

NABORS INDUSTRIES INC

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Prospectus

NABORS INDUSTRIES, INC.

NABORS INDUSTRIES LTD.

\$2,750,000,000

**0.94% SENIOR EXCHANGEABLE NOTES DUE 2011
GUARANTEED BY NABORS INDUSTRIES LTD.**

**COMMON SHARES, PAR VALUE U.S.\$0.001 PER SHARE, OF NABORS INDUSTRIES LTD.
ISSUABLE UPON EXCHANGE OF THE NOTES**

GUARANTEE OF NABORS INDUSTRIES LTD.

This prospectus relates to \$2,750,000,000 aggregate principal amount of 0.94% Senior Exchangeable Notes Due 2011 (the notes) of Nabors Industries, Inc. and the common shares of our parent company, Nabors Industries Ltd. issuable upon exchange or repurchase of such notes. This prospectus will be used by selling security holders to resell the notes and the common shares issuable upon the exchange of the notes. Additional selling security holders may be named by prospectus supplement.

We originally issued \$2,500,000,000 of the notes in a private placement on May 23, 2006 and \$250,000,000 additional notes in a private placement on June 8, 2006 upon the initial purchasers' exercise of their option to purchase additional notes.

The notes bear interest at a fixed annual rate of 0.94%, payable semi-annually on May 15 and November 15 of each year, beginning November 15, 2006 unless the notes are earlier redeemed. The notes are exchangeable by holders for cash and in certain circumstances common shares of our parent company, Nabors Industries Ltd., at any time within the 30 calendar day period prior to maturity and prior thereto only under the following circumstances: (1) if the price of our parent's common shares reaches specified thresholds described in this prospectus, (2) during the five business day period after any ten consecutive trading day period in which the trading price per note for each day of the ten trading day period was less than 95% of the product of the closing sale price of such common shares and the exchange rate of such note or (3) upon the occurrence of specified corporate transactions described in this prospectus.

Upon exchange, for each \$1,000 principal amount of notes, we will pay cash equal to the lesser of (i) \$1,000 and (ii) the exchange value, determined by multiplying the applicable exchange rate by an average price of the common shares of our parent during a measurement period described in this prospectus. If the exchange value exceeds \$1,000, we will also deliver common shares of our parent company, Nabors Industries Ltd., for the exchange value in excess of \$1,000. The initial exchange rate for the notes is 21.8221 common shares of our parent per \$1,000 principal amount of notes, which is equivalent to an exchange price of approximately \$45.83 per share. The exchange rate is subject to adjustments described herein. In the event of certain types of change in control transactions, we will increase the number of common shares of our parent issuable upon exchange.

The notes will be unsecured and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. Holders have the right to require us to purchase the notes at a purchase price equal to 100% of the principal amount of the notes upon a change in control as described in this prospectus.

Our parent company, Nabors Industries Ltd., fully and unconditionally guarantees the notes. The guarantee is unsecured and ranks equally with all of our parent's other unsecured and unsubordinated indebtedness from time to time outstanding.

The common shares of our parent company, Nabors Industries Ltd., are traded on the New York Stock Exchange under the symbol NBR. The last reported sales price of Nabors Industries Ltd.'s common shares on the New York Stock Exchange on August 17, 2006 was \$33.05 per share. The notes are eligible for trading in the Private Offerings, Resales and Trading through Automatic Linkages Market commonly referred to as the Portal Market.

Investing in the notes involves risks. See Risk Factors, beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 21, 2006.

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IN MAKING YOUR INVESTMENT DECISION, YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. NEITHER WE NOR NABORS HAVE AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. YOU SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS IS ACCURATE AS OF THE DATE ON THE FRONT COVER OF THIS PROSPECTUS ONLY. OURS AND NABORS BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE ON THE COVER OF THIS PROSPECTUS.

As used in this prospectus, references to the Company, we, our and us refer to Nabors Industries, Inc. and references to Nabors refer to Nabors Industries Ltd., except where the context otherwise requires or as otherwise indicated.

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SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus carefully, including the section entitled Risk Factors and Nabors financial statements and the notes thereto, which are incorporated into this prospectus by reference, before making an investment decision. All share information included in this prospectus (other than documents filed prior to March 10, 2006 incorporated by reference) gives effect to a two-for-one stock split that was effective for shareholders of record on March 31, 2006 and distributed on April 17, 2006.

Nabors Industries, Inc.

We are a Delaware holding company and an indirect, wholly-owned subsidiary of Nabors. Prior to the corporate reorganization that was completed on June 24, 2002, we were a publicly-traded corporation. We were incorporated in Delaware on May 3, 1978. Our principal executive offices are located at 515 West Greens Road, Suite 1200, Houston, Texas 77067 and our telephone number at that address is (281) 874-0035.

Nabors Industries Ltd.

Nabors became the publicly traded parent company of the Nabors group of companies, effective June 24, 2002, pursuant to a corporate reorganization. Nabors common shares are traded on the New York Stock Exchange under the symbol NBR.

We are the largest land drilling contractor in the world, with almost 600 land drilling rigs. We conduct oil, gas and geothermal land drilling operations in the U.S. Lower 48 states, Alaska, Canada, South and Central America, the Middle East, the Far East and Africa. We are also one of the largest land well-servicing and workover contractors in the United States and Canada. We own approximately 585 land workover and well-servicing rigs in the United States, primarily in the southwestern and western United States, and approximately 215 land workover and well-servicing rigs in Canada. Nabors is a leading provider of offshore platform workover and drilling rigs, and owns 43 platform, 21 jack-up units and three barge rigs in the United States and multiple international markets. These rigs provide well-servicing, workover and drilling services. We have a 50% ownership interest in a joint venture in Saudi Arabia, which owns 18 rigs.

We also offer a wide range of ancillary well-site services, including engineering, transportation, construction, maintenance, well logging, directional drilling, rig instrumentation, data collection and other support services in selected domestic and international markets. We time charter a fleet of 29 marine transportation and supply vessels, which provide transportation of drilling materials, supplies and crews for offshore operations. During the first quarter of 2006, we began to offer logistics services for onshore drilling and well-servicing operations in Canada using helicopters and fixed-winged aircraft purchased from Airborne Energy Solutions Ltd. on January 3, 2006. We manufacture and lease or sell top drives for a broad range of drilling applications, directional drilling systems, rig instrumentation and data collection equipment, and rig reporting software. We have also made selective investments in oil and gas exploration, development and production activities.

Nabors was formed as a Bermuda exempt company on December 11, 2001. Through predecessors and acquired entities, Nabors has been continuously operating in the drilling sector since the early 1900s. Nabors principal executive offices are located at Mintflower Place, 8 Par-La-Ville Road, Hamilton, HM08, Bermuda and its telephone number at that address is (441) 292-1510.

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The Offering

The summary below describes the principal terms of this offering. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus contains a more detailed description of the terms and conditions of the notes.

Securities Offered	\$2,750,000,000 principal amount of 0.94% Senior Exchangeable Notes due 2011.
Interest	The notes bear interest at a fixed annual rate of 0.94%, payable semiannually in arrears on each May 15 and November 15, beginning November 15, 2006.
Maturity Date	May 15, 2011.
Guarantee	Nabors has fully and unconditionally guaranteed the due and punctual payment of the principal and interest, if any, on the notes, and any of our other obligations under the notes when and as they become due and payable, whether at maturity, by acceleration or otherwise, if we are unable to satisfy the obligations. The guarantee provides that, in the event of default of the notes, the holders of the notes may institute legal proceedings directly against Nabors to enforce the guarantee without first proceeding against us. See Description of the Notes Guarantee.
Ranking	The notes: are unsecured; are effectively junior in right of payment to any of our future secured debt; rank equally in right of payment with any of our existing and future unsubordinated debt; and are senior in right of payment to any of our future senior subordinated or subordinated debt.
Exchange Rights	You may exchange your notes during the 30 calendar days ending at the close of business on the business day immediately preceding the maturity date and prior thereto only under the following circumstances: if the price of Nabors common shares reaches specified thresholds described in this prospectus; during the five business day period after any ten consecutive trading day period in which the trading price per note for each day of the ten trading day period was less than 95% of the product of the closing sale price of Nabors common shares and the exchange rate of such note; or

upon the occurrence of specified corporate transactions described under
Description of the Notes Exchange of Notes Exchange Upon Specified
Corporate Transactions.

Upon exchange, we will pay an amount in cash equal to the lesser of
(i) the principal amount of the note and (ii) the exchange value,
determined by multiplying the applicable exchange rate by an average
price of Nabors common shares during a measurement period described
herein. See Description of the Notes Payment Upon Exchange. If the
exchange value exceeds the principal amount of

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the note on the exchange date, we will also deliver common shares for the exchange value in excess of \$1,000. The initial exchange rate for the notes is 21.8221 Nabors common shares per \$1,000 principal amount of notes, which is equivalent to an exchange price of approximately \$45.83 per share. The exchange rate, and thus the exchange price, may be adjusted under certain circumstances as described under Description of the Notes Adjustments to Exchange Rate.

Upon exchange, subject to certain exceptions, you will not receive any cash payment representing accrued and unpaid interest. See Description of the Notes Payment Upon Exchange.

Adjustments to Exchange Rate

The exchange rate is subject to adjustment in certain events under formulae as set forth in the indenture and described under Description of the Notes Adjustments to Exchange Rate, including:

- the issuance of Nabors common shares as a dividend or distribution on the Nabors common shares;

- certain subdivisions and combinations of the Nabors common shares;

- the issuance of certain rights or warrants to purchase common shares;

- the distribution of capital stock, other than Nabors common shares, or evidences of Nabors indebtedness or of assets;

- distributions consisting of cash, excluding any dividend or distribution in connection with the liquidation, dissolution or winding up of Nabors, whether voluntary or involuntary;

- distributions of cash or other consideration in respect of a tender or exchange offer for Nabors common shares where such cash and the value of any such other consideration per Nabors common share validly tendered or exchanged exceeds the market price (as determined in the indenture);

- certain reclassifications of Nabors common shares; and

- certain consolidations or mergers involving Nabors or a sale or conveyance of its property and assets as an entirety or substantially as an entirety.

Adjustment to Exchange Rate Upon a Change in Control

If and only to the extent holders elect to exchange the notes in connection with a Change in Control (as defined under Description of the Notes Purchase at the Option of the Holder Upon a Change in Control), we will increase the exchange rate by a number of make-whole shares. The increase in the exchange rate will be determined by reference to the table in Description of the Notes Adjustment to Exchange Rate upon a Change in Control, based on the effective date and price paid per share of Nabors

common shares in such Change in Control transaction.

Optional Purchase Right of Holders Upon a Change in Control If Nabors undergoes a Change in Control prior to maturity, you will have the right, at your option, to require us to purchase any or all of your notes for cash, or any portion of the principal amount thereof that is equal to \$1,000 or an integral multiple of \$1,000.

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The cash price we are required to pay is equal to 100% of the principal amount of the notes to be purchased plus accrued and unpaid interest and additional amounts owed, if any, to the Change in Control purchase date. See Description of the Notes Purchase at the Option of the Holder Upon a Change in Control.

Use of Proceeds

The selling security holders will receive all of the proceeds from the sale under this prospectus of the notes and Nabors common shares issuable upon exchange of the notes. We will not receive any proceeds from these sales. For additional information, see Use of Proceeds.

Trustee, Paying Agent and Exchange Agent

Wells Fargo Bank, National Association.

Governing Law

The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York.

Book-Entry Form

The notes were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Trading

The notes are not to be listed on any securities exchange or included in any automated quotation system. The notes are eligible for trading in the Portal Market; however, no assurance can be given as to the liquidity of or trading market for the notes. Nabors common shares are listed on the New York Stock Exchange under the symbol NBR.

Risk Factors

An investment in the notes involves certain risks that a potential investor should carefully evaluate prior to making an investment in the notes. Please read Risk Factors beginning on page 5.

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RISK FACTORS

You should carefully consider the risks described below before making an investment. The risks described below are not the only ones facing us or Nabors. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

The business, financial condition or results of operations of Nabors or us could be materially adversely affected by any of these risks. The trading price of the notes and Nabors common shares could decline due to any of these risks, and you may lose all or part of your investment.

This prospectus and the incorporated documents also contain forward-looking statements that involve risks and uncertainties. Our and Nabors actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us and Nabors described below and elsewhere in this prospectus.

Risks Relating to Our Business

Fluctuations in oil and gas prices could adversely affect drilling activity and our revenues, cash flows and profitability.

Our operations are materially dependent upon the level of activity in oil and gas exploration and production. Both short-term and long-term trends in oil and gas prices affect the level of such activity. Oil and gas prices and, therefore, the level of drilling, exploration and production activity can be volatile. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for, and the supply of, oil and gas. Weather conditions, governmental regulation (both in the United States and elsewhere), levels of consumer demand, the availability of pipeline capacity, and other factors beyond our control may also affect the supply of and demand for oil and gas. We believe that any prolonged reduction in oil and gas prices would depress the level of exploration and production activity. This would likely result in a corresponding decline in the demand for our services and could have a material adverse effect on our revenues, cash flows and profitability. Lower oil and gas prices could also cause our customers to seek to terminate, renegotiate or fail to honor our drilling contracts; affect the fair market value of our rig fleet which in turn could trigger a write-down for accounting purposes; affect our ability to retain skilled rig personnel; and affect our ability to obtain access to capital to finance and grow our business. There can be no assurances as to the future level of demand for our services or future conditions in the oil and gas and oilfield services industries.

We operate in a highly competitive industry with excess drilling capacity, which may adversely affect our results of operations.

The oilfield services industry in which we operate is very competitive. Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Many drilling, workover and well-servicing rigs can be moved from one region to another in response to changes in levels of activity and provided market conditions warrant, which may result in an oversupply of rigs in an area. In many markets in which we operate, the number of rigs available for use exceeds the demand for rigs, resulting in price competition. Most drilling and workover contracts are awarded on the basis of competitive bids, which also results in price competition. The land drilling market generally is more competitive than the offshore drilling market because there are larger numbers of rigs and competitors.

The nature of our operations presents inherent risks of loss that, if not insured or indemnified against, could adversely affect our results of operations.

Our operations are subject to many hazards inherent in the drilling, workover and well-servicing industries, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage and damage to the property of others. Our offshore operations are also

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subject to the hazards of marine operations including capsizing, grounding, collision, damage from hurricanes and heavy weather or sea conditions and unsound ocean bottom conditions. In addition, our international operations are subject to risks of war, civil disturbances or other political events. Generally, drilling contracts provide for the division of responsibilities between a drilling company and its customer, and we seek to obtain indemnification from our customers by contract for certain of these risks. To the extent that we are unable to transfer such risks to customers by contract or indemnification agreements, we seek protection through insurance. However, there is no assurance that such insurance or indemnification agreements will adequately protect us against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, there can be no assurance that insurance will be available to cover any or all of these risks, or, even if available, that it will be adequate or that insurance premiums or other costs will not rise significantly in the future, so as to make such insurance prohibitive. It is likely that we will face continued upward pressure in our upcoming insurance renewals, our premiums and deductibles will be higher, and certain insurance coverage either will be unavailable or more expensive than it has been in the past. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of an insurance coverage deductible. We expect that we may choose to increase the levels of deductibles (and thus assume a greater degree of risk) from time to time in order to minimize the effect of insurance premium increases.

The profitability of our international operations could be adversely affected by war, civil disturbance or political or economic turmoil.

We derive a significant portion of our business from international markets, including major operations in Canada, the Middle East, the Far East and South and Central America. These operations are subject to various risks, including the risk of war, civil disturbances and governmental activities that may limit or disrupt markets, restrict the movement of funds or result in the deprivation of contract rights or the taking of property without fair compensation. In certain countries, our operations may be subject to the additional risk of fluctuating currency values and exchange controls. In the international markets in which we operate, we are subject to various laws and regulations that govern the operation and taxation of our business and the import and export of our equipment from country to country, the imposition, application and interpretation of which can prove to be uncertain.

Changes to or noncompliance with governmental regulation or exposure to environmental liabilities could adversely affect our results of operations.

The drilling of oil and gas wells is subject to various federal, state, provincial, local and foreign laws, rules and regulations. Our cost of compliance with these laws, rules and regulations may be substantial. For example, federal law imposes a variety of regulations on responsible parties related to the prevention of oil spills and liability for damages from such spills. As an owner and operator of onshore and offshore rigs and transportation equipment, we may be deemed to be a responsible party under such federal law. In addition, our well-servicing, workover and production services operations routinely involve the handling of significant amounts of waste materials, some of which are classified as hazardous substances. Our operations and facilities are subject to numerous state and federal environmental laws, rules and regulations, including, without limitation, laws concerning the containment and disposal of hazardous substances, oilfield waste and other waste materials, the use of underground storage tanks and the use of underground injection wells. We believe our operations in the U.S. are in substantial compliance with existing laws, rules, and regulations. While we generally require customers to contractually assume responsibility for compliance with environmental regulations, we are not always successful in allocating to customers all of these risks nor is there any assurance that the customer will be financially able to bear those risks assumed.

We employ personnel responsible for monitoring environmental compliance and arranging for remedial actions that may be required from time to time and also use outside experts to advise on and assist with our environmental

compliance efforts. Liabilities are recorded when the need for environmental assessments and/or remedial efforts become known or probable and the cost can be reasonably estimated.

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Laws protecting the environment generally have become more stringent than in the past and are expected to continue to become more so. Violation of environmental laws and regulations can lead to the imposition of administrative, civil or criminal penalties, remedial obligations, and in some cases injunctive relief. Such violations could also result in liabilities for personal injuries, property damage, natural resource damages, and other costs and claims.

Under the Comprehensive Environmental Response, Compensation and Liability Act, also known as CERCLA or Superfund, and related state laws and regulations, liability for operations in the U.S. can be imposed jointly on the entire group of responsible parties or separately on any one of the responsible parties, without regard to fault or the legality of the original conduct on certain classes of persons that contributed to the release of a hazardous substance into the environment. Under CERCLA, such persons may be strictly liable for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for costs of certain health studies.

The Oil Pollution Act of 1990, as amended, contains provisions specifying responsibility for removal costs and damages resulting from discharges of oil into navigable waters of the U.S. or onto the adjoining shorelines. In addition, the Outer Continental Shelf Lands Act provides the federal government with broad discretion in regulating the leasing of offshore oil and gas production sites. Because our offshore support vessel operations rely on offshore oil and gas exploration and production, if the government were to exercise its authority under this law to restrict the availability of offshore oil and gas leases, such an action could have a material adverse effect on our offshore support vessel operations.

Changes in federal and state environmental regulations may also negatively impact oil and natural gas exploration and production companies, which in turn could have a material adverse effect on us. For example, legislation has been proposed from time to time in Congress which would reclassify certain oil and natural gas production wastes as hazardous wastes, which would make the reclassified wastes subject to more stringent handling, disposal and clean-up requirements. If enacted, such legislation could dramatically increase operating costs for oil and natural gas companies and could reduce the market for our services by making many wells and/or oilfields uneconomical to operate.

Our operations outside of the U.S. are potentially subject to similar foreign governmental controls relating to protection of the environment. We believe that our operations outside of the U.S. have been in substantial compliance with existing requirements of these foreign governmental bodies and that such compliance has not had a material adverse effect on our operations. However, there is no assurance that this trend of compliance will continue or that such compliance will not be material in the future.

Recent Legislation could curtail our ability to time charter vessels in U.S. coastwise trade.

Our Sea Mar division time charters supply vessels to offshore operators in U.S. waters. The vessels are owned by one of our financing company subsidiaries, but are operated and managed by a U.S. citizen-controlled company pursuant to long-term bareboat charters. As a result of recent legislation, beginning in August 2007 Sea Mar will no longer be able to use this arrangement to qualify vessels for employment in the U.S. coastwise trade. Accordingly, we will be required to restructure the arrangement, redeploy the vessels outside the United States, or sell the vessels by no later than such time.

As of June 30, 2006, the net assets of Sea Mar totaled approximately \$157 million. During the six months ended June 30, 2006 Sea Mar had income before income taxes totaling \$22 million.

As a holding company, we and Nabors depend on our respective subsidiaries to meet our respective financial obligations.

We and Nabors are holding companies with no significant assets other than the stock of our respective subsidiaries. In order to meet our financial needs, we and Nabors rely exclusively on repayments of interest and principal on intercompany loans made by us and Nabors to our operating subsidiaries and income from dividends and other cash flow from such subsidiaries. There can be no assurance that our or Nabors' operating subsidiaries will generate sufficient net income to pay upstream dividends or cash flow to make payments of

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interest and principal to us or Nabors in respect of their intercompany loans. In addition, from time to time, our operating subsidiaries may enter into financing arrangements which may contractually restrict or prohibit such upstream payments to us and Nabors. There may also be adverse tax consequences associated with making dividend payments upstream.

Nabors does not currently intend to pay dividends.

Nabors has not paid any cash dividends on its common shares since 1982. Nabors does not currently intend to pay any cash dividends on its common shares. However, we note that there have been recent positive industry trends and changes in tax law providing more favorable treatment of dividends. As a result, we can give no assurance that we will not reevaluate our position on dividends in the future.

Because Nabors' option, warrant and convertible securities holders have a considerable number of common shares available for issuance and resale, significant issuances or resales in the future may adversely affect the market price of Nabors' common shares.

As of July 31, 2006, Nabors had 800,000,000 authorized common shares, of which 299,086,910 shares were outstanding. In addition, 41,509,567 common shares were reserved for issuance pursuant to option and employee benefit plans. In addition, up to 175,360 of Nabors' common shares could be issuable on exchange of the shares of Nabors Exchangeco (Canada) Inc. Nabors also may sell up to \$700 million of securities of various types in connection with a shelf registration statement declared effective on January 16, 2003 by the Securities and Exchange Commission. The sale, or availability for sale, of substantial amounts of Nabors' common shares in the public market, whether directly by Nabors or resulting from the exercise of warrants or options (and, where applicable, sales pursuant to Rule 144) or the conversion into common shares, or purchase of debentures and notes using common shares, would be dilutive to existing security holders, could adversely affect the prevailing market price of Nabors' common shares and could impair our ability to raise additional capital through the sale of equity securities.

Provisions of Nabors' organizational documents may deter a change of control transaction and decrease the likelihood of a shareholder receiving a change of control premium.

Nabors' board of directors is divided into three classes, with each class serving a staggered three-year term. In addition, Nabors' board of directors has the authority to issue a significant amount of common shares and up to 50,000,000 preferred shares and to determine the price, rights (including voting rights), conversion ratios, preferences and privileges of the preferred shares, in each case without further vote or action by the holders of the common shares. Although Nabors has no present plans to issue preferred shares, the classified board and Nabors' board's ability to issue additional preferred shares may discourage, delay or prevent changes in control of Nabors that are not supported by its board, thereby possibly preventing certain of Nabors' shareholders from realizing a possible premium on their shares. In addition, the requirement in the indenture for Series B of our \$700 million zero coupon senior exchangeable notes due 2023 to pay a make-whole premium in the form of an increase in the exchange rate in certain circumstances, and the provision in the indenture governing the notes offered hereby that adjusts the exchange rate in certain circumstances could have the effect of making a change in control of Nabors more expensive.

Nabors and its subsidiaries will have a substantial amount of debt outstanding as a result of the issuance of the notes, which may adversely affect the ratings of our outstanding indebtedness.

Nabors and its subsidiaries had approximately \$4.0 billion in debt outstanding as of June 30, 2006, resulting in a gross funded debt to capital ratio of 0.57:1 and a net funded debt to capital ratio of 0.39:1. Both of these ratios are a method for calculating the amount of leverage a company has in relation to its capital.

Our ability to perform under new contracts and to grow our business as forecasted depends to a substantial degree on timely delivery of rigs and equipment from our suppliers.

The forecasted growth in the operating revenues and net income for our Contract Drilling subsidiaries depends to a substantial degree on the timely delivery of rigs and equipment from our suppliers as part of our

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recently expanded capital programs. We can give no assurances that our suppliers will meet expected delivery schedules for delivery of these new rigs and equipment. Delays in the delivery of new rigs and equipment could cause us to fail to meet our operating forecasts and could subject us to late delivery penalties under contracts with our customers.

We may have additional tax liabilities and proposed tax legislation could mitigate or eliminate the benefits of Nabors 2002 reorganization as a Bermuda company.

We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Based on the results of an audit or litigation, a material effect on our financial position, income tax provision, net income, or cash flows in the period or periods for which that determination is made could result.

In October 2004, the U.S. Congress passed and the President signed into law the American Jobs Creation Act of 2004. The Act did not impact the corporate reorganization completed by Nabors, effective June 24, 2004, that made us a foreign entity. Various bills have been introduced in Congress which could mitigate or eliminate the tax benefits associated with our reorganization as a Bermuda company. Because we cannot predict whether legislation ultimately will be adopted, no assurances can be given that the tax benefits associated with our reorganization ultimately will accrue to the benefit of the Company and its shareholders. It is possible that further changes to tax laws (including tax treaties) could have an impact on our ability to realize the tax savings recorded to date as well as future tax savings as a result of our reorganization, depending upon any responsive action taken by Nabors.

On May 31, 2006, Nabors International Finance Inc. (NIFI), a wholly-owned U.S. subsidiary of Nabors, received from the U.S. Internal Revenue Service (the IRS) two Notices of Proposed Adjustment (NOPA) in connection with an audit of NIFI for tax years 2002 and 2003. One NOPA proposes to deny a deduction of \$85.1 million in interest expense in our 2002 tax year relating to intercompany indebtedness incurred in connection with our inversion transaction in June 2002 whereby we were organized as a Bermuda company. The second NOPA proposed to deny a deduction of \$207.6 million in the same item of interest expense in our 2003 tax year. We previously had obtained advice from our tax advisors that the deduction of such amounts was appropriate and more recently that the position of the IRS lacks merit. The Company paid off approximately one-half of the intercompany indebtedness incurred in connection with the inversion. We intend to contest the IRS position, but we currently have not booked any reserves for such proposed adjustment and therefore could incur losses associated with an unfavorable outcome.

The Company may be required to make substantial payments under employment agreements with its Chairman and Chief Executive Officer and our Deputy Chairman, President and Chief Operating Officer.

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.

The employment agreements, which were each entered into prior to 1992, initially provided 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

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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 15 of the last 16 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. 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 in 13 of the last 15 years. For 2005 the annual cash bonuses for Messrs. Isenberg and Petrello pursuant to the formula described in their employment agreements were \$41.2 million and \$13.7 million, respectively; but in light of their overall compensation package (including significant stock option grants and restricted stock awards), they agreed to accept cash bonuses in the amounts of \$3 million and \$1.5 million, respectively.

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' 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.

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.

In the event that either 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, 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 June 30, 2006, Mr. Isenberg would have been entitled to a payment of approximately \$204 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 \$204 million. Similarly, with respect to Mr. Petrello, had these provisions applied at June 30, 2006, Mr. Petrello would have been entitled to a payment of approximately \$104 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 \$104 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 the payment of amounts which are significantly higher. 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 June 30,

2006, the value of unvested restricted stock was approximately \$11.3 million and the value of in-the-money unvested stock options was approximately \$6.9 million. For Mr. Petrello, as of June 30, 2006, the value of unvested restricted stock was approximately \$5.6 million and the value of in-the-money unvested stock

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options was approximately \$3.4 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 expiration dates of their employment agreements, including whether such notice could trigger an acceleration of certain payments pursuant to their employment agreements.

Legal proceedings could affect our financial condition and results of operations.

We are from time to time subject to legal proceedings which include employment, tort, intellectual property and other claims. We also are subject to complaints or allegations from former, current or prospective employees from time to time, alleging violations of employment-related laws. Lawsuits or claims could result in decisions against us which could have a material adverse effect on our financial condition or results of operations.

Risks Related to the Offering

The market price of the notes could be significantly affected by the market price of Nabors' common shares.

We expect that the market price of the notes will be significantly affected by the market price of Nabors' common shares. This may result in greater volatility in the market price of the notes than would be expected for nonconvertible or nonexchangeable debt securities. The market price of Nabors' common shares will likely continue to fluctuate in response to factors including the following, many of which are beyond our control:

- quarterly fluctuations in Nabors' operating and financial results,
- changes in financial estimates and recommendations by financial analysts,
- changes in the ratings of the notes or our other securities or securities of Nabors,
- developments related to litigation or regulatory proceedings involving us or Nabors,
- fluctuations in the stock price and operating results of Nabors' competitors,
- dispositions, acquisitions and financings, and
- general conditions in the industries in which we and Nabors operate.

In addition, the stock markets in general, including the New York Stock Exchange, have experienced price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may affect adversely the market prices of the notes and Nabors' common shares.

We cannot assure that an active trading market will develop for the notes.

There is no established trading market for the notes and the notes will not be listed on any securities exchange. Although the notes are currently traded on PORTAL, there can be no assurance as to: (1) the liquidity of any market for the notes, (2) the ability of the holders to sell their notes, or (3) the prices at which holders would be able to sell

their notes. Under the registration rights agreement, we and Nabors are required to use reasonable commercial efforts to have the shelf registration statement of which this prospectus is a part declared effective by the SEC, we and Nabors cannot assure you that an active trading market for the notes will develop. If an active trading market does not develop, the market price and liquidity of the notes may be adversely affected.

Upon exchange of the notes, we will pay cash in lieu of issuing Nabors common shares with respect to an amount up to \$1,000 and Nabors common shares with respect to the exchange value in excess thereof, if any. Therefore, holders of the notes may receive no or limited numbers of Nabors common shares.

Upon exchange of the notes, we will pay cash in an amount equal to the lesser of (i) \$1,000 or (ii) the exchange value (as defined herein), and if the exchange value is greater than \$1,000, a number of Nabors common shares in respect of such excess. See Description of the Notes Exchange Rights Payment Upon Exchange. Accordingly, upon exchange of a note, holders may not receive any or may receive only a limited number of Nabors common shares. Further, our liquidity may be reduced upon exchange of the notes. In addition, in the event of our bankruptcy, insolvency or certain similar proceedings during the exchange reference

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period, there is a risk that a bankruptcy court may decide a holder's claim to receive such cash and shares could be subordinated to the claims of our creditors as a result of such holder's claim being treated as an equity claim in bankruptcy.

We may not have sufficient funds to pay the principal upon exchange or to purchase the notes upon a Change in Control as required by the indenture governing the notes.

Upon exchange of the notes pursuant to the terms of the indenture, we will be required to pay cash up to the lesser of (i) \$1,000 or (ii) the exchange value (as defined herein). In addition, holders of the notes also may require us to purchase their securities upon a Change in Control as defined under Description of the Notes Purchase at the Option of the Holder Upon a Change in Control. A Change in Control also may constitute an event of default, and result in the acceleration of the maturity of our then existing indebtedness, under another indenture or other agreement, including under the indenture governing our outstanding zero coupon senior exchangeable notes due June 2023 and zero coupon convertible senior debentures due February 2021. We cannot assure you that we would have sufficient financial resources, or would be able to arrange financing, to pay the required principal or the purchase price of the notes exchanged or tendered by holders. Furthermore, the terms of our then existing indebtedness or other agreements may contain financial covenants or other provisions that could be violated by payment of the principal or the purchase of the notes. Failure by us to pay the principal upon exchange or purchase the notes when required will result in an event of default with respect to the notes.

The exchange rate of the notes may not be adjusted for all dilutive events that may adversely affect the trading price of the notes or the Nabors common shares issuable upon exchange of the notes.

The exchange rate of the notes is subject to adjustment upon certain events, including the issuance of stock dividends on Nabors common shares, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, cash dividends and issuer tender or exchange offers as described under Description of the Notes Adjustments to Exchange Rate. The exchange rate will not be adjusted for certain other events that may adversely affect the trading price of the notes or the Nabors common shares issuable upon exchange of the notes.

The notes will not contain certain restrictive covenants, and there is limited protection in the event of a Change in Control.

The indenture under which the notes will be issued will not contain restrictive covenants that would protect you from several kinds of transactions that may adversely affect you. In particular, the indenture for the notes will not contain covenants that will limit our ability to pay dividends or make distributions on or redeem our capital stock or limit our ability to incur additional indebtedness and, therefore, protect you in the event of a highly leveraged transaction or other similar transaction. In addition, the requirement that we offer to purchase the notes upon a change in control is limited to the transactions specified in the definition of a Change in Control under Description of the Notes Purchase at the Option of the Holder Upon a Change in Control. Accordingly, we could enter into certain transactions, such as acquisitions, refinancings or a recapitalization, that could affect our capital structure and the value of Nabors common shares but would not constitute a Change in Control.

Although the notes are designated as Senior, your right to receive payment on the notes and the guarantee is unsecured and will be effectively subordinated to any existing and future secured debt of us, in the case of the notes, and Nabors, in the case of the guarantees, to the extent of the value of the collateral therefor and the notes and the guarantee will be effectively subordinated to existing and future indebtedness and other liabilities of our and Nabors subsidiaries.

The notes are general senior unsecured obligations and therefore will be effectively subordinated in right of payment to our existing or future secured indebtedness and Nabors' guarantee is effectively subordinated in right of payment to the claims of existing and future secured creditors of Nabors, in each case, to the extent of the collateral therefor. If we default on the notes, or become bankrupt, liquidate or reorganize, any secured creditors could use their collateral to satisfy their secured indebtedness before you would receive any payment on the notes. If the value of such collateral is not sufficient to pay any secured indebtedness in full, our

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secured creditors would share the value of our other assets, if any, with you and the holders of other claims against us which rank equally with the notes. The guarantee of the notes will have a similar ranking with respect to secured indebtedness of Nabors as the notes do with respect to our secured indebtedness.

In addition, we derive substantially all of our income from, and hold substantially all our assets through, our subsidiaries, which will not guarantee the notes. As a result, we and Nabors will depend on distributions from our subsidiaries in order to meet our payment obligations under any debt securities, including the notes and the guarantee and our other obligations. Accordingly, our and Nabors' rights to receive any assets of any subsidiary, and therefore the right of our and Nabors' creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. As of June 30, 2006, Nabors and its subsidiaries had approximately \$4.0 billion of indebtedness outstanding.

If you hold notes, you will not be entitled to any rights with respect to Nabors' common shares, but you will be subject to all changes made with respect to Nabors' common shares.

If you hold notes, you will not be entitled to any rights with respect to Nabors' common shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on Nabors' common shares), but you will be subject to all changes affecting the common shares. You will only be entitled to rights on the common shares if and when we deliver common shares to you upon exchange of your notes and in limited cases under the exchange rate adjustments of the notes. For example, in the event that an amendment is proposed to Nabors' memorandum of association or bye-laws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the common shares, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of Nabors' common shares.

The conditional exchange feature of the notes could result in you receiving less than the value of the common shares into which a note is exchangeable.

The notes are exchangeable into Nabors' shares prior to 30 calendar days prior to maturity only if specified conditions are met. If the specific conditions for exchange are not met, you will not be able to exchange your notes until 30 calendar days prior to maturity, and you may not be able to receive the value of the common shares into which the notes would otherwise be exchangeable for periods prior to that time.

Hedging transactions and other transactions may affect the value of the notes and Nabors' common shares.

We entered into an exchangeable note hedge and Nabors will enter into warrant transactions with respect to Nabors' common shares, the exposure for which will be held at the time the notes are issued by Citibank, N.A., an affiliate of an initial purchaser, and by Bear, Stearns International Limited. The exchangeable note hedge and warrant transactions are expected to reduce the potential dilution from exchange of the notes. In connection with these hedging arrangements, both Citibank, N.A. and Bear, Stearns International Limited took positions in Nabors' common shares in secondary market transactions and have/or will enter into various derivative transactions at or after pricing of the notes. Such hedging arrangements could increase the price of Nabors' common shares. Both Citibank, N.A. and Bear, Stearns International Limited, or any transferee of any of their positions, are likely to modify their hedge positions from time to time prior to exchange or maturity of the notes by purchasing and selling Nabors' common shares, our other securities or other instruments they may use in connection with such hedging. Such activity might adversely affect the market price of Nabors' common shares. In addition, the existence of the notes may encourage short selling in Nabors' common shares by market participants because the exchange of the notes could depress the price of Nabors' common shares.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated in this prospectus by reference contain forward-looking statements. These forward-looking statements are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as anticipate, believe, expect, intend, estimate, project, will, should, could, may, or might, and similar expressions are intended to identify forward-looking statements. You are cautioned that actual results could differ materially from those anticipated in forward-looking statements. Any forward-looking statements, including statements regarding the intent, belief or current expectations of us or our management, are not guarantees of future performance and involve risks, uncertainties and assumptions about us and the industry in which we and Nabors operate, including, among other things:

- fluctuations in worldwide prices of and demand for natural gas and oil;
- fluctuations in levels of natural gas and oil exploration and development activities;
- fluctuations in the demand for our services;
- the existence of competitors, technological changes and developments in the oilfield services industry;
- the existence of operating risks inherent in the oilfield services industry;
- the existence of regulatory and legislative uncertainties;
- the possibility of changes in tax laws;
- the possibility of political instability, war or acts of terrorism in any of the countries in which we do business; and
- general economic conditions.

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

The above description of risks and uncertainties is by no means all-inclusive, but is designed to highlight what we believe are important factors to consider. For a more detailed description of risk factors, please see the section entitled "Risk Factors" above and similar discussions in Nabors' SEC filings.

All forward-looking statements in this prospectus are based on information available to us on the date of this prospectus. We do not intend to update or revise any forward-looking statements that we may make in this prospectus or other documents, reports, filings or press releases, whether as a result of new information, future events or otherwise.

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USE OF PROCEEDS

The selling security holders will receive all of the proceeds from the sale under this prospectus of the notes and Nabors common shares issuable upon exchange of the notes. We will not receive any proceeds from these sales.

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RATIO OF EARNINGS TO FIXED CHARGES

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of pretax income from continuing operations less undistributed earnings from unconsolidated affiliates (net of dividends) plus amortization of capitalized interest and fixed charges (excluding capitalized interest). Fixed charges consist of interest incurred (whether expensed or capitalized), amortization of debt expense, and that portion of rental expense on operating leases deemed to be the equivalent of interest. The following table sets forth Nabors' ratio of earnings to fixed charges for each of the periods indicated:

Nabors Industries Ltd. and Subsidiaries