

NABORS INDUSTRIES LTD

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May 03, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Nabors Industries Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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1) Amount Previously Paid:

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3) Filing Party:

4) Date Filed:

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**Mintflower Place
8 Par-La-Ville Road
Ground Floor
Hamilton, HM 08 Bermuda**

Notice of 2007 Annual General Meeting of Shareholders
Tuesday, June 5, 2007, 11:00 a.m., CDT
Wyndham Greenspoint Hotel
12400 Greenspoint Drive
Houston, Texas

May 4, 2007

Fellow shareholder:

We cordially invite you to attend Nabors Industries Ltd. s 2007 annual general meeting of shareholders to:

1. Elect three directors, each for a three-year term;
2. Approve and appoint PricewaterhouseCoopers LLP as independent auditors and authorize the Audit Committee of the Board of Directors to set the auditors remuneration;
3. Consider two shareholder proposals, if properly presented by the shareholder proponents; and
4. Transact such other business as may properly come before the annual general meeting.

Further information regarding the meeting and the above proposals is set forth in the accompanying proxy statement. You are entitled to vote at the annual general meeting if you were a shareholder at the close of business on April 5, 2007. Even if you plan to attend the annual general meeting, please submit a proxy as soon as possible so that your shares can be voted at the annual general meeting in accordance with your instructions.

The financial statements for the Company will also be presented at the annual general meeting.

We hope you will read the proxy statement and submit your proxy. On behalf of the Board of Directors and the management of Nabors, I extend our appreciation for your continued support.

Sincerely yours,

Eugene M. Isenberg
Chairman of the Board & Chief Executive Officer

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**NABORS INDUSTRIES LTD.
Mintflower Place
8 Par-La-Ville Road
Ground Floor
Hamilton, HM 08 Bermuda**

Proxy Statement

2007 ANNUAL GENERAL MEETING OF SHAREHOLDERS

JUNE 5, 2007

We are sending you this proxy statement in connection with the solicitation of proxies by the Board of Directors of Nabors Industries Ltd. for the 2007 annual general meeting of shareholders. We are mailing this proxy statement and the accompanying form of proxy to shareholders on or about May 4, 2007. In this proxy statement, Nabors, the Company, we, us and our refer to Nabors Industries Ltd. or, for information pertaining to periods prior to June 24, 2002, to Nabors Industries, Inc. Where the context requires, such references also include our subsidiaries.

Annual General Meeting Information

Date and location of the annual general meeting. We will hold the annual general meeting at the Wyndham Greenspoint Hotel, 12400 Greenspoint Drive, Houston, Texas at 11:00 a.m., Central Daylight Time, on Tuesday, June 5, 2007 unless adjourned or postponed.

Admission to the annual general meeting. Only record or beneficial owners of Nabors common shares may attend the annual general meeting in person. If you are a shareholder of record, you may be asked to present proof of identification, such as a driver's license. Beneficial owners must also present evidence of share ownership, such as a recent brokerage account or bank statement.

Voting Information

Record date and quorum. The record date for the annual general meeting is April 5, 2007. You may vote all common shares of Nabors that you owned as of the close of business on that date. Each common share entitles you to one vote on each matter to be voted on at the annual general meeting. On the record date, 303,569,362 common shares of Nabors were outstanding. In addition, the holder of record of one Special Voting Preferred Share of Nabors is entitled to a number of votes equal to the number of exchangeable shares of Nabors Exchangeco (Canada), Inc., a corporation incorporated under the laws of Canada, in accordance with the instructions received from the holders of such shares. There were 168,638 exchangeable shares of Nabors Exchangeco (Canada) Inc. outstanding on the record date. A majority of the shares outstanding on the record date present, in person or by proxy, constitutes a quorum to transact business at the annual general meeting. Abstentions and withheld votes will be counted for purposes of establishing a quorum.

Submitting voting instructions for shares held in your name. You may vote at the annual general meeting by completing, signing and returning the enclosed proxy card. A properly completed and submitted proxy will be voted

in accordance with your instructions, unless you subsequently revoke your instructions. If you submit a signed proxy without indicating your vote, the person voting the proxy will vote your shares according to the Board's recommendation.

Submitting voting instructions for shares held in street name. If you hold your shares through a broker, follow the voting instructions you receive from your broker. If you want to vote in person, you must obtain a legal proxy from your broker and bring it to the annual general meeting. If you do not submit voting instructions to your

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broker, your broker may still be permitted to vote your shares. New York Stock Exchange (NYSE) member brokers may vote your shares under the following circumstances:

Discretionary items. The election of directors and approval and appointment of Nabors independent auditors are discretionary items. NYSE member brokers that do not receive instructions from beneficial owners may vote on these proposals in their discretion.

Non-discretionary items. The shareholder proposals are nondiscretionary items. Absent specific voting instructions from the beneficial owners on these proposals, NYSE member brokers may not vote on these proposals.

If you do not submit voting instructions and your broker does not have discretion to vote your shares on a matter (broker non-votes), your shares will not be voted on that matter at the annual general meeting. Accordingly, broker non-votes will not be counted in determining the outcome of vote on any matter at the annual general meeting. Broker non-votes will, however, be counted for purposes of establishing a quorum.

Revoking your proxy. You may revoke your proxy at any time before it is actually voted by (1) delivering a written revocation notice prior to the annual general meeting to Daniel McLachlin, Secretary, Nabors Industries Ltd., P.O. Box HM3349, Hamilton, HMPX. Bermuda; (2) submitting a later proxy; or (3) voting in person at the annual general meeting (although attendance at the annual general meeting will not, by itself, constitute a revocation of a proxy).

Votes required to elect directors and to adopt other proposals. Directors are elected by a *plurality* of the votes cast. The approval and appointment of PricewaterhouseCoopers LLP and authorization for the Audit Committee to set the auditor's remuneration, and each of the shareholder proposals requires the affirmative vote of the holders of a *majority* of shares present in person or represented by proxy and entitled to vote thereon.

Withholding your vote or voting to abstain . You can withhold your vote for any nominee for election for director. Withheld votes will be excluded from the vote and will have no effect on the outcome. On the other proposals, you can vote to abstain . If you vote to abstain , your shares will be counted as present at the annual general meeting for purposes of that proposal and your vote will have the effect of a vote *against* the proposal.

ITEM 1 ELECTION OF DIRECTORS

Our Board of Directors currently has seven members and is divided into three classes. The members of each class are elected to serve a three-year term with the term of office for each class ending in consecutive years. Alexander M. Knaster, James L. Payne, and Hans W. Schmidt are the current Class I directors who have been nominated by the Board, upon the recommendation of the Governance and Nominating Committee, for re-election to the Board to serve until the 2010 annual general meeting or until their successors are duly elected and qualified. Each of the nominees has agreed to serve as a director if elected. We do not anticipate that the nominees will be unable or unwilling to stand for election, but if that happens, your proxy will be voted for another person nominated by the Board or the Board may opt to reduce the number of Class I directors.

In identifying and recommending nominees for positions on the Board of Directors, the Governance and Nominating Committee places primary emphasis on the criteria set forth in our Corporate Governance Guidelines, namely:

Judgment, age, and diversity of viewpoints, backgrounds, experiences;

Business or other relevant experience; and

The extent to which the interplay of the nominee's expertise, skills, knowledge, and experience with that of the other members of the Board of Directors will build an effective Board that is responsive to the needs of the Company.

The Governance and Nominating Committee does not set specific, minimum qualifications that nominees must meet in order for the Committee to recommend them to the Board of Directors but rather believes that each

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nominee should be evaluated based on his or her individual merits, taking into account the needs of the Company and the composition of the Board of Directors. Members of the Governance and Nominating Committee discuss and evaluate possible candidates in detail, and suggest individuals to explore in more depth. The Governance and Nominating Committee may in its discretion engage outside consultants to help in identifying candidates.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF MESSRS. KNASTER, PAYNE, AND SCHMIDT AS CLASS I DIRECTORS FOR A TERM ENDING AT THE 2010 ANNUAL GENERAL MEETING.

CLASS I**Nominees for election for a three-year term ending in 2010**

Name	Age	Position with Nabors and Prior Business Experience	Director of Nabors Since
Alexander M. Knaster	48	Chairman and CEO of Pamplona Capital Management, an investment management firm with private equity and fund of funds operations. Mr. Knaster also serves as director of TNK-BP and several subsidiaries of Alfa Group Holding Company which is one of Russia's largest conglomerates with interests in telecoms, banking, insurance and the Russian oil and gas producing entity TNK-BP. From 1998 until 2004 Mr. Knaster was Chief Executive Officer of Alfa Bank. During 2002 and 2003 he also served as General Director of Sidanco, Russia's seventh largest oil company. From 1995 to 1998 he served as President and CEO of Credit Suisse First Boston (Moscow), responsible for the firm's operations in Russia and the CIS. Mr. Knaster has over 20 years experience in the banking industry including several other major investment banks. Mr. Knaster started his career as an engineer with Schlumberger, Ltd. working on offshore oil and gas rigs in the U.S. Gulf of Mexico. Mr. Knaster holds a PhD in economics from the Russian Academy of Science, an MBA from Harvard Business School and a BS in Electrical Engineering and Mathematics from Carnegie-Mellon University. Mr. Knaster is also a Chartered Financial Analyst and a member of International Society of Financial Analysts and National Association of Petroleum Industry Analysts.	2004

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Name	Age	Position with Nabors and Prior Business Experience	Director of Nabors Since
James L. Payne	70	Chairman and Chief Executive Officer of Shona Energy Company, LLC. Mr. Payne was Chairman, Chief Executive Officer and President of Nuevo Energy Company (a company engaged in the acquisition, production and exploration of oil and natural gas properties) until May 2004. He also serves as a Director of BJ Services and Global Industries. He was a Director of Pool Energy Services Co. from 1993 until its acquisition by Nabors in November 1999. He retired as Vice Chairman of Devon Corp. in February 2001. Prior to the merger between Devon Corp. and Santa Fe Snyder Company in 2000, he had served as Chairman and Chief Executive Officer of Santa Fe Snyder Company. He was Chairman and Chief Executive Officer of Santa Fe Energy Company from 1990 to 1999 when it merged with Snyder Oil Company. Mr. Payne is a graduate of the Colorado School of Mines where he was named a Distinguished Achievement Medalist in 1993. He holds an MBA degree from Golden Gate University and has completed the Stanford Executive Program.	1999
Hans W. Schmidt	77	From 1958 to his retirement in 1992, Mr. Schmidt held a number of positions with C. Deilmann A.G., a diversified energy company located in Bad Bentheim, Germany, including serving as a Director from 1982 to 1992. From 1965 to 1992 he served as Director of a subsidiary of C. Deilmann A.G., Deutag Drilling, a company with worldwide drilling operations. From 1988 to 1991 Mr. Schmidt served as President of Transocean Drilling Company, a company of which he was also a Director from 1981 until 1991.	1993

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Name	Age	Position with Nabors and Prior Business Experience	Director of Nabors Since
Anthony G. Petrello	52	President and Chief Operating Officer of Nabors since 1992, Deputy Chairman since 2003. From 1979 to 1991, Mr. Petrello was with the law firm Baker & McKenzie, where he had been Managing Partner of its New York Office from 1986 until his resignation in 1991. Mr. Petrello holds a J.D. degree from Harvard Law School and B.S. and M.S. degrees in Mathematics from Yale University.	1991
Myron M. Sheinfeld	77	Counsel with the law firm of King & Spalding. From 2001 until 2007 he was Senior Counsel to the law firm Akin, Gump, Strauss, Hauer & Feld, L.L.P. From 1970 until 2001 he held various positions in the law firm Sheinfeld, Maley & Kay P.C. Mr. Sheinfeld was an adjunct professor of law at the University of Texas, School of Law from 1975 to 1991 and is a contributing author to numerous legal and business publications, and a contributor, member of the Board of Editors, co-editor and co-author of Collier On Bankruptcy, and a co-author of Collier On Bankruptcy Tax for Lexis-Nexis and Matthew Bender & Co., Inc. He is former President, a present Director and a member of The Houston Chapter of National Association of Corporate Directors. He is Chair of the ABA Standing Committee on Specialization. Mr. Sheinfeld also serves on the board of Rancher Energy Corp.	1988
Martin J. Whitman	82	Mr. Whitman is the Lead Director for Nabors Board of Directors. Chief Executive Officer until June 2002 and a Director of Danielson Holding Corporation (a holding company for conversion of waste to energy, and insurance businesses) until October 2004 (Chairman of the Board until July 1999); Chairman and Trustee of Third Avenue Trust since 1990 and Chief Executive Officer of Third Avenue Trust from 1990 to 2003; Co-Chief Investment Officer of Third Avenue Management LLC and its predecessor (the adviser to Third Avenue Trust) since 2003 and Chief Investment Officer of Third Avenue Management LLC and its predecessor from 1991 to 2003; Director of Tejon Ranch Co. (an agricultural and land management company) from 1997 to 2001; and, Director of Stewart Information	1991

Services Corp. (a title insurance and real estate company) from 2000 until 2001. Mr. Whitman was an Adjunct Lecturer, Adjunct Professor and Distinguished Fellow in Finance, Yale University School of Management from 1972 to 1984 and 1992 to 1999 and is currently an Adjunct Lecturer in Finance at Yale University and an Adjunct Professor in Finance at Syracuse University. He was an Adjunct Professor at the Columbia University Graduate School of Business in 2001. Mr. Whitman is co-author of *The Aggressive Conservative Investor* and author of *Value Investing: A Balanced Approach*.

Table of Contents**CLASS III****Director Continuing in Office Term ending in 2009**

Name	Age	Position with Nabors and Prior Business Experience	Director of Nabors Since
Eugene M. Isenberg	77	Chairman of the Board and Chief Executive Officer of Nabors since 1987. Mr. Isenberg served as a Director of Danielson Holding Company (a financial services holding company) until October 2004. He served as a Governor of the National Association of Securities Dealers (NASD) from 1998 to 2006 and the American Stock Exchange (AMEX) until 2005. He has served as a member of the National Petroleum Council since 2000. From 1969 to 1982, Mr. Isenberg was Chairman of the Board and principal shareholder of Genimar, Inc. (a steel trading and building products manufacturing company), which was sold in 1982. From 1955 to 1968, Mr. Isenberg was employed in various management capacities with Exxon Corporation.	1987

CORPORATE GOVERNANCE

The Board of Directors met six times during 2006. Each of our incumbent directors attended at least 78% of the aggregate of the meetings of the Board and the committees on which he served during 2006. The Board has five committees – the Audit Committee, the Compensation Committee, the Governance and Nominating Committee, the Technical and Safety Committee and the Executive Committee. The independent directors of the Board meet in executive session during each Board meeting. Appointments and chairmanships of the committees are recommended by the Governance and Nominating Committee and are selected by the Board. All committees report their activities to the Board. The charters of each of our Audit Committee, Compensation Committee, and Governance and Nominating Committee are available on our web site at www.nabors.com. Copies of the respective charters are available in print without charge to any shareholder that requests a copy – send any requests to the Corporate Secretary at the address on the cover page of this proxy statement.

Committee	Current Members	Primary Responsibilities	# of Meetings
Audit ¹	Myron M. Sheinfeld (Chair) Hans Schmidt Martin J. Whitman	Oversees the integrity of our Company's consolidated financial statements, system of internal controls, risk management, and compliance with legal and regulatory requirements. Selects, determines the compensation of, evaluates and, when appropriate, replaces the independent auditor, and pre-approves audit and permitted nonaudit services.	4

Oversees the qualifications and independence of the independent auditor and the performance of our Company's internal auditor and independent auditor.

After review, recommends to the Board the acceptance and inclusion of the annual audited consolidated financial statements in the Company's annual report on Form 10-K.

¹ The following changes occurred in the membership of the Audit Committee during 2006. Mr. Schmidt joined the Committee on April 28, 2006. On March 6, 2006, Mr. Flores concluded committee service.

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Committee	Current Members	Primary Responsibilities	# of Meetings
Compensation ²	Martin J. Whitman (Chair) Alexander M. Knaster James L. Payne Hans Schmidt Myron M. Sheinfeld	Reviews and approves the compensation of the Company's senior officers. Oversees the administration of our equity-based compensation plans.	4
Governance and Nominating ³	James L. Payne (Chair) Alexander M. Knaster Hans Schmidt Myron M. Sheinfeld Martin J. Whitman	Identifies and recommends candidates for election to the Board. Establishes procedures for its oversight of the evaluation of the Board. Recommends director compensation. Reviews annually our corporate governance policies.	4

Mr. Whitman serves as our Lead Director. In that role, his primary responsibility is to preside over executive sessions of the nonemployee directors and to call meetings of the nonemployee directors as desirable. The Lead Director also chairs certain portions of Board meetings, serves as liaison between the Chairman of the Board and the nonemployee directors, and develops and approves, together with the Chairman, the agenda for Board meetings. The Lead Director will also perform other duties the Board delegates from time to time to assist the Board in fulfilling its responsibilities.

Director Independence

The Governance and Nominating Committee conducts a review at least annually of the independence of the members of the Board and its committees and reports its findings to the full Board. Five of our seven directors are nonemployee directors (all except Messrs. Isenberg and Petrello). As permitted by the rules of the New York Stock Exchange, the Board has adopted categorical standards to assist it in making determinations of director independence. These standards incorporate and are consistent with the definition of "independent" contained in the New York Stock Exchange listing rules. Those standards are set forth in Appendix A to this proxy statement and are also included on the Board's Corporate Governance Guidelines, which are available on our web site as described above. The Board has affirmatively determined that each of our nonemployee directors, Alexander M. Knaster, James L. Payne, Hans Schmidt, Myron M. Sheinfeld, and Martin J. Whitman meets these standards and is independent. Other than the transactions, relationships, and arrangements described in the section entitled "Related Person Transactions", there were no other transactions, relationships, or arrangements considered by the Board in determining that a director was independent.

The Board has determined that Mr. Whitman is an "audit committee financial expert" as defined under the current rules of the SEC.

Nominations for Directors

The Governance and Nominating Committee recommends director candidates to the full Board after receiving input from all directors. The Governance and Nominating Committee will consider director candidates recommended by shareholders. The Governance and Nominating Committee considers the entirety of each candidate's credentials and

does not have specific, minimum qualifications that nominees must meet. The committee is guided by the following basic selection criteria for all nominees: independence, highest character and integrity, experience,

² The following changes occurred in the membership of the Compensation Committee during 2006. Mr. Whitman became Committee Chair on March 10, 2006. Mr. Payne joined the Committee on March 10, 2006. Mr. Flores concluded service as Chairman and a member of the Committee on March 6, 2006.

³ The following changes occurred in the membership of the Governance and Nominating Committee during 2006. On March 6, 2006, Mr. Flores concluded committee service.

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reputation, and sufficient time to devote to Board matters. The committee also gives consideration to diversity, age, international background and experience, and specialized expertise in the context of the needs of the Board as a whole. The Committee has the authority to engage consultants, including retained search firms to help identify new director candidates. The policy adopted by the Committee provides that candidates recommended by shareholders are given appropriate consideration in the same manner as other candidates. Shareholders who wish to submit candidates for director for consideration by the Governance and Nominating Committee for election at our 2008 Annual Meeting of Shareholders may do so by submitting in writing such candidates names, together with the information described on our web site at www.nabors.com, to Board of Directors, Nabors Industries Ltd., P.O. Box HM3349, Hamilton, HMPX, Bermuda, prior to January 4, 2008.

Shareholder and Interested Parties Communications with the Board

Shareholders and other interested parties may contact any of the Company's directors, a committee of the Board of Directors, the Board's independent directors as a group or the Board generally, by writing to them at Nabors Industries Ltd., c/o Corporate Secretary, at the address shown on the cover of this proxy statement. Shareholder communications received in this manner will be handled in accordance with procedures approved by the Board's independent directors. The Board's Policy Regarding Shareholder Communications with the Board of Directors is available at www.nabors.com. The Company encourages directors to attend the annual general meeting of shareholders. Four directors attended the 2006 annual general meeting of shareholders.

Executive Sessions of Nonemployee Directors

Our nonemployee directors meet in executive session at each regular meeting of the Board without the Chief Executive Officer or any other member of management present. The Lead Director presides over these executive sessions.

NONEMPLOYEE DIRECTOR COMPENSATION

We believe that it is important to attract and retain outstanding nonemployee directors. One way we achieve this goal is through a competitive compensation program. Nabors compensates its nonemployee directors through a combination of an annual retainer and stock incentive awards. For 2006 each director received an annual retainer of \$50,000; the Chairman of each committee received an additional retainer of \$50,000 (except the Chairman of the Audit Committee, who received \$100,000), and the Lead Director received an annual retainer of \$10,000 for service in this capacity. No additional amounts are paid for attendance at Board or committee meetings. Beginning in 2007 the Chairman of each committee will receive a retainer of \$50,000 (except the Chairman of the Audit Committee, who will receive a \$100,000 retainer) and the Lead Director will receive a retainer of \$50,000.

Nabors also issues equity incentives to its nonemployee directors to align their interests with Nabors' shareholders. Awards are made pursuant to equity incentive plans adopted from time to time for nonemployee directors. During 2006 and 2007 the Governance and Nominating Committee retained Towers Perin to conduct a competitive assessment of our nonemployee director compensation program. Following this review, the Board agreed in March 2006 to reduce the equity component of nonemployee director compensation from an annual award of 20,000 shares of restricted stock to an annual award of 15,000 shares of restricted stock. The Board agreed in February 2007 again to reduce the equity component of nonemployee director compensation to an annual award of 12,000 shares of restricted stock.

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The following table sets forth information concerning total director compensation during the 2006 fiscal year for each nonemployee director.

2006 Director Compensation Table

Name(4)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) (1)(2)	Option Awards (\$) (3)	Change in Pension Value and Nonqualified Deferred Incentive Plan Compensation			All Other Compensation (\$)	Total (\$)
				Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	Nonqualified Deferred Compensation (\$)		
Alexander M. Knaster	50,000	322,692	139,083	0	0	0	511,775	
James L. Payne	100,000	322,692	200,299	0	0	0	622,991	
Hans W. Schmidt	100,000	322,692	200,299	0	0	0	622,991	
Myron M. Sheinfeld	150,000	322,692	225,834	0	0	0	698,526	
Martin J. Whitman	110,000	322,692	217,881	0	0	0	650,573	

- (1) The amounts shown on the Stock Awards column reflect the compensation cost related to restricted stock awards included in Nabors financial statements for fiscal year 2006, computed in accordance with Statement of Financial Accounting Standards No. 123(R) (SFAS No. 123(R)). For a discussion of valuation assumptions, see Nabors Annual Report for the year ended December 31, 2006.
- (2) Each nonemployee director received a restricted stock award of 15,000 shares on March 10, 2006 that vests over three years. For 2006, the grant date fair value of the restricted stock award is based on Nabors stock price of \$31.95 per share, which is the closing price of Nabors stock on the grant date. As of December 31, 2006, the aggregate number of restricted stock awards outstanding are: Alexander Knaster 28,332 shares; James Payne 28,332 shares; Hans Schmidt 28,332 shares; Myron Sheinfeld 28,332 shares and Martin Whitman 28,332 shares.
- (3) The amounts shown on the Option Awards column reflect the compensation cost related to stock option awards included in Nabors financial statements for fiscal year 2006, computed in accordance with Statement of Financial Accounting Standards No. 123(R) (SFAS No. 123(R)). For a discussion of valuation assumptions, see Nabors Annual Report for the year ended December 31, 2006. There were no stock option awards granted to nonemployee directors during 2006. As of December 31, 2006, the aggregate number of stock options outstanding are: Alexander Knaster 60,000; James Payne 171,668; Hans Schmidt 383,000; Myron Sheinfeld 295,000 and Martin Whitman 345,000.
- (4) Messrs. Isenberg and Petrello, who are employees of the Company, are not included in this table. Their compensation is discussed in our Compensation Discussion and Analysis section beginning on page 14 and is included in the Summary Compensation Table on page 19.

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Stock ownership of directors and executive officers. We encourage our directors, officers and employees to own our common stock; owning our common stock aligns their interests with your interests as shareholders. Ownership of Company stock ties a portion of their net worth to the Company's stock price and provides a continuing incentive for them to work toward superior long-term stock performance. The following table sets forth the beneficial ownership of common stock, as of April 5, 2007, by each of our current directors and named executive officers (NEOs), and by all our current directors and executive officers as a group:

Beneficial Owner(1)	Common Shares Beneficially Owned	
	Number of Shares	Percent of Total(2)
Directors		
Eugene M. Isenberg(2)(3)	22,512,517	6.99%
Alexander M. Knaster(2)	287,000	*
James L. Payne(2)	226,768	*
Anthony G. Petrello(2)	11,330,093	3.60%
Hans W. Schmidt(2)	435,500	*
Myron M. Sheinfeld(2)(4)	376,270	*
Martin J. Whitman(2)(5)	595,038	*
Named Executive Officers		
Bruce P. Koch(2)	119,595	*
Daniel McLachlin(2)	7,735	*
All Directors/Executive Officers as a group (9 persons)(2)-(5)	35,890,516	10.84%

* Less than 1%

- (1) The address of each of the directors and officers listed is in care of Nabors Industries Ltd., P.O. Box HM3349, Hamilton, HMPX, Bermuda.
- (2) As of April 5, 2007, Nabors had 303,569,362 shares outstanding and entitled to vote. For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the U.S. Securities Exchange Act of 1934, pursuant to which a person or group of persons is deemed to have beneficial ownership of any common shares that such person has the right to acquire within 60 days. We have included in the table common shares underlying fully vested stock options (without giving effect to accelerated vesting that might occur in certain circumstances). For purposes of computing the percentage of outstanding common shares held by each person or group of persons named above, any shares which such person or persons has the right to acquire within 60 days (as well as common shares underlying fully vested stock options) are deemed to be outstanding, but are not deemed to be outstanding for purposes of computing the percentage ownership of any other person.

The number of common shares underlying fully vested stock options included in the table are as follows: Mr. Isenberg 18,064,344; Mr. Knaster 40,000; Mr. Payne 171,668; Mr. Petrello 8,165,334; Mr. Schmidt 383,000; Mr. Sheinfeld 295,000; Mr. Whitman 335,000; Mr. Koch 105,000; Mr. McLachlin 6,250, and all

directors and Named Executive Officers as a group 27,565,596.

- (3) The shares listed for Mr. Isenberg are held directly or indirectly through certain trusts, defined benefit plans and individual retirement accounts of which Mr. Isenberg is a grantor, trustee or beneficiary. Not included in the table are 772 shares owned directly or held in trust by Mr. Isenberg's spouse.
- (4) The shares listed for Mr. Sheinfeld include 584 shares owned directly by Mr. Sheinfeld's spouse. Mr. Sheinfeld disclaims beneficial ownership of these shares.
- (5) The shares listed for Mr. Whitman include 193,038 common shares owned by M.J. Whitman & Co., Inc. Because Mr. Whitman is a majority shareholder in M.J. Whitman & Co., Inc., he may be deemed to have beneficial ownership of the Nabors shares owned by that company.

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Principal Shareholders. The following table contains information regarding the only persons we know of that beneficially own more than 5% of our common stock:

Beneficial Owner(1)	Common Shares Beneficially Owned	
	Number of Shares	Percent of Total(2)
AXA Financial Inc.(1) 1290 Avenue of the Americas, New York, NY 10104	27,095,321	8.93%

- (1) Based on a Schedule 13G Information Statement of AXA Financial, Inc. and certain of its affiliates filed on February 13, 2007. AXA Financial, Inc. has sole voting power with respect to 20,950,319 shares and sole dispositive power with respect to 27,094,841 shares.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee operates under a written charter adopted by the Board. The charter is available on our website at www.nabors.com. The Audit Committee is responsible for the oversight of the integrity of the Company's consolidated financial statements, the Company's system of internal controls over financial reporting, the Company's risk management, the qualifications and independence of the Company's independent registered public accounting firm, the performance of the Company's internal auditor and independent auditor and the Company's compliance with legal and regulatory requirements. Subject to approval by the shareholders, we have the sole authority and responsibility to select, determine the compensation of, evaluate and, when appropriate, replace the Company's independent auditor. The Board has determined that each Committee member is independent under applicable independence standards of the NYSE and Securities Exchange Act of 1934, as amended.

The Committee serves in an oversight capacity and is not part of the Company's managerial or operational decision-making process. Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States and for the report on the Company's internal control over financial reporting. The Company's independent auditor, PricewaterhouseCoopers, is responsible for auditing those financial statements and expressing an opinion as to their conformity with generally accepted accounting principles, expressing an opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting, and expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Our responsibility is to oversee the financial reporting process and to review and discuss management's report on the Company's internal control over financial reporting. We rely, without independent verification, on the information provided to us and on the representations made by management, the internal auditor, and the independent auditor.

We held four meetings during 2006. The Committee, among other things:

Reviewed and discussed the Company's quarterly earnings releases, Quarterly Reports on Form 10-Q and Annual Report on Form 10-K, including the consolidated financial statements;

Reviewed and discussed the Company's policies and procedures for risk assessment and risk management and the major risk exposures of the Company and its business units, as appropriate;

Reviewed and discussed the annual plan and the scope of work of the internal auditor for 2006 and summaries of the significant reports to management by the internal auditor;

Reviewed and discussed the annual plan and scope of work of the independent auditor;

Reviewed and discussed reports from management on the Company's policies regarding applicable legal and regulatory requirements; and

Met with PricewaterhouseCoopers and the internal auditor in executive session.

We reviewed and discussed the audited consolidated financial statements and related footnotes for the year ended December 31, 2006 with management, the internal auditor, and PricewaterhouseCoopers. We reviewed and

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discussed the critical accounting policies that are set forth in the Company's Annual Report on Form 10-K. We reviewed and discussed with management, the internal auditor, and PricewaterhouseCoopers management's annual report on the Company's internal control over financial reporting and PricewaterhouseCoopers' opinion on the effectiveness of the internal control over financial reporting.

We discussed with PricewaterhouseCoopers matters that independent registered public accounting firms must discuss with audit committees pursuant to generally accepted auditing standards and standards of the Public Company Accounting Oversight Board, including, among other things, matters related to the conduct of the audit of the Company's consolidated financial statements and the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees). This review included a discussion with management and the independent auditor of the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures in the Company's consolidated financial statements, including the disclosures related to critical accounting policies.

PricewaterhouseCoopers also provided to the Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and represented that it is independent from the Company. We discussed with PricewaterhouseCoopers their independence from the Company, and considered if services they provided to the Company beyond those rendered in connection with their audit of the Company's annual consolidated financial statements included in its annual report on Form 10-K, reviews of the Company's interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q, and their opinion on the effectiveness of the Company's internal control over financial reporting were compatible with maintaining their independence. We also reviewed and preapproved, among other things, the audit, audit-related and tax services provided by PricewaterhouseCoopers. We received regular updates on the amount of fees and scope of audit, audit-related, and tax services provided.

Based on our review and these meetings, discussions and reports discussed above, and subject to the limitations on our role and responsibilities referred to above and in the Audit Committee charter, we recommended to the Board that the Company's audited consolidated financial statements for the year ended December 31, 2006 be included in the Company's Annual Report on Form 10-K. We also selected PricewaterhouseCoopers as the Company's independent auditor for the year ended December 31, 2007 and are presenting the selection to the shareholders for approval.

Respectfully submitted,

THE AUDIT COMMITTEE
Myron M. Sheinfeld, Chairman
Martin J. Whitman
Hans W. Schmidt

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed the section of this Proxy Statement entitled "Compensation Discussion and Analysis" with management. Based on that review and discussion, the Committee has recommended to the Board that the section entitled "Compensation Discussion and Analysis" as it appears on pages 14 through 18, be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Respectfully submitted,

THE COMPENSATION COMMITTEE

Martin J. Whitman, Chairman

Alexander M. Knaster

James L. Payne

Myron M. Sheinfeld

Hans W. Schmidt

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This discussion of the executive compensation practices and the decisions we made in 2006 concerning the compensation payable to our executive officers, including those named in the Summary Compensation Table (the "named executive officers" or "NEOs") is intended to be read together with the tables and related narratives that appear on pages 19 through 25 of this proxy statement.

Philosophy

Our executive compensation philosophy is to provide our executives with appropriate and competitive individual pay opportunities with actual pay outcomes which reward the attainment of superior corporate and individual performance objectives. Our programs are designed to attract, retain, motivate, and reward qualified executives to achieve performance goals aligned with our business objectives and the interests of our shareholders. The ultimate goal of our program is to increase shareholder value by providing executives with appropriate incentives to achieve our business objectives. We seek to achieve this goal through a program of cash and equity-based awards which rewards executives for superior performance, as measured by both financial and nonfinancial factors. Our use of equity-based awards that vest over time also encourages our talented executives to remain in our employ.

How We Determine Executive Compensation

In reviewing Mr. Isenberg's and Mr. Petrello's compensation, the Committee has taken into account the strong financial performance of the Company. Nabors' financial results in 2006 were the best in the Company's history, with significant financial and operational achievements in virtually every operating and business category. Strategies were employed by senior management to help ensure the continued financial success of the Company over the ensuing years including organic growth in developing and deploying new, state of the art rigs at attractive costs, obtaining long-term contracts with key customers, and negotiating favorable arrangements with key vendors to ensure availability of equipment needed to support the Company's growth. All this was accomplished while the Company maintained a strong financial position underscored by management's ability to access capital markets on an attractive basis.

The senior executive management team in place for many years has demonstrated its versatility and leadership in forging a stable and effective organization. Furthermore, the Compensation Committee believes that the executive management of Nabors has throughout the industry's cyclical ups and downs delivered superior returns to its shareholders over the long term. In fact, according to Bloomberg, Nabors' ten and twenty year compounded average growth rates are 12.0% and 21.3%, which is double and nearly triple that of the S&P 500 (the ten and

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twenty year average returns for companies in the S&P 500 Index are 6.7% and 9.2% for the ten and twenty year periods ended December 31, 2006). The Compensation Committee believes that retention and financial motivation of the current management team is vital to sustaining this level of performance.

The Committee is mindful that the competitive, financial accounting, and regulatory landscape of executive compensation continues to evolve. The Committee accordingly has made adjustments in the forms of equity-based compensation and, at the Committee's recommendation, the Board of Directors in March 2006 exercised its election to fix the expiration date of the employment agreements for Messrs. Isenberg and Petrello. Accordingly, those agreements will expire at the end of their current term at September 30, 2010, which will permit the Committee to exercise greater flexibility in determining the incentive arrangements for the Company's senior executives.

a. *Messrs. Isenberg and Petrello.* Nabors' Chairman and Chief Executive Officer, Eugene M. Isenberg, and its Deputy Chairman, President and Chief Operating Officer, Anthony G. Petrello, each have employment agreements with the Company. Mr. Isenberg's employment agreement was originally negotiated with a creditors' committee in 1987 in connection with the Chapter 11 reorganization proceedings of Anglo Energy, Inc., which subsequently changed its name to Nabors. These contractual arrangements subsequently were approved by the various constituencies in those reorganization proceedings, including equity and debt holders, and confirmed by the United States Bankruptcy Court.

Mr. Petrello's employment agreement was first entered into effective October 1, 1991. Mr. Petrello's employment agreement was agreed upon as part of arm's length negotiations with the Board before he joined Nabors in October 1991 and was reviewed and approved by the Compensation Committee of the Board and the full Board of Directors at that time.

The employment agreements provide for a base salary, an annual cash bonus, and various other elements of compensation (described more fully below).

Although Messrs. Isenberg and Petrello voluntarily have agreed to reduce their cash bonuses as described below the Compensation Committee wished to have greater flexibility in determining the structure and amount of their annual incentives and on March 10, 2006 the Board, upon the recommendation of the Committee, exercised its election to fix the expiration date of the employment agreements for Messrs. Isenberg and Petrello. Accordingly, their employment agreements will expire at the end of their current term at September 30, 2010.

b. *Other named executive officers and senior leadership of the Company.* Our Compensation Committee bears principal responsibility for assessing, determining, and approving our executive compensation. In setting the compensation of the other named executive officers, we focus on three key elements: performance considerations and business goals; market referencing; and CEO and Compensation Committee judgment.

Performance Objectives and Business Goals. We award our executives compensation and assign them additional responsibilities as recognition for how well they perform individually and as a team in achieving individual and collective business goals. In order to determine whether our executives achieved individual and corporate goals, we conduct an annual performance assessment. The performance assessment is designed to guide performance discussions, clarify an executive's performance objectives, and communicate annual achievements. At the end of each year, overall performance is assigned a rating. These performance ratings heavily influence the executive's compensation.

Market Referencing. We also base our compensation decisions on market considerations. The principle of market referencing means that our compensation is benchmarked against similarly situated executives at peer companies and industrial and finance companies in general. To help collect market information, we review available proxy statement information regarding other drilling contractors and in the oil service sector and review published compensation

survey sources of companies generally. We

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target base salaries at the median; however, individual compensation pay levels may vary based on individual performance and other factors. For example, in the case of a new hire, we also consider compensation provided by the previous employer in setting initial pay levels and in making an attractive offer of employment.

CEO and Compensation Committee Judgment. Finally, we based our compensation decisions on the assessments by the CEO, the COO and Compensation Committee of the named executive officers. We do not employ a purely formulaic approach to any of our compensation plans. The Compensation Committee has the discretion to increase or decrease formula-driven awards based on individual performance and executive retention considerations.

In making compensation determinations, our Compensation Committee reviews tally sheets, which provide a total of all elements of compensation for each of our named executive officers. In determining the reasonableness of our named executive officer's total compensation, the Compensation Committee considers the nature of each element of executive compensation provided, including base salary, annual performance bonus, and long-term incentives.

Our Chief Executive Officer and Chief Operating Officer provide significant input on the compensation, including annual merit adjustments and equity awards, of the senior leadership of the Company and the Compensation Committee relies heavily on the judgment of the CEO in evaluating the performance of each named executive officer. The Compensation Committee then determines the annual base salary, annual and long-term incentive opportunities for the named executive officers and other members of the senior leadership of the Company.

Components of Executive Compensation

The Company's executive compensation programs consist of three major components: base salary, annual performance bonus, and long-term incentives. This three-part compensation approach enables us to remain competitive with our industry peers while ensuring that our named executive officers are appropriately incentivized to deliver shareholder value.

Individual performance has a significant impact on determining each compensation component. Each individual's annual performance is measured based on a thorough review of their contributions to business results both for the year and the longer-term impact of the individual's behavior and decisions.

Base Salary

a. *Messrs. Isenberg and Petrello.* Mr. Isenberg's base salary remained constant from 1987 through the end of 2003 and Mr. Petrello's base salary remained constant since his employment began in 1991 through the end of 2003. The base salaries for both officers have remained unchanged since 2003. The base salaries were set at their current levels in 2003 following engagement of a nationally recognized compensation consultant to assist the Committee in benchmarking their base salaries against a peer group of companies.

b. *Other named executive officers and senior leadership of the Company.* The Company's base salary program reinforces the guiding principles of competitiveness and pay for performance and recognizes an individual's scope of responsibilities and the knowledge, judgment, and skills they bring to their role. The Compensation Committee reviews the performance of each senior executive officer individually with the Chief Executive Officer and determines an appropriate base salary level based primarily on individual performance and competitive factors. These competitive factors include as a reference the base salary of other executives of drilling contractors and the oil service sector generally, and also the compensation levels needed to attract and retain highly talented executives from outside the industry. We use available proxy statement data and published compensation survey sources for this review and assessment. In general, the Compensation Committee targets base salaries at the median; however, individual compensation pay levels may vary based on individual performance and other factors. NEO base salaries for 2006 are

reported in the Summary Compensation Table on page 19 under the Salary column.

Table of Contents***Annual Performance Bonus and Long-Term Incentives***

a. *Overview.* We intend our annual cash bonus and long-term incentive program to reward achievement of corporate objectives and to align the interests of our executives with our shareholders by placing a significant portion of their compensation at risk through equity awards. The Committee supports a practice of paying bonuses and long-term incentives which deliver above average compensation if financial results and/or shareholder returns exceed the results obtained by peer companies. By virtually every significant financial and operational metric, 2006 was the best year in the Company's history. Revenues, operating income, cash flow, net income and earnings per share all reached record levels. Our return on average capital employed reached 21 percent and net income topped \$1 billion for the first time in the Company's history. Moreover, we believe we have laid the foundation for longer-term growth in shareholder value through our new-build construction program and the number of long-term customer commitments for new rigs.

b. *Messrs. Isenberg and Petrello.* As noted above, Nabors' Chairman and Chief Executive Officer, Eugene M. Isenberg, and its Deputy Chairman, President and Chief Operating Officer, Anthony G. Petrello, each have employment agreements with the Company. Nabors' arrangements with its Chief Executive Officer and President have been designed from the outset to align their compensation with enhancing shareholder value. The major portion of Mr. Isenberg's and Mr. Petrello's cash compensation is performance-based bonus compensation. In addition to a base salary, their employment agreements provide for annual cash bonuses in an amount equal to 6% and 2%, respectively, of Nabors' net cash flow (as defined in the respective employment agreements) in excess of 15% of the average shareholders' equity for each fiscal year. Mr. Isenberg's cash bonus formula originally was set at 10% in excess of a 10% return on shareholders' equity and he has voluntarily reduced it over time to its current level. Mr. Isenberg voluntarily agreed to amend his employment agreement in March 2006 to reduce the annual cash bonus to an amount equal to 3% of Nabors' net cash flow (as defined in his employment agreement) in excess of 15% of the average shareholders' equity for 2006. For 2007 through the expiration date of the employment agreement, the annual cash bonus will return to 6% of Nabors' net cash flow (as defined in his employment agreement) in excess of 15% of the average shareholders' equity for each fiscal year. For 2006 Mr. Isenberg further agreed voluntarily to take one-half of this reduced amount in the form of restricted stock which generally vests over three years. In 16 of the last 17 years, Mr. Isenberg has agreed voluntarily to accept a lower annual cash bonus (i.e., an amount lower than the amount provided for under his employment agreement) in light of his overall compensation package, including from time to time equity incentives given in lieu of the cash bonus.

Mr. Petrello's bonus is subject to a minimum of \$700,000 per year. For 2006 Mr. Petrello also agreed voluntarily to take one-half of the cash bonus to which he is entitled pursuant to his employment agreement in the form of restricted stock which vests generally over three years. Mr. Petrello has agreed voluntarily to accept a lower annual cash bonus (i.e., an amount lower than the amount provided for under his employment agreement) in light of his overall compensation package, including equity incentives given in lieu of the cash bonus, in 13 of the last 16 years.

For 2006 the annual cash bonuses for Messrs. Isenberg and Petrello pursuant to the formula described in their employment agreements, as amended, were \$43.2 million and \$28.7 million, respectively; but in light of their agreement to accept a portion of the award in restricted stock, they agreed to accept cash bonuses in the amounts of \$22.0 million and \$14.6 million, respectively. There can be no assurance that Messrs. Isenberg and Petrello will agree in the future to accept annual cash bonuses in an amount less than the cash amounts provided for in their agreements or accept portions of their bonus payments in consideration other than cash.

Both Messrs. Isenberg and Petrello are eligible under their employment agreements to receive long-term equity incentive awards. In light of their overall compensation packages, no equity awards (other than the portion of their annual cash bonuses which they agreed to take in the form of restricted stock) were requested by or made to Messrs. Isenberg or Petrello in 2006.

c. Other named executive officers and senior leadership of the Company. Through our annual cash bonus and long-term incentives, we seek to provide pay-for-performance by linking individual awards to both Company and individual performance through a range of award opportunities. The performance considerations include both financial and nonfinancial objectives, including achieving certain financial targets in relation to internal budgets, developing internal infrastructure and enhancing positions in certain markets. The financial criteria include, among

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other things, increasing revenues, controlling direct and overhead expenses and increasing cash flow from operations, all while maintaining a strong financial position. The nonfinancial criteria include obtainment of safety goals, maintaining Nabors' share in its principal geographic markets, enhancing Nabors' technical capabilities and developing operations in identified strategic markets. The Compensation Committee also considers individual and overall corporate performance during the year, the amount of cash bonus as a percentage of the individual's base salary, benchmarking data regarding peer group total cash compensation and total compensation, the recommendations of the CEO, and other factors. Based on these considerations, the Compensation Committee in its subjective discretion approves annual incentive awards for the other named executive officers. Annual incentive awards include cash, options or restricted shares, or a combination thereof. Share awards or stock option grants typically have been issued on a four-year vesting schedule, but the Committee reserves the right to modify the vesting schedule. Annual incentive awards are not guaranteed. The Committee believes that equity incentive awards are critical in motivating and rewarding the creation of long-term shareholder value and the Committee has established a policy of including equity awards in the employee's overall compensation package from time to time based on the continuing progress of Nabors and on individual performance. The Compensation Committee generally makes incentive awards following the end of each calendar year. The annual cash bonus and long-term incentives for the NEOs for 2006 are reported in the Summary Compensation Table on page 19 under the columns entitled "bonus" and "stock awards".

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits to \$1 million the amount of compensation that may be deducted by Nabors in any year with respect to certain of Nabors' highest paid executives. Certain performance-based compensation that has been approved by shareholders is not subject to the \$1 million limit, nor is compensation paid pursuant to employment contracts in existence prior to the adoption of Section 162(m) in 1993. Although the contractual bonus arrangements remained the same from their previous contracts, certain bonus compensation, as well as the share options granted to Mr. Isenberg and Mr. Petrello pursuant to the new and amended employment contracts entered into in 1996 may not be exempt from Section 162(m). Consequently, Nabors may not be able to deduct that portion of such compensation that exceeds \$1 million. Although Nabors intends to take reasonable steps to obtain deductibility of compensation, it reserves the right not to do so in its judgment, particularly with respect to retaining the service of its principal executive officers.

Table of Contents**2006 SUMMARY COMPENSATION TABLE**

The table below summarizes the total compensation paid or earned by each of our Named Executive Officers for the fiscal year ended December 31, 2006.

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Stock Award(s) \$(3)	Option Award \$(4)	Change in Pension Value and Nonqualified Deferred Incentive Compensation		All Other Compensation \$(7)	Total (\$)
						\$(5)	\$(6)		
Gene M. Isenberg Chairman of the Board, Director and Chief Executive Officer	2006	825,000	22,006,992	3,753,611	4,095,957	0	0	115,628	30,797,188
Anthony G. Petrello Director, Deputy Chairman, President and Chief Operating Officer	2006	700,000	14,600,506	1,876,806	2,047,978	0	0	186,103	19,411,393
Rudolph P. Koch Vice President and Chief Financial Officer	2006	300,000	150,000	50,060	114,466	0	0	24,883	639,409
Daniel McLachlin Vice President-Administration and Secretary	2006	125,000	50,000	4,684	20,778	0	0	51,188	251,650

(1) Includes \$50,000 paid as director's fees to Mr. Isenberg and Mr. Petrello.

(2) Mr. Isenberg and Mr. Petrello are entitled to receive an annual cash bonus as provided in their employment agreement. For 2006 Mr. Isenberg and Mr. Petrello agreed to accept a cash bonus that was less than the cash bonus each was entitled to receive under their employment agreement. See below Employment Agreements. For fiscal year 2006, they received the remainder of their bonus in the form of restricted stock that was granted in February 2007 and is not reflected in the table above.

(3) The amounts in this column reflect the compensation cost related to restricted stock awards recognized by the Company for the fiscal year ended December, 31, 2006, in accordance with FAS 123(R). For a discussion of the assumptions employed in determining the compensation cost reported above, please see Note 3 to our consolidated financial statements filed on Form 10-K.

- (4) The amounts in this column reflect the compensation cost related to stock option awards recognized by the Company for the fiscal year ended December, 31, 2006, in accordance with FAS 123(R). For a discussion of the assumptions employed in determining the compensation cost reported above, please see Note 3 to our consolidated financial statements filed on Form 10-K.
- (5) Incentive awards paid in cash are reported under the Bonus column above.
- (6) Represents above market or preferential earnings in the Company's nonqualified deferred compensation plan.
- (7) All Other Compensation amounts in the Summary Compensation Table consist of the following items:

Name	Year	Imputed				Imputed Interest (e)	Gross-up (f)	Other (g)	NQP Company Match	401(k) Company Match	Total
		Insurance Benefits (a)	Club Membership (b)	Life Insurance (c)	Automobile Allowance (d)						
Isenberg M.	2006	0	43,374	9,888	24,000	0	29,576	0	4,708	4,092	115,000
Petrello G.	2006	0	10,703	3,864	10,490	102,766	49,480	0	4,708	4,092	186,100
Koch P.	2006	0	5,016	1,467	9,600	0	0	0	4,708	4,092	24,800
McLachlin	2006	0	0	3,200	0	0	0	43,740	2,124	2,124	51,000

- (a) The economic benefit related to a split dollar life insurance arrangement was \$97,135 and \$14,715 for Messrs. Isenberg and Petrello, respectively. These amounts were reimbursed to the Company during 2006. The benefit as projected on an actuarial basis was \$447,863 and \$310,564, respectively, before taking into account any reimbursements to the Company. We have used the economic benefit method for purposes of disclosure in the compensation table. Nabors suspended premium payments under these policies as a result of the adoption of the Sarbanes-Oxley Act of 2002.
- (b) Includes club dues.
- (c) Represents value of life insurance premiums for coverage in excess of \$50,000.
- (d) Represents amounts paid for auto allowance.

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- (e) The amount in the **Imputed Interest** column for Mr. Petrello represents imputed interest on a loan from Nabors in the maximum amount of \$2,881,915 pursuant to his employment agreement in connection with his relocation to Houston. Mr. Petrello paid the balance of \$2,881,915 in full in October 2006.
- (f) The amount in the **Gross-up** column for Mr. Isenberg represents tax reimbursements related to auto allowance and club memberships. The amount in the **Gross-up** column for Mr. Petrello represents tax reimbursements related to auto allowance, club memberships and imputed interest on a loan from Nabors on which no interest has been paid or charged thereon. This loan was repaid in October 2006.
- (g) The amount in the **Other** column for Mr. McLachlin represents a foreign service premium, hardship allowance and goods and services differential.

2006 GRANTS OF PLAN-BASED AWARDS

The table below shows each grant of an award made to an NEO under any plan during the year ended December 31, 2006. Nabors did not grant any options or stock appreciation rights to any NEO during the year ended December 31, 2006.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of	Grant Date Fair Value
		Threshold	Target	Maximum	Threshold	Target	Maximum		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	Shares of Stock (1)	of Stock Awards (\$)
Eugene M. Isenberg	2/28/06							200,000	6,595,000
Anthony G. Petrello	2/28/06							100,000	3,297,500
Bruce P. Koch	2/28/06							4,000	131,900
Daniel McLachlin									

- (1) Restricted stock awards granted in 2006 relate to 2005 performance. The restricted stock awards to Messrs. Isenberg and Petrello vest pro rata over a three-year period; restricted stock awards to Mr. Koch vests pro rata over a four-year period.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

This table shows unexercised options, restricted stock awards that have not vested, and equity incentive plan awards for each NEO outstanding as of December 31, 2006. The amounts reflected as Market Value are based on the closing price of our common stock (\$29.78) on December 29, 2006, the last business day of 2006, as reported on the New

York Stock Exchange.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market Value of Shares That Have Not Vested (\$)	Equity Incentive Awards: Equity Market or Incentive Plan Awards: of Unearned Shares That Have Not Vested (#)	Equity Incentive Awards: Equity Market or Incentive Plan Awards: of Unearned Shares That Have Not Vested (\$)
Isenberg, E(1)	4,872,678	0	\$ 23.250	9/21/2007				
	225,000	0	\$ 19.000	3/23/2010				
	2,000,000	0	\$ 22.775	12/4/2010				
	3,800,000	0	\$ 13.525	1/22/2012				
	1,900,000	0	\$ 19.375	2/20/2013				
	1,266,666	633,334	\$ 22.955	2/20/2014				
	700,000	0	\$ 28.825	2/24/2015				
	2,666,666	0	\$ 35.805	12/5/2015				
					133,332	3,970,627		
					200,000	5,956,000		
					699,637	20,835,190		

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Name	Option Awards				Stock Awards			Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market Value of Shares That Have Not Vested (\$)	Market Value of Unearned Shares That Have Not Vested (\$)	or Payout Plan Value of Unearned Shares That Have Not Vested (\$)
Petrello, A(2)	2,298,650(3)	0	\$ 23.250	3/8/2007				
	1,500,00	0	\$ 12.375	12/7/2009				
	182,000	0	\$ 19.000	3/23/2010				
	1,000,000	0	\$ 22.775	12/4/2010				
	1,900,000	0	\$ 13.525	1/22/2012				
	950,000	0	\$ 19.375	2/20/2013				
	633,332	316,668	\$ 22.955	2/20/2014				
	350,000	0	\$ 28.825	2/24/2015				
	1,333,334	0	\$ 35.805	12/5/2015				
					66,666	1,985,313		
					100,000	2,978,000		
					464,085	13,820,451		
Koch, B(4)	30,000	10,000	\$ 19.375	2/20/2013				
	30,000	30,000	\$ 22.955	2/20/2014				
	10,000	0	\$ 28.825	2/24/2015				
	10,000	0	\$ 31.050	7/8/2015				
					3,252	96,845		
					4,000	119,120		
					7,343	218,675		
McLachlin, D(5)	0	2,000	\$ 19.375	2/20/2013				
	0	4,500	\$ 22.955	2/20/2014				
	2,000	0	\$ 28.825	2/24/2015				
					650	19,357		
					653	19,446		

(1)

- Mr. Isenberg's options vested on February 20, 2007. Mr. Isenberg's restricted stock vests as follows: 66,666 shares vested on 2/24/2007; 66,666 shares vest on 2/24/2008; 66,668 shares vested on 2/28/2007; 66,666 shares vest on 2/28/2008; 66,666 shares on 2/28/2009; 233,213 shares on 1/31/2008; 233,212 shares on 1/31/2009 and 233,212 shares on 1/31/2010.
- (2) Mr. Petrello's options vested on February 20, 2007. Mr. Petrello's restricted stock vests as follows: 33,333 shares vested on 2/24/2007; 33,333 shares vest on 2/24/2008; 33,334 shares vested on 2/28/2007; 33,333 shares vest on 2/29/2008; 33,333 shares on 2/28/2009; 154,696 shares on 1/31/2008; 154,694 shares on 1/31/2009 and 154,695 shares on 1/31/2010.
- (3) Mr. Petrello exercised these options on March 6, 2007 and purchased the underlying shares.
- (4) Mr. Koch's options vest as follows: 25,000 options vested on 2/20/2007 and 15,000 options vest on 2/20/2008. Mr. Koch's restricted stock vests as follows: 1,085 shares vested on 2/24/2007; 1,083 shares on 2/24/2008; 1,084 shares on 2/24/2009; 1,000 shares vested on 2/28/2007; 1,000 shares vest on 2/28/2008; 1,000 shares on 2/28/2009; 1,000 shares on 2/28/2010; 1,835 shares on 2/23/2008; 1,836 shares on 2/23/2009; 1,835 shares on 2/23/2010 and 1,837 shares on 2/23/2011.
- (5) Mr. McLachlin's options vest as follows: 4,250 options vested on 2/20/2007 and 2,250 options vest on 2/20/2008. Mr. McLachlin's restricted stock vests as follows: 217 shares vested on 2/24/2007; 216 shares on 2/24/2008; 217 shares on 2/24/2009; 163 shares on 2/23/2008; 163 shares on 2/23/2009; 163 shares on 2/23/2010 and 164 shares on 2/23/2011.

Table of Contents**OPTION EXERCISES AND STOCK VESTED IN 2006**

The following table shows stock options exercised by the NEOs and restricted stock awards vested during 2006. The value realized on the exercise of options is calculated by subtracting exercise price per share from the market price per share on the date of the exercise.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Eugene M. Isenberg	0	0	66,668	2,254,712
Anthony G. Petrello	0	0	33,334	1,127,356
Bruce P. Koch	42,500	468,654	0	0
Daniel McLachlin	9,000	118,429	0	0

2006 NONQUALIFIED DEFERRED COMPENSATION

The Company maintains a Deferred Compensation Plan which allows certain employees to defer a portion of their base salary and cash bonus and to receive company matching contributions in excess of contributions allowed under our 401(k) plan because of IRS qualified plan limits. The plan is not funded and benefits are paid from the general assets of the Company.

The table below shows aggregate earnings and balances for each of the NEOs under our nonqualified deferred compensation plan discussed above.

Name	Executive Contributions in Last Fiscal Year (\$)	Company Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year-End (\$)
	Eugene M. Isenberg	107,452	4,708	577,614	0
Anthony G. Petrello	453,750	4,708	356,422	0	3,057,467
Bruce P. Koch	20,862	4,708	52,637	0	297,724
Daniel McLachlin	15,929	2,124	8,533	0	210,239

Potential Payments Upon Termination or Change in Control

The following table reflects potential payments to executive officers under existing agreements for termination or change in control and in the case of Messrs. Isenberg and Petrello, upon their death, disability, or termination without cause (as defined in their respective employment agreements). The amounts shown assume the termination was effective on December 31, 2006. The value of the equity awards is based upon \$29.78, the closing market price of Nabor s common stock as reported on the NYSE on December 29, 2006.

Name	Cash Severance(1)	Bonus	Option Awards(2)	Stock Awards(3)	Retirement and Welfare Savings Benefits Plan and Contributions(4)			Tax Gross-up(4)	Total
Eugene Isenberg	\$ 329,037,500	0	\$ 40,062,276	\$ 9,926,667	0	0	\$ 146,333,648	\$ 525,360,091	
Anthony Petrello	111,573,750	0	20,031,127	4,963,333	0	0	51,296,503	187,864,713	
Bruce Koch	0	0	0	0	0	0	0	0	
Daniel McLachlin	0	0	0	0	0	0	0	0	

- (1) In the case of Messrs. Isenberg and Petrello, the amounts shown represent a cash payment equal to (a) all base salary which would have been payable through the expiration date of the contract or three times his then current base salary, whichever is greater; plus (b) the greater of (i) all annual cash bonuses which would have been payable through the expiration date; (ii) three times the highest bonus (including the imputed value of grants of stock awards and stock options), paid during the last three fiscal years prior to termination; or (iii) three times the highest annual cash bonus payable for each of the three previous fiscal years prior to termination, regardless

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of whether the amount was paid. In computing the amount due under (b)(i) and (iii) above, the calculation is made without regard to a 2006 amendment to Mr. Isenberg's bonus percentage. The amounts are subject to a true-up provision as described below under Employment Agreements and are due and payable within 30 days of the triggering event.

- (2) Amounts shown for option awards represent the value of unvested options that would accelerate upon a change of control based on the difference between the closing price of Nabors' common stock at the end of fiscal 2006 and the exercise price of the respective options. In the event of a change in control, pursuant to the terms of his employment agreement, Mr. Isenberg would receive an additional grant of 3,366,666 stock options valued at \$35,739,776 calculated at a Black Scholes value of \$10.62 per share. In the event of a change in control, pursuant to the terms of his employment agreement, Mr. Petrello would receive an additional grant of 1,683,332 stock options valued at \$17,869,877 calculated at a Black Scholes value of \$10.62 per share.
- (3) Amounts shown for stock awards represent the value of unvested awards that would accelerate upon a change in control based upon the closing price of Nabors' common stock at the end of fiscal 2006.
- (4) Amounts shown are only applicable for a termination in the event of a change in control.

Employment Agreements

Nabors' Chairman and Chief Executive Officer, Eugene M. Isenberg, and its Deputy Chairman, President and Chief Operating Officer, Anthony G. Petrello, have employment agreements which were amended and restated effective October 1, 1996 and which currently are due to expire on September 30, 2010.

Mr. Isenberg's employment agreement was originally negotiated with a creditors' committee in 1987 in connection with the reorganization proceedings of Anglo Energy, Inc., which subsequently changed its name to Nabors. These contractual arrangements subsequently were approved by the various constituencies in those reorganization proceedings, including equity and debt holders, and confirmed by the United States Bankruptcy Court.

Mr. Petrello's employment agreement was first entered into effective October 1, 1991. Mr. Petrello's employment agreement was agreed upon as part of arm's length negotiations with the Board before he joined Nabors in October 1991, and was reviewed and approved by the Compensation Committee of the Board and the full Board of Directors at that time.

The employment agreements for Messrs. Isenberg and Petrello were amended in 1994 and 1996. These amendments were approved by the Compensation Committee of the Board and the full Board of Directors at that time.

The employment agreements provide for an initial term of five years with an evergreen provision which automatically extended the agreement for an additional one-year term on each anniversary date, unless Nabors provided notice to the contrary ten days prior to such anniversary. The Board of Directors in March 2006 exercised its election to fix the expiration date of the employment agreements for Messrs. Isenberg and Petrello, and accordingly these agreements will expire at the end of their current term at September 30, 2010.

In addition to a base salary, the employment agreements provide for annual cash bonuses in an amount equal to 6% and 2%, for Messrs. Isenberg and Petrello, respectively, of Nabors' net cash flow (as defined in the respective employment agreements) in excess of 15% of the average shareholders' equity for each fiscal year. (Mr. Isenberg's cash bonus formula originally was set at 10% in excess of a 10% return on shareholders' equity, and he has voluntarily reduced it over time to its 6% in excess of 15% level.) Mr. Petrello's bonus is subject to a minimum of \$700,000 per year. In 16 of the last 17 years, Mr. Isenberg has agreed voluntarily to accept a lower annual cash bonus (i.e., a cash

amount lower than the cash amount provided for under his employment agreement) in light of his overall compensation package. Mr. Petrello has agreed voluntarily to accept a lower annual cash bonus (i.e., a cash amount lower than the cash amount provided for under his employment agreement) in light of his overall compensation package in 13 of the last 16 years.

Mr. Isenberg voluntarily agreed to amend his employment agreement in March 2006 (the 2006 Amendment). Under the 2006 Amendment, Mr. Isenberg agreed to reduce the annual cash bonus to an amount equal to 3% of Nabors net cash flow (as defined in his employment agreement) in excess of 15% of the average shareholders

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equity for 2006. For 2007 through the expiration date of the employment agreement, the annual cash bonus will return to 6% of Nabors' net cash flow (as defined in his employment agreement) in excess of 15% of the average shareholders equity for each fiscal year.

For 2006 the annual cash bonuses for Messrs. Isenberg and Petrello pursuant to the formula described in their employment agreements were \$43.2 million and \$28.7 million, respectively. In light of their agreement to accept a portion of the award in restricted stock, they agreed to accept cash bonuses in the amount of \$22.0 million and \$14.6 million, respectively. There can be no assurance that Messrs. Isenberg and Petrello will agree in the future to accept annual cash bonuses in an amount less than the cash amounts provided for in their agreements.

Messrs. Isenberg and Petrello also are eligible for awards under Nabors' equity plans and may participate in annual long-term incentive programs and pension and welfare plans, on the same basis as other executives; and may receive special bonuses from time to time as determined by the Board.

Termination in the event of death, disability, or termination without cause. In the event that Mr. Isenberg's or Mr. Petrello's employment agreement is terminated (i) upon death or disability (as defined in the respective employment agreements), (ii) by Nabors prior to the expiration date of the employment agreement for any reason other than for Cause (as defined in the respective employment agreements) or (iii) by either individual for Constructive Termination Without Cause (as defined in the respective employment agreements), each would be entitled to receive within 30 days of the triggering event (a) all base salary which would have been payable through the expiration date of the contract or three times his then current base salary, whichever is greater; plus (b) the greater of (i) all annual cash bonuses which would have been payable through the expiration date; (ii) three times the highest bonus (including the imputed value of grants of stock awards and stock options), paid during the last three fiscal years prior to termination; or (iii) three times the highest annual cash bonus payable for each of the three previous fiscal years prior to termination, regardless of whether the amount was paid. In computing any amount due under (b)(i) and (iii) above, the calculation is made without regard to the 2006 Amendment reducing Mr. Isenberg's bonus percentage as described above. If, by way of example, these provisions had applied at December 31, 2006, Mr. Isenberg would have been entitled to a payment of approximately \$329 million, subject to a true up equal to the amount of cash bonus he would have earned under the formula during the remaining term of the agreement, based upon actual results, but would not be less than approximately \$264 million. Similarly, with respect to Mr. Petrello, had these provisions applied at December 31, 2006, Mr. Petrello would have been entitled to a payment of approximately \$112 million, subject to a true up equal to the amount of cash bonus he would have earned under the formula during the remaining term of the agreement, based upon actual results, but would not be less than approximately \$103 million. These payment amounts are based on historical data and are not intended to be estimates of future payments required under the agreements. Depending upon future operating results, the true-up could result in significantly higher payments.

In addition, the affected individual is entitled to receive (a) any unvested restricted stock outstanding, which shall immediately and fully vest; (b) any unvested outstanding stock options, which shall immediately and fully vest; (c) any amounts earned, accrued or owing to the executive but not yet paid (including executive benefits, life insurance, disability benefits and reimbursement of expenses and perquisites), which shall be continued through the later of the expiration date or three years after the termination date; (d) continued participation in medical, dental and life insurance coverage until the executive receives equivalent benefits or coverage through a subsequent employer or until the death of the executive or his spouse, whichever is later; and (e) any other or additional benefits in accordance with applicable plans and programs of Nabors. For Mr. Isenberg, as of December 31, 2006, the value of unvested restricted stock was approximately \$9.9 million and the value of in-the-money unvested stock options was approximately \$4.3 million. For Mr. Petrello, as of December 31, 2006, the value of unvested restricted stock was approximately \$5.0 million and the value of in-the-money unvested stock options was approximately \$2.2 million. Estimates of the cash value of Nabors' obligations to Messrs. Isenberg and Petrello under (c), (d) and (e) above are included in the payment amounts above.

The Board of Directors in March 2006 exercised its election to fix the expiration date of the employment agreements for Messrs. Isenberg and Petrello. Messrs. Isenberg and Petrello have informed the Board of Directors that they have reserved their rights under their employment agreements with respect to the notice setting the

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expiration dates of their employment agreements, including whether such notice could trigger an acceleration of certain payments pursuant to their employment agreements.

Termination in the event of a Change in Control. In the event that Messrs. Isenberg or Petrello's termination of employment is related to a Change in Control (as defined in their respective employment agreements), they would be entitled to receive a cash amount equal to the greater of (a) one dollar less than the amount that would constitute an excess parachute payment as defined in Section 280G of the Internal Revenue Code, or (b) the cash amount that would be due in the event of a termination without cause, as described above. If, by way of example, there was a change of control event that applied on December 31, 2006, then the payments to Messrs. Isenberg and Petrello would be approximately \$329 million and \$112 million, respectively. These payment amounts are based on historical data and are not intended to be estimates of future payments required under the agreements. Depending upon future operating results, the true-up could result in the payment of amounts which are significantly higher. In addition, they would receive (a) any unvested restricted stock outstanding, which shall immediately and fully vest; (b) any unvested outstanding stock options, which shall immediately and fully vest; (c) any amounts earned, accrued or owing to the executive but not yet paid (including executive benefits, life insurance, disability benefits and reimbursement of expenses and perquisites), which shall be continued through the later of the expiration date or three years after the termination date; (d) continued participation in medical, dental and life insurance coverage until the executive receives equivalent benefits or coverage through a subsequent employer or until the death of the executive or his spouse, whichever is later; and (e) any other or additional benefits in accordance with applicable plans and programs of Nabors. For Mr. Isenberg, as of December 31, 2006, the value of unvested restricted stock was approximately \$9.9 million and the value of in-the-money unvested stock options was approximately \$4.3 million. For Mr. Petrello, as of December 31, 2006, the value of unvested restricted stock was approximately \$5.0 million and the value of in-the-money unvested stock options was approximately \$2.2 million. The cash value of Nabors' obligations to Messrs. Isenberg and Petrello under (c), (d) and (e) above are included in the payment amounts above. Also, they would receive additional stock options immediately exercisable for 5 years to acquire a number of shares of common stock equal to the highest number of options granted during any fiscal year in the previous three fiscal years, at an option exercise price equal to the average closing price during the 20 trading days prior to the event which resulted in the change of control. If, by way of example, there was a change of control event that applied at December 31, 2006, Mr. Isenberg would have received 3,366,666 options valued at approximately \$36 million and Mr. Petrello would have received 1,683,332 options valued at approximately \$18 million, in each case based upon a Black Scholes analysis. Finally, in the event that an excise tax were applicable, they would receive a gross-up payment to make them whole with respect to any excise taxes imposed by Section 4999 of the Internal Revenue Code. With respect to the preceding sentence, by way of example, if there was a change of control event that applied on December 31, 2006, and assuming that the excise tax were applicable to the transaction, then the additional payments to Messrs. Isenberg and Petrello for the gross-up would be up to approximately \$146 million and \$51 million, respectively.

Other Obligations. In addition to salary and bonus, each of Mr. Isenberg and Mr. Petrello receive group life insurance at an amount at least equal to three times their respective base salaries; various split-dollar life insurance policies, reimbursement of expenses, various perquisites and a personal umbrella policy in the amount of \$5 million. Premiums payable under the split dollar life insurance policies were suspended as a result of the adoption of the Sarbanes-Oxley Act of 2002.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This section discusses certain direct and indirect relationships and transactions involving Nabors and any director or Named Executive Officer.

Mr. Petrello has had a loan outstanding from Nabors since 1996 in the maximum amount of \$2,881,915 in connection with his relocation to Houston. The repayment of the loan was automatically extended for an additional year on each

anniversary of his employment agreement. In September 2002 Mr. Petrello signed a waiver discontinuing the automatic extensions of the loan repayment. The loan was repaid in full on October 8, 2006.

During the fourth quarter of 2006 the Company entered into a transaction with Shona Energy Company LLC (Shona), a company in which Mr. Payne, an outside director of the Company, is chairman and chief executive

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officer. Pursuant to the transaction, a subsidiary of the Company acquired and holds a minority interest of less than 20% of the issued and outstanding common shares of Shona in exchange for certain rights derived from an oil and gas concession held by that subsidiary. A subsidiary of Shona and a subsidiary of the Company are parties to a series of agreements pursuant to which they, along with a Peruvian company, obtained a license to explore for hydrocarbons in Peru. The only payments made between the Company and Shona are certain reimbursements by the Company to Shona representing Nabors Subsidiary's proportionate share of expenditures advanced by Shona in connection with the parties' joint participation in the license contract. During 2006 the total amount reimbursed to Shona was approximately \$409,416. The Board of Directors has determined that this transaction does not compromise Mr. Payne's independence as a director.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee for 2006 was comprised of James C. Flores (Chairman, resigned March 6, 2006), Myron M. Sheinfeld, Hans Schmidt, Martin J. Whitman (Chairman, effective March 10, 2006), James L. Payne and Alexander M. Knaster, all independent directors. As of the date of this proxy statement, the members of the Compensation Committee are Martin J. Whitman (Chairman), James L. Payne, Alexander M. Knaster, Hans W. Schmidt, and Myron M. Sheinfeld, all independent directors. None of these directors has ever served as an officer or employee of Nabors or any of its subsidiaries, nor has any participated in any transaction during the last fiscal year required to be disclosed pursuant to the federal proxy rules. No executive officer of Nabors serves on any compensation committee of the board of directors of any entity that has one or more of its executive officers serving as a member of our Compensation Committee. In addition, none of our executive officers serves as a member of the compensation committee of the board of directors of any entity that has one or more of its executive officers serving as a member of our Board of Directors.

ITEM 2

APPROVAL AND APPOINTMENT OF INDEPENDENT AUDITORS AND AUTHORIZATION OF THE AUDIT COMMITTEE TO SET THE AUDITORS REMUNERATION

Under Bermuda law, our shareholders have the responsibility to appoint the independent auditors of the Company to hold office until the close of the next annual general meeting and to authorize the Audit Committee of the Board of Directors to set the auditors' remuneration. At the annual general meeting, the shareholders will be asked to approve the appointment of PricewaterhouseCoopers LLP as our independent auditors and to authorize the Audit Committee of the Board of Directors to set the independent auditors' remuneration. PricewaterhouseCoopers LLP, or a predecessor, has been our independent auditors since May 1987.

A representative from PricewaterhouseCoopers LLP is expected to be present at the annual general meeting, will have the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

Directors' Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT AUDITORS OF THE COMPANY AND TO AUTHORIZE THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS TO SET THE AUDITORS REMUNERATION.

Preapproval of independent auditor services. The Audit Committee preapproves all audit and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by PricewaterhouseCoopers LLP (PricewaterhouseCoopers), the Company's independent auditors. The Chairman of the Audit Committee may

preapprove additional permissible proposed non-audit services that arise between Committee meetings, provided that the decision to pre-approve the service is presented for ratification at the next regularly scheduled Committee meeting.

Table of Contents***Independent Auditor Fees***

The following table summarizes the aggregate fees for professional services rendered by PricewaterhouseCoopers. The Audit Committee pre-approved fiscal 2006 services and approved fiscal 2005 services.

	2006	2005
Audit Fees	\$ 5,451,999	\$ 4,111,481
Audit-Related Fees	25,000	24,166
Tax Fees	636,679	661,241
All Other Fees		
Total	\$ 6,113,678	\$ 4,796,888

The *Audit* fees for the years ended December 31, 2006 and 2005, respectively, include fees for professional services rendered for the audits of the consolidated financial statements of the Company, the audit of management's report on the effectiveness of the Company's internal control over financial reporting and PricewaterhouseCooper's own audit of the Company's internal control over financial reporting, in each case as required by Section 404 of the Sarbanes-Oxley Act of 2002 and applicable SEC rules, statutory audits, consents, and accounting consultation attendant to the audit.

The *Audit-Related* fees for the years ended December 31, 2006 and 2005, respectively, include consultations concerning financial accounting and reporting standards. Audit related fees for the year 2005 include audits of employee benefit plans.

Tax fees as of the years ended December 31, 2006 and 2005, respectively, include services related to tax compliance, including the preparation of tax returns and claims for refund; and tax planning and tax advice.

There were no other professional services rendered during 2006 or 2005.

- * The aggregate fees included in Audit Fees are fees billed *for* the fiscal years for the audit of the registrant's annual financial statements and review of financial statements and statutory and regulatory filings or engagements. The aggregate fees included in each of the other categories are fees billed *in* the fiscal years.

ITEM 3
SHAREHOLDER PROPOSAL TO ANNUALLY RATIFY THE COMPENSATION PAID TO
THE EXECUTIVE OFFICERS NAMED IN OUR PROXY STATEMENT

The following shareholder proposal has been submitted to the Company for action by the AFL-CIO Reserve Fund, a holder of 200 shares, 815 16th Street N.W., Washington, D.C. 20006. The affirmative vote of a majority of the shares voted at the meeting is required for the approval of the shareholder proposal. **Our Board recommends that you vote Against this Proposal.** The text of the proposal follows:

Shareholder Proposal

RESOLVED, that shareholders of Nabors Industries, Ltd. (the Company) urge the Board of Directors to adopt a policy that Company shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by Company s management, to ratify the compensation of the named executive officers (NEOs) set forth in the proxy statement s Summary Compensation Table (the SCT) and the accompanying narrative disclosure of material factors provided to understand the SCT. The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

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Supporting Statement

Investors are increasingly concerned about mushrooming executive compensation, which sometimes appears to be insufficiently aligned with the creation of shareholder value. Additionally, recent media attention to questionable dating of stock options grants by companies has raised related investor concerns.

The SEC has created a new rule, with record support from investors, requiring companies to disclose additional information about compensation and perquisites for top executives. The rule goes into effect this year. In establishing the rule, the SEC has made it clear that it is the role of market forces, not the SEC, to provide checks and balances on compensation practices.

We believe that existing U.S. corporate governance arrangements, including SEC rules and stock exchange listing standards, do not provide shareholders with enough mechanisms for providing input to boards on senior executive compensation. In contrast to U.S. practices, in the United Kingdom, public companies allow shareholders to cast an advisory vote on the directors remuneration report, which discloses executive compensation. Such a vote is not binding but gives shareholders a clear voice that could help shape senior executive compensation.

Currently, U.S. stock exchange listing standards require shareholder approval of equity-based compensation plans; those plans, however, set general parameters and accord the compensation committee substantial discretion in making awards and establishing performance thresholds for a particular year. Shareholders do not have any mechanism for providing ongoing feedback on the application of those general standards to individual pay packages. (See Lucian Bebchuk & Jesse Fried, *Pay Without Performance*, 2004)

Similarly, performance criteria submitted for shareholder approval to allow a company to deduct compensation in excess of \$1 million are broad and do not constrain compensation committees in setting performance targets for particular senior executives. Withholding votes from compensation committee members who are standing for re-election is a blunt and insufficient instrument for registering dissatisfaction with the way in which the committee has administered compensation plans and policies in the previous year.

Accordingly, we urge our Company's Board to allow shareholders to express their opinion about senior executive compensation at our Company by establishing an annual referendum process. The results of such a vote would, we think, provide our Company with useful information about whether shareholders view the Company's senior executive compensation practices, as reported each year, to be in shareholders' best interests.

We urge shareholders to vote for this proposal.

OUR BOARD RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL. Our Board believes that this proposal is not in the best interest of shareholders and opposes this proposal for the following reasons.

An advisory vote is not an effective mechanism for conveying meaningful shareholder opinions regarding our executive compensation. The proposed advisory vote would benefit neither the Company nor its shareholders because it would not provide the Compensation Committee with any clear indication of the meaning of the vote. An advisory vote would not communicate shareholder views of the merits, limitations or preferred enhancements of our executive compensation. Instead, an advisory vote would require the Committee to speculate about the meaning of shareholder approval or disapproval. For example, a negative vote could signify that shareholders do not approve of the amount or type of compensation awarded or alternatively that shareholders do not approve of the format or level of disclosure in the summary compensation table and accompanying narrative disclosure.

Shareholders already have an effective mechanism for expressing their views about our executive compensation. An advisory vote is not necessary because our shareholders already have an efficient and effective method of communicating with our Board. Shareholders may contact directly any of our Company's directors, the Lead Director, a committee of the Board (including the Compensation Committee), the Board's non-employee directors as a group or the Board generally, by writing to them (see Communications with directors on page 9 of this proxy statement). Direct communications between shareholders and the Board allow shareholders to voice specific observations or concerns and to communicate clearly and effectively with the Board. An advisory vote does not provide that communication.

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Adoption of the proposal could put our Company at a competitive disadvantage and negatively impact shareholder value by impeding our ability to recruit and retain critical personnel. Our Company operates in an intensely competitive environment and our success is closely correlated with the recruitment and retention of talented employees and a strong management team. A competitive compensation program is therefore essential to the Company's long-term performance. Adoption of an advisory vote could lead to a perception among our talent and the talent for which we compete that compensation opportunities at our Company may be limited, especially as compared with opportunities at companies that have not adopted this practice, and may impede our ability to recruit and retain critical personnel. We currently are not aware of any competitor of ours that has adopted this practice.

Our compensation practices and program serve the interests of our shareholders. Our Board believes that our compensation practices and programs serve the interests of shareholders by resulting in compensation that is performance-based (as discussed in the Compensation Disclosure and Analysis section beginning on page 14 of this proxy statement) and by enabling the Company to hire and retain the best executives and motivate those executives to contribute to our future success. In accordance with the rules of the NYSE, the Compensation Committee operates under a written charter adopted by the Board and is responsible for approving compensation awarded to the Company's executive officers, including the Chief Executive Officer and the other Named Executive Officers. No member of the Committee has any material relationship with the Company and each Committee member satisfies the independence requirements of both the Company and the NYSE.

Our Board recommends that you vote AGAINST this proposal. Proxies solicited by the Board will be voted AGAINST this proposal unless otherwise instructed.

**ITEM 4
SHAREHOLDER PROPOSAL REGARDING PAY FOR SUPERIOR PERFORMANCE**

The following shareholder proposal has been submitted to the Company for action by the Massachusetts Laborer's Pension Fund, a holder of 1,700 shares, 14 New England Executive Park, Suite 200, Burlington, Massachusetts 01803. The affirmative vote of a majority of the shares voted at the meeting is required for the approval of the shareholder proposal. **Our Board recommends that you vote Against this Proposal.** The text of the proposal follows:

Resolved: That the shareholders of Nabors Industries, Ltd. (Company) request that the Board of Director's Executive Compensation Committee establish a pay-for-superior-performance standard in the Company's executive compensation plan for senior executives (Plan), by incorporating the following principles into the Plan:

The annual incentive or bonus component of the Plan should utilize defined financial performance criteria that can be benchmarked against a disclosed peer group of companies, and provide that an annual bonus is awarded only when the Company's performance exceeds its peers' median or mean performance on the selected financial criteria;

2. The long-term compensation component of the Plan should utilize defined financial and/or stock price performance criteria that can be benchmarked against a disclosed peer group of companies. Options, restricted shares, or other equity or non-equity compensation used in the Plan should be structured so that compensation is received only when the Company's performance exceeds its peers' median or mean performance on the selected financial and stock price performance criteria; and

Plan disclosure should be sufficient to allow shareholders to determine and monitor the pay and performance correlation established in the Plan.

Supporting Statement: We feel it is imperative that compensation plans for senior executives be designed and implemented to promote long-term corporate value. A critical design feature of a well-conceived executive compensation plan is a close correlation between the level of pay and the level of corporate performance relative to industry peers. We believe the failure to tie executive compensation to superior corporate performance; that is, performance exceeding peer group performance, has fueled the escalation of executive compensation and detracted from the goal of enhancing long-term corporate value.

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We believe that common compensation practices have contributed to excessive executive compensation. Compensation committees typically target senior executive total compensation at the median level of a selected peer group, then they design any annual and long-term incentive plan performance criteria and benchmarks to deliver a significant portion of the total compensation target regardless of the company's performance relative to its peers. High total compensation targets combined with less than rigorous performance benchmarks yield a pattern of superior-pay-for-average-performance. The problem is exacerbated when companies include annual bonus payments among earnings used to calculate supplemental executive retirement plan (SERP) benefit levels, guaranteeing excessive levels of lifetime income through inflated pension payments.

We believe the Company's Plan fails to promote the pay-for-superior-performance principle. Our Proposal offers a straightforward solution: The Compensation Committee should establish and disclose financial and stock price performance criteria and set peer group-related performance benchmarks that permit awards or payouts in its annual and long-term incentive compensation plans only when the Company's performance exceeds the median of its peer group. A senior executive compensation plan based on sound pay-for-superior-performance principles will help moderate excessive executive compensation and create competitive compensation incentives that will focus senior executives on building sustainable long-term corporate value.

OUR BOARD RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL. Our Board believes that this proposal is not in the best interest of shareholders and opposes this proposal for the following reasons.

The Board agrees with the premise of this proposal, that it is imperative that compensation plans for senior executives be designed and implemented to promote long-term corporate value. However, the Board believes that the Company's executive compensation system already meets this imperative and accordingly recommends that shareowners vote **AGAINST** this proposal.

Over the approximately 20-year period since Mr. Isenberg became the Chief Executive Officer, the Corporation's Total Shareowner Return (TSR) has substantially exceeded the TSR's for the OSX and the S&P 500 market indices. The same has been true over the most recent ten year period, as seen below:

	1987-2006	10 years
Nabors	4,665%	209%
OSX	N/A	178%
S&P 500	486%	91%

The compounded annual growth rates over the ten and twenty year periods are 12.0% and 21.3%.

Nabors' compensation system is and has been market competitive and performance-based for many years. Further, for the Chief Executive Officer and the Chief Operating Officer, aggregate 2006 compensation as disclosed in the Proxy Statement's Summary Compensation Table is more than 90% performance-based.

In sum, the Company's shareowner value creation record significantly exceeds that of a peer group of companies over the last ten and approximately 20 year time periods and the Board finds that the Company's executive compensation system is already market competitive and performance-based.

Our Board recommends that you vote AGAINST this proposal. Proxies solicited by the Board will be voted AGAINST this proposal unless otherwise instructed.

CODE OF ETHICS

All of our employees, including our Chief Executive Officer, Chief Financial Officer, and other senior officials are required to abide by our Code of Ethics to ensure that Nabors' business is conducted in a consistently legal and ethical manner. The Code of Business Conduct is posted on our website at www.nabors.com. We intend to disclose on our website any amendments to the Code of Conduct and any waivers of the Code of Conduct that apply to our principal executive officer, principal financial officer, and principal accounting officer. A copy of the Code of Ethics is available in print without charge to any shareholder that requests a copy. Send any requests to the Corporate Secretary at the address on the cover page of this proxy statement.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires Nabors directors and executive officers, and persons who own more than 10% of a registered class of Nabors equity securities, to file with the Securities and Exchange Commission and the NYSE initial reports of ownership and reports of changes in ownership of common shares and other equity securities of Nabors. Officers, directors and greater than 10% shareholders are required by Commission regulation to furnish Nabors with copies of all Section 16(a) forms which they file.

To our knowledge, based solely on our review of the copies of Forms 3 and 4 and amendments thereto furnished to us during 2006 and Form 5 and amendments thereto furnished to us with respect to the year 2006, and written representations that no other reports were required, all Section 16(a) filings required to be made by Nabors officers, directors and greater than 10% beneficial owners with respect to the fiscal year 2006 were timely filed, except that Mr. Alexander Knaster, Mr. James Payne, Mr. Hans Schmidt, Mr. Myron Sheinfeld and Mr. Martin Whitman each filed one Form 4 late with respect to a grant award that occurred in March 2006.

SHAREHOLDER MATTERS

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

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

SHAREHOLDER PROPOSALS

Shareholders who, in accordance with the SEC's Rule 14a-8, wish to present proposals for inclusion in the proxy materials to be distributed by us in connection with our 2008 annual general meeting of shareholders must submit their proposals and their proposals must be received at our principal executive offices no later than January 4, 2008. As the rules of the SEC make clear, simply submitting a proposal does not guarantee its inclusion.

In accordance with our Bye-Laws, in order to be properly brought before the 2008 annual general meeting, a shareholder notice of the matter the shareholder wishes to present must be delivered to the Secretary of Nabors at Nabors Industries Ltd., P.O. Box HM3349, Hamilton, HMPX, Bermuda, not less than sixty (60) nor more than ninety (90) days prior to the first anniversary of this year's annual general meeting (provided, however, that if the 2008 annual general meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice must be received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual general meeting is mailed or public disclosure of the date of the annual general meeting is made, whichever first occurs). As a result, any notice given by or on behalf of a shareholder pursuant to these provisions of our Bye-Laws (and not pursuant to the SEC's Rule 14a-8) generally must be received no earlier than March 6, 2008 and no later than April 5, 2008.

OTHER MATTERS

The Board knows of no other business to come before the annual general meeting. However, if any other matters are properly brought before the annual general meeting, the persons named in the accompanying form of proxy, or their substitutes, will vote in their discretion on such matters.

Costs of Solicitation. We will pay the expenses of the preparation of the proxy materials and the solicitation by the Board of your proxy. We have retained Georgeson Shareholder Communications Inc., 17 State Street, New York, New York 10004 to solicit proxies on behalf of the Board of Directors at an estimated cost of \$9,000 plus reasonable out-of-pocket expenses. Proxies may be solicited on behalf of the Board of Directors by mail, in person

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and by telephone. Proxy materials will also be provided for distribution through brokers, custodians, and other nominees and fiduciaries. We will reimburse such parties for their reasonable out-of-pocket expenses for forwarding the proxy materials.

Financial Statements. The financial statements for the Company's 2006 fiscal year will be presented at the annual general meeting.

NABORS INDUSTRIES LTD.

Daniel McLachlin
Secretary

Dated: May 4, 2007

Nabors Industries Ltd.

Director Independence Standards

The board has established these guidelines to assist it in determining whether or not directors qualify as independent pursuant to the guidelines and requirements set forth in the New York Stock Exchange's Corporate Governance Rules. In each case, the Board will broadly consider all relevant facts and circumstances and shall apply the following standards (in accordance with the guidance, and subject to the exceptions, provided by the New York Stock Exchange in its Commentary to its Corporate Governance Rules):

1. Employment and commercial relationships affecting independence.

A. Current Relationships. A director will not be independent if: (i) the director is a current partner or current employee of Nabors' internal or external auditor; (ii) an immediate family member of the director is a current partner of Nabors' internal or external auditor; (iii) an immediate family member of the director is (a) a current employee of Nabors' internal or external auditor and (b) participates in the internal or external auditor's audit, assurance or tax compliance (but not tax planning) practice; (iv) the director that has made payments to, or received payments from, Nabors for property or services in an amount which, in any of the least three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues; or (v) the director's spouse, parent, sibling or child is currently employed by Nabors.

B. Relationships within Preceding Three Years. A director will not be independent if, within the preceding three years: (i) the director is or was an employee of Nabors; (ii) an immediate family member of the director is or was an executive officer of Nabors; (iii) the director or an immediate family member of the director was (but no longer is) a (a) partner or employee of Nabors' internal or external auditor and (b) personally worked on Nabors' audit within that time; (iv) the director or an immediate family member of the director received more than \$100,000 in direct compensation in any twelve-month period from Nabors, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or (v) a present Nabors executive officer is or was on the compensation committee of the board of directors of a company that concurrently employed the Nabors director or an immediate family member of the director as an executive officer.

2. Relationships not deemed material for purposes of director independence.

In addition to the provisions of Section 1 above, each of which must be fully satisfied with respect to each independent director, the board must affirmatively determine that the director has no material relationship with Nabors. To assist the board in this determination, and as permitted by the New York Stock Exchange's Corporate Governance Rules, the board has adopted the following standards of relationships that are not considered material for purposes of determining a director's independence. Any determination of independence for a director that does not meet these standards will be based upon all relevant facts and circumstances and the board shall disclose the basis for such determination in the Company's proxy statement.

A. Other Directorships. A relationship arising solely from a director's position as (i) director or advisory director (or similar position) of another company or for-profit corporation or organization that engages in a transaction with Nabors or (ii) director or trustee (or similar position) of a tax exempt organization that engages in a transaction with Nabors (other than a charitable contribution to that organization by Nabors).

B. Ordinary Course Business. A relationship arising solely from transactions for products or services, between Nabors and a company of which a director is an executive officer, employee or owner of 5% or more of the equity of that company, if such transactions are made in the ordinary course of business and on terms and conditions and under circumstances that are substantially similar to those prevailing at the time with unaffiliated third parties.

C. Charitable Contributions. A relationship arising solely from a director's status as an affiliate of a tax exempt organization and the discretionary charitable contributions by Nabors to the organization are not significant.

D. Professional, Social and Religious Organizations and Educational Institutions. A relationship arising solely from a director's membership in the same professional, social, fraternal or religious association or organization, or attendance at the same educational institution, as an executive officer.

E. Family Member. Any relationship or transaction between an immediate family member of a director and Nabors shall not be deemed an material relationship or transaction that would cause the director not to be independent if the standards in this Section 2 would permit the relationship or transaction occur between the director and Nabors.

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PROXY

NABORS INDUSTRIES LTD.

This Proxy is Solicited on Behalf of the Board of Directors

The person signing on the reverse by this proxy appoints Eugene M. Isenberg and Anthony G. Petrello, and each of them (with full power to designate substitutes), proxies to represent, vote and act with respect to all common shares of Nabors Industries Ltd. held of record by the undersigned at the close of business on April 5, 2007 at Nabors' annual general meeting of shareholders to be held on June 5, 2007 and at any adjournments or postponements thereof. The proxies may vote and act upon the matters designated below and upon such other matters as may properly come before the meeting (including a motion to adjourn the meeting), according to the number of votes the undersigned might cast and with all powers the undersigned would possess if personally present.

1. **ELECTION OF DIRECTORS:** Election of three Class I directors of Nabors to serve until the 2010 annual general meeting of shareholders or until their respective successors are elected and qualified.

Nominees: Alexander M. Knaster, James L. Payne and Hans W. Schmidt.

2. **APPOINTMENT OF AUDITORS AND AUTHORIZATION OF AUDIT COMMITTEE TO SET AUDITORS REMUNERATION:** Appointment of PricewaterhouseCoopers LLP as independent auditors and to authorize the Audit Committee of the Board of Directors to set auditors' remuneration.
3. **SHAREHOLDER PROPOSAL:** Shareholder Proposal to permit shareholders to vote on an advisory resolution to ratify the compensation of the Named Executive Officers of the Company.
4. **SHAREHOLDER PROPOSAL:** Shareholder Proposal to adopt a pay for superior performance standard in the Company's Executive Compensation Plan for Senior Executives.

YOU ARE ENCOURAGED TO SPECIFY YOUR CHOICE BY MARKING THE APPROPRIATE BOX ON THE REVERSE SIDE. IF YOU DO NOT MARK ANY BOX, YOUR SHARES WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED DIRECTORS, FOR THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS AUDITORS AND AGAINST THE TWO SHAREHOLDER PROPOSALS IN ACCORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATIONS.

SEE REVERSE
SIDE

