canadian dollar weakened approximately 10% against the U.S. dollar year-over-year. This negatively impacted margins, as both, revenues and expenses are denominated in Canadian dollars.

International

Operating results increased during the three months ended March 31, 2014 compared to the corresponding 2013 period primarily as a result of increased rig activity and higher dayrates from existing land rigs and deployments with higher margins in Northern Iraq, Abu Dhabi, Argentina and Papua New Guinea. These increases were partially offset by downtime associated with a rig in dry dock in Saudi Arabia and decreased land drilling activity in Mexico.

Table of Contents**Rig Services**

Operating results increased during the three months ended March 31, 2014 compared to the corresponding 2013 period primarily due to higher capital equipment unit sales and higher ROCKIT™ system sales. These increases were partially offset by continued decline in U.S. directional drilling due to intense competition. Adjusted income increased primarily due to cost reductions and higher service and rental margins at Canrig.

Completion & Production Services

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

	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013	(In thousands, except percentages and rig activity)	
Completion Services				
Revenues	\$ 227,899	\$ 262,138	\$ (34,239)	(13)%
Adjusted income	\$ (33,635)	\$ 17,756	\$ (51,391)	(289)%
Production Services				
Revenues	\$ 275,400	\$ 251,571	\$ 23,829	9%
Adjusted income	\$ 30,591	\$ 26,014	\$ 4,577	18%
Rig hours:				
U.S.	209,982	212,298	(2,316)	(1)%
Canada	41,540	48,027	(6,487)	(14)%

Completion Services

Operating results for our U.S. operations decreased during the three months ended March 31, 2014 compared to the corresponding 2013 period, primarily due to the expiration of five multi-year take-or-pay contracts and reduced customer activity in part caused by severe weather in the Northeast and the Rocky Mountain operating areas. During the three months ended March 31, 2014, we experienced downward pricing pressure across most regions compared to the corresponding 2013 period due to continued overcapacity in the pressure pumping market.

Production Services

Operating results for our U.S. operations increased during the three months ended March 31, 2014 compared to the corresponding 2013 period, primarily due to incremental operating results from our acquisition of KVS during the fourth quarter of 2013. These increases were partially offset by decreasing operating results from our Canada operations, primarily due to the unfavorable impact of the foreign exchange rate and lower utilization from customers delaying the start of winter projects.

Table of Contents**OTHER FINANCIAL INFORMATION**

	Three Months Ended March 31,			
	2014	2013	Increase/(Decrease)	
	(In thousands, except percentages)			
General and administrative expenses	\$ 134,266	\$ 130,878	\$ 3,388	3%
As a percentage of operating revenue	8.4%	8.5%	(.1)%	(1)%
Depreciation and amortization	282,127	269,365	12,762	5%
Interest expense	44,810	60,011	(15,201)	(25)%
Investment income	980	79,421	(78,441)	(99)%
Losses (gains) on sales and disposals of long-lived assets and other expense (income), net	1,476	59,737	(58,261)	(98)%

General and administrative expenses

General and administrative expenses increased slightly during the three months ended March 31, 2014 compared to the corresponding 2013 period. As a percentage of operating revenues, general and administrative expenses are comparable for each period and consistent with the slight increase in operating revenues during the three months ended March 31, 2014 as compared to the corresponding 2013 period.

Depreciation and amortization

Depreciation and amortization expense increased slightly during the three months ended March 31, 2014 compared to the corresponding 2013 period, as a result of the incremental depreciation expense from newly constructed rigs placed into service during 2013 in the U.S. and, to a lesser extent, rig upgrades and other capital expenditures made during 2013 relating to our Drilling & Rig Services business line in our U.S. and international markets.

Interest expense

Interest expense decreased during the three months ended March 31, 2014 compared to the corresponding 2013 period, as a result of the redemption of a portion of the principal amount of our 9.25% senior notes in September 2013, partially offset by the September 2013 issuances of our 2.35% and 5.10% senior notes. During the three months ended March 31, 2014, average interest rates were lower on our outstanding senior notes, revolving credit facility and commercial paper balances as compared to the corresponding 2013 period.

Investment income

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Investment income for the three months ended March 31, 2014 included realized gains of \$1.0 million attributable to interest and dividend income.

Investment income for the three months ended March 31, 2013 was \$79.4 million, primarily attributable to \$76.2 million in gains realized from the sale of certain available-for-sale securities. The balance was attributable to interest, dividend income or unrealized gains on the remaining portfolio of investments.

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

The amount of gains (losses) on sales and disposals of long-lived assets and other income (expense), net for the three months ended March 31, 2014 was a net loss of \$1.5 million, which included increases to our litigation reserves of \$3.1 million and net losses on sales and disposals of assets of approximately \$2.4 million. These losses were partially offset by foreign currency exchange gains of approximately \$3.3 million.

The amount of gains (losses) on sales and disposals of long-lived assets and other income (expense), net for the three months ended March 31, 2013 was a net loss of \$59.7 million, which included a one-time stock grant valued at \$27.0 million, which vested immediately and \$18.0 million in cash awarded and paid to Mr. Petrello in connection with the termination of his prior employment agreement. In addition, there were increases to our litigation reserves of \$6.2 million, foreign currency exchange losses of approximately \$4.3 million and net losses on sales and disposals of assets of approximately \$3.4 million.

Table of Contents**Income tax rate**

	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013		
Effective income tax rate from continuing operations	22%	10%	12%	513% 120%

The changes in our effective tax rate during the three months ended March 31, 2014 compared to the corresponding 2013 period reflects the proportion of income generated in the United States versus other countries where we operate. Income generated in the United States is generally taxed at a higher rate than other jurisdictions.

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

Assets Held-for-Sale

	March 31, 2014	December 31, 2013
	(In thousands)	
Oil and Gas	\$ 231,880	\$ 239,936
Rig Services		3,328
	\$ 231,880	\$ 243,264

We have contracts with pipeline companies to pay specified fees based on committed volumes for gas transport and processing. At March 31, 2014, our undiscounted contractual commitments for these contracts approximated \$145.4 million and we had liabilities of \$64.9 million, \$29.4 million of which were classified as current and were included in accrued liabilities. At December 31, 2013, we had liabilities of \$113.6 million, \$64.4 million of which were classified as current and were included in accrued liabilities. These amounts represent our best estimate of the fair value of the excess capacity of the pipeline commitments calculated using a discounted cash flow model, when considering our disposal plan, current production levels, natural gas prices and expected utilization of the pipeline over the remaining contractual term. Decreases in actual production or natural gas prices could result in future charges related to excess pipeline commitments.

Table of Contents**Discontinued Operations**

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

	Three Months Ended March 31,		Increase/(Decrease)	
	2014	2013	(In thousands, except percentages)	
Operating revenues				
Oil and Gas	\$ 5,057	\$ 9,989	\$ (4,932)	(49)%
Rig Services	\$	\$ 47,204	\$ (47,204)	(100)%
Income (loss) from discontinued operations				
Oil and Gas	\$ 1,515	\$ 353	\$ 1,162	329%
Rig Services	\$	\$ 6,658	\$ (6,658)	(100)%

Liquidity and Capital Resources**Cash Flows**

Certain sources and uses of cash, such as the level of discretionary capital expenditures or acquisitions, purchases and sales of investments, as well as issuances and repurchases of debt and of our common shares are within our control and are adjusted as necessary based on market conditions. We discuss our cash flows for the three months ended March 31, 2014 and 2013 below.

Operating Activities. Net cash provided by operating activities totaled \$444.6 million during the three months ended March 31, 2014, compared to net cash provided by operating activities of \$179.3 million during the corresponding 2013 period. Operating cash flows are our primary source of capital and liquidity. Factors affecting changes in operating cash flows are largely the same as those that impact net earnings, with the exception of non-cash expenses such as depreciation and amortization, depletion, impairments, share-based compensation, deferred income taxes and our proportionate share of earnings or losses from unconsolidated affiliates. Net income (loss) adjusted for non-cash components was approximately \$347.5 million and \$335.7 million during the three months ended March 31, 2014 and 2013, respectively. Additionally, changes in working capital items such as collection of receivables, other deferred revenue arrangements, along with payments of operating payables can be significant factors affecting operating cash flows. Changes in working capital items provided \$97.0 million and used \$156.4 million in cash during the three months ended March 31, 2014 and 2013, respectively.

Investing Activities. Net cash used for investing activities totaled \$385.9 million during the three months ended March 31, 2014 compared to \$124.1 million during the corresponding 2013 period. Our primary use of cash for investing activities is for capital expenditures related to rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures. During the three months ended March 31, 2014 and 2013, we used cash for capital expenditures totaling \$396.5 million and \$235.5 million, respectively. During the three months ended March 31, 2013, we sold our trading equity securities and some of our available-for-sale equity securities, providing \$137.7 million in cash.

Financing Activities. Net cash used for financing activities totaled \$112.5 million during the three months ended March 31, 2014 compared to \$12.4 million during the corresponding 2013 period. During the three months ended March 31, 2014, we repaid net amounts of \$92.1 million under our commercial paper program and revolving credit facility.

Future Cash Requirements

We expect capital expenditures over the next 12 months to approximate \$1.6 - \$1.8 billion. Purchase commitments outstanding at March 31, 2014 totaled approximately \$834.1 million, primarily for rig-related enhancements, new construction and equipment, as well as sustaining capital expenditures, other operating expenses and purchases of inventory. This amount could change significantly based on market conditions and new business opportunities. The level of our outstanding purchase commitments and our expected level of capital expenditures over the next 12 months represent a number of capital programs that are currently underway or planned. These programs will result in an expansion in the number of land drilling rigs, upgrades to our offshore rigs completion and production services equipment and well-servicing equipment, and additions to the technology assets that we own and operate. We can reduce the planned expenditures if necessary or increase them if market conditions and new business opportunities warrant it.

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

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

There have been no significant changes to our contractual cash obligations table that was included in our 2013 Annual Report.

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

Financial Condition and Sources of Liquidity

Our primary sources of liquidity are cash and investments, availability under our revolving credit facility and commercial paper program, and cash generated from operations. As of March 31, 2014, we had cash and short-term investments of \$424.8 million and working capital of \$1.5 billion. As of December 31, 2013, we had cash and short-term investments of \$507.1 million and working capital of \$1.4 billion. At March 31, 2014, we had \$1.1 billion of availability remaining under our \$1.5 billion revolving credit facility and commercial paper program.

We had 11 letter-of-credit facilities with various banks as of March 31, 2014. Availability under these facilities as of March 31, 2014 was as follows:

	(In thousands)	
Credit available	\$	573,204
Less: Letters of credit outstanding, inclusive of financial and performance guarantees		320,506
Remaining availability	\$	252,698

Our ability to access capital markets or to otherwise obtain sufficient financing is enhanced by our senior unsecured debt ratings as provided by the major credit rating agencies in the United States and our historical ability to access these markets as needed. While there can be no assurances that we will be able to access these markets in the future, we believe that we will be able to access capital markets or otherwise obtain financing in order to satisfy any payment obligation that might arise upon exchange or purchase of our notes and that any cash payment due, in addition to our other cash obligations, would not ultimately have a material adverse impact on our liquidity or financial position. A ratings downgrade could adversely impact our ability to access debt markets in the future, increase the cost of future debt, and potentially require us to post letters of credit for certain obligations.

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Our gross debt to capital ratio was 0.39:1 as of March 31, 2014 and 0.40:1 as of December 31, 2013. Our net debt to capital ratio was 0.36:1 as of both March 31, 2014 and December 31, 2013. The gross debt to capital ratio is calculated by dividing (x) total debt by (y) total capital. Total capital is defined as total debt *plus* shareholders' equity. Net debt is total debt *minus* the sum of cash and cash equivalents and short-term investments. Neither the gross debt to capital ratio nor the net debt to capital ratio is a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

Our interest coverage ratio was 7.8:1 as of March 31, 2014 and 7.4:1 as of December 31, 2013. The interest coverage ratio is a trailing 12-month quotient of the sum of (x) operating revenues and earnings (losses) from unconsolidated affiliates, direct costs and general administrative expenses *divided* by (y) interest expense. The interest coverage ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

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

Table of Contents**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 2014	2015	2016 (In thousands)	Thereafter	Total
Financial standby letters of credit and other financial surety instruments	\$ 115,018	\$ 40,408	\$	\$ 19	\$ 155,445

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We may be exposed to market risks arising from the use of financial instruments in the ordinary course of business as discussed in our 2013 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

(a) **Disclosure Controls and Procedures.** We maintain a set of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We have investments in certain unconsolidated entities that we do not control or manage. Because we do not control or manage these entities, our disclosure controls and procedures with respect to these entities are necessarily more limited than those we maintain with respect to our consolidated subsidiaries.

The Company's management, with the participation of the Chairman, President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this

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evaluation, the Chairman, President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period, the Company's disclosure controls and procedures are effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in reports that it files or submits under the Exchange Act and are effective, at the reasonable assurance level, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Chairman, President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

Table of Contents**PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can 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. See Note 9 Commitments and Contingencies.

ITEM 1A. RISK FACTORS

There have been no material changes during the three months ended March 31, 2014 to the Risk Factors discussed in our 2013 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We withheld the following shares of our common stock to satisfy tax withholding obligations in connection with grants of stock awards during the three months ended March 31, 2014 from the distributions described below. These shares may be deemed to be issuer purchases of shares that are required to be disclosed pursuant to this Item, but were not purchased as part of a publicly announced program to purchase common shares:

Period (In thousands, except average price paid per share)	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
January 1 - January 31, 2014	6	\$ 16.97		
February 1 - February 28, 2014	52	\$ 20.07		
March 1 - March 31, 2014	239	\$ 22.83		

(1) Shares were withheld from employees and directors to satisfy certain tax withholding obligations due in connection with grants of stock under our 2003 Employee Stock Plan. The 2013 Stock Plan, 2003 Employee Stock Plan, 1998 Employee Stock Plan, 1999 Stock Option Plan for

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Non-employee Directors and 1996 Employee Stock Plan provide for the withholding of shares to satisfy tax obligations, but do not specify a maximum number of shares that can be withheld for this purpose. These shares were not purchased as part of a publicly announced program to purchase common shares.

(2) We do not have a current share repurchase program authorized by the Board of Directors.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Bye-Laws of Nabors Industries Ltd. (incorporated by reference to Exhibit 3.2 to our Form 10-Q (File No. 001-32657) filed with the SEC on August 3, 2012).
10.1	Form of TSR Stock Grant Agreement - William Restrepo, pursuant to the 2013 Stock Plan. (+)*
10.2	Form of Nabors Industries Ltd. Restricted Stock Agreement - William Restrepo, pursuant to the 2013 Stock Plan. (+)*
10.3	Form of Nabors Corporate Services, Inc. Restricted Stock Agreement - William Restrepo, pursuant to the 2013 Stock Plan. (+)*
15	Awareness Letter of Independent Accountants*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Anthony G. Petrello, Chairman, President and Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of William Restrepo, Chief Financial Officer*
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Anthony G. Petrello, Chairman, President and Chief Executive Officer and William Restrepo, Chief Financial Officer.*
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

(+) Management contract or compensatory plan or arrangement.

* Filed herewith.

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SIGNATURES

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

NABORS INDUSTRIES LTD.

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

By: /s/ William Restrepo
William Restrepo
Chief Financial Officer

Date: May 9, 2014

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