

U.S. LAND DRILLING

INTERNATIONAL

U.S. LAND WELL-SERVICING

CANADA

U.S. OFFSHORE

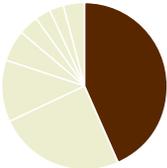
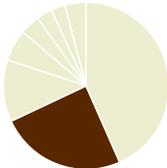
ALASKA DRILLING

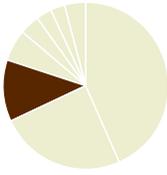
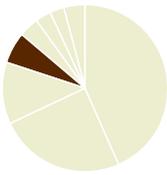
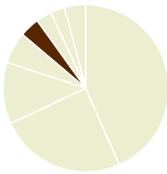
OTHER

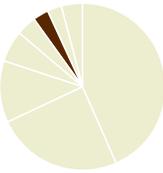
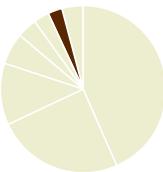


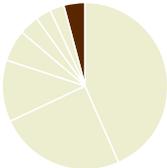
OTHER operating segments:
Canrig Drilling Technology Ltd.,
Epoch Well Services, Inc.,
Ryan Energy Technologies,
Peak Oilfield Service Company

a different portfolio

UNIT	OVERVIEW
<p data-bbox="116 562 245 621">U.S. LAND DRILLING</p>  <p data-bbox="196 869 245 894">44%</p>	<p data-bbox="380 562 1370 621">Nabors Drilling USA L.P. markets 318 land drilling rigs in every depth range and in every important oil and gas drilling area in the U.S. Lower 48.</p> <ul style="list-style-type: none"> <li data-bbox="380 646 1377 705">> In spite of 26 fewer rigs operating in 2007, this unit still posted the second best year in its history, underpinned by long-term contracts for more than half of its fleet. <li data-bbox="380 726 1414 848">> New-build rigs, particularly some of our PACE™ 750 series, set several operational performance records in North and East Texas and the Rocky Mountains. The deployment of a land adaptation of our Super Sundowner offshore platform rig is exceeding the expectations of our customers. These rigs are especially effective on multi-well pads when space is at a premium. <li data-bbox="380 869 1403 961">> Nabors Drilling U.S.A. posted the best safety record in its history, with a 25 percent improvement in total recordable incidents and a decline in incident severity, both of which compare favorably to the records of our next five largest competitors. <li data-bbox="380 982 1419 1201">> The current outlook for 2008 is for a stable rig count, but with a significant drop in operating income as contracts for 46 older rigs expire and renew at lower prices, partially offset by further new rig deployments. There are still 12 new rigs yet to deploy on term contracts at very good rates and we continue to see customer interest that could lead to additional new rig commitments. We have relocated a number of our diesel electric rigs to satisfy contracts internationally and we will continue to evaluate new opportunities in this vast and growing market. We will also continue to incorporate new technology into our rigs to improve performance, reduce down time and extend our competitive advantage.
<p data-bbox="116 1318 329 1344">INTERNATIONAL</p>  <p data-bbox="196 1589 245 1614">25%</p> <p data-bbox="116 1898 326 1957"><small>Adjusted income (loss) derived from operating activities before corporate and consolidating adjustments.</small></p>	<p data-bbox="380 1318 1370 1377">Nabors International owns and operates both land and offshore rigs in 30 countries worldwide and has operating experience in more than 20 others.</p> <ul style="list-style-type: none"> <li data-bbox="380 1398 1370 1457">> This unit posted its best year ever in 2007 on the strength of improved pricing and the impact of 17 incremental rigs. Eight of these additional rigs were redeployed from other Nabors units. <li data-bbox="380 1478 1403 1633">> This unit continued to take steps to meet the extraordinary manpower challenges that have resulted from the increased level of activity in international markets including a new human resources management system and a competency-based training program. Both will help recruit and retain skilled labor in the face of increasing global competition, as well as train the existing workforce to meet growing customer demand. <li data-bbox="380 1654 1403 1747">> Safety continued to improve in this unit with the recordable incident rate dropping from 1.25 to 1.07, a significant achievement in the face of an 18 percent increase in man hours worked and given the cultural and language obstacles inherent in this business. <li data-bbox="380 1768 1430 1957">> The outlook for 2008 is for an increase in operating income on the order of 50 percent on the strength of continued pricing improvement and the impact of 15 incremental rigs, the most significant of which is a newly constructed jack-up which will begin working offshore Saudi Arabia in the second quarter. Bidding activity continues to be strong for projects in Russia, the Middle East and South and Central America. Additional awards are likely during the year as the company leverages its ability to rapidly relocate rigs from areas of lesser activity.

UNIT	OVERVIEW
<p data-bbox="147 212 367 268">U.S. LAND WELL-SERVICING</p>  <p data-bbox="233 520 277 541">11%</p>	<p data-bbox="412 212 1406 302">Nabors Well Services provides oil and gas well-servicing, workover and completion, as well as fluid transportation and disposal services. This unit operates in two divisions and is a major player in the California market as well as in Texas, the mid-continent and the Rocky Mountains.</p> <ul style="list-style-type: none"> <li data-bbox="412 323 1458 413">> Results in 2007 were down substantially from the prior year for this unit as industry activity turned flat in the more competitive markets in the face of new rig supply, which had a negative impact on utilization and pricing. <li data-bbox="412 436 1463 493">> Safety remained a bright spot as the recordable incident rate dropped from 2.26 to 1.73, good enough to win the Association of Energy Service Companies' Gold Award for the eleventh consecutive year. <li data-bbox="412 516 1468 669">> Results in 2008 are expected to be flat to 2007 as lower utilization and pricing in the more competitive markets in west and south Texas are materially offset by stability in the higher revenue markets in east Texas, the Rocky Mountains and California, areas where most of our new rigs are being deployed. Longer term, we expect Nabors Well Services to benefit from the fact that a large percentage of the industry fleet is antiquated and will have to be replaced, providing more opportunities for Nabors' upgraded fleet.
<p data-bbox="147 793 256 814">CANADA</p>  <p data-bbox="233 1066 277 1087">6%</p>	<p data-bbox="412 793 1458 911">Nabors Canada operates 85 drilling rigs and 173 well-servicing and workover rigs and provides related services. The market is characterized by large seasonal fluctuation, particularly in the second quarter when the spring thaw greatly inhibits rig activity. The Nabors name emanates from this unit, which since its founding in 1952 has grown both internally and by acquisition.</p> <ul style="list-style-type: none"> <li data-bbox="412 934 1484 1087">> The weak North American gas market negatively impacted this unit more dramatically than any other Nabors operation, with results down more than 50 percent from the prior year. This environment was exacerbated by pending changes in the Canadian federal tax structure that removed benefits for many operators, and a late-year increase in the royalties paid to the Alberta provincial government, both of which served to further stall drilling activity. <li data-bbox="412 1110 1484 1201">> This unit had a remarkable year from a safety perspective as both the drilling and well-servicing divisions continued to set industry standards. Drilling operations posted the best year ever, with the lowest recordable incident rate of any company in its class. <li data-bbox="412 1224 1494 1440">> Results in this unit should be down significantly again in 2008, evidence of which was a two-month delay in the winter ramp up. However, the reduced drilling level is beginning to adversely impact gas production and we think this situation will accelerate as the year progresses, leading to a more rapid than expected rebound in activity in order to restore production to acceptable levels. In the meantime, this unit continues to provide equipment and technical support to other Nabors units, exporting five rigs to our international operations. Construction is almost complete on two new heliportable rigs and a PACE™ rig scheduled for deployment in Canada later in the year.
<p data-bbox="147 1564 342 1585">U.S. OFFSHORE</p>  <p data-bbox="233 1837 277 1858">4%</p>	<p data-bbox="412 1564 1474 1717">Nabors Offshore is engaged in the drilling and workover of oil and gas wells in the U.S. Gulf of Mexico, operating platform, jack-up and barge rigs. The company is known for its innovative designs, including the Sundowner® and Super-Sundowner platform workover and re-drilling rigs, the MASE® platform drilling rig and the unique MODS rig, a small footprint, lightweight drilling rig re-engineered to accommodate the dynamic wave action associated with deepwater SPAR and tension-leg platforms.</p> <ul style="list-style-type: none"> <li data-bbox="412 1740 1479 1858">> Results for this unit were down in 2007 as the Gulf of Mexico workover market remained soft, impacting the utilization of our high margin jack-up rigs. Results were further dampened by a fire on barge rig 100, which limited utilization to one month for the entire year. Meanwhile, platform drilling rigs remained at almost 100 percent utilization as smaller operators continued aggressive development projects. <li data-bbox="412 1881 1442 1938">> Safety performance was exemplary for this unit which led the offshore drilling industry with zero lost-time incidents.

UNIT	OVERVIEW
<p data-bbox="116 485 243 541">ALASKA DRILLING</p>  <p data-bbox="203 787 240 814">3%</p> <p data-bbox="116 1035 266 1121">OTHER OPERATING SEGMENTS</p>  <p data-bbox="203 1367 240 1394">3%</p>	<p data-bbox="378 212 1429 365">> Prospects for this unit are much improved in 2008, with the potential for a full year from all four of our barge rigs, almost double last year's availability. Early 2008 results indicate that the jack-up market is also improving, and MASE® rig P-16 will begin working in the third quarter after being stacked during 2007. Contracts for two new-build rigs, a 2,000 hp MODS rig and a 1,000 hp posted barge rig, are likely in 2008, but contributions from these rigs will not be realized until 2009.</p> <p data-bbox="378 485 1442 606">Nabors Alaska has conducted Arctic drilling operations in Alaska since 1962, building and operating specialized, high-specification rigs with capital costs that are multiples of those associated with traditional land rigs. The company was involved in the state's first commercial drilling operation in 1962, and drilled both the discovery well and the confirmation well in the giant Prudhoe Bay Field.</p> <p data-bbox="378 632 1442 720">> Nabors Alaska doubled its operating income in 2007 on the strength of 10 rigs running at year end, a labor contract and a sea water pumping operation. Two new-built heliportable rigs manufactured by our Canadian subsidiary deployed late in the fourth quarter.</p> <p data-bbox="378 745 1455 800">> We recently received a commitment for Rig 27E which could turn into a long-term contract beginning in 2008. This unit also won a new contract for a 15,000-foot coiled tubing rig which will deliver in early 2009.</p> <p data-bbox="378 825 1455 913">> Results in 2008 should again be up substantially as several rig contracts renew at market rates. This unit will also benefit from a full year's contribution from the two new rigs that deployed in the fourth quarter of 2007, and Rig 245 is also expected to begin working in the fourth quarter of 2008.</p> <p data-bbox="378 1035 862 1056">CANRIG DRILLING TECHNOLOGY LTD.</p> <p data-bbox="378 1081 1422 1136">Canrig manufactures and markets a broad range of drilling equipment and systems including top drives, pipe handling and other accessory equipment worldwide.</p> <p data-bbox="378 1161 1433 1249">> Canrig posted a record year in revenues, income and top drives delivered in 2007. Top drive sales increased by 20 percent while sales to third parties more than doubled. The increase in third-party sales was primarily in international venues, a reflection of this unit's expanding global presence and reputation.</p> <p data-bbox="378 1274 1406 1362">> Canrig constructed and deployed its first five electrical control and drive systems for new generation AC- and PLC-controlled rigs during the year. When combined with other Canrig products, it gives the company the capability to manufacture an entire drilling rig with minimum contributions from vendors.</p> <p data-bbox="378 1388 1370 1442">> Safety performance was also excellent during the year as lost-time incidents declined to 0.79, an improvement of more than 50 percent over the prior year.</p> <p data-bbox="378 1467 1403 1619">> Results for this unit in 2008 should be flat, but income should again increase on the strength of expanded third-party sales of top drives, floor wrenches and catwalks. Canrig has implemented an aggressive program to reduce manufacturing costs which will make the product line more competitive in the global marketplace. The ownership of this unit was also restructured to better align with our increased international content and we are building a more extensive global service organization.</p> <p data-bbox="378 1665 743 1686">EPOCH WELL SERVICES, INC.</p> <p data-bbox="378 1711 1386 1766">Epoch manufactures instrumentation systems to collect, analyze and transmit data that facilitates oil and gas drilling operations.</p> <p data-bbox="378 1791 1422 1879">> Epoch posted an excellent year in sales of instrumentation systems and mudlogging services in 2007. Sales of its proprietary internet portal mywells.com tripled during the year as a new version was rolled out which allows for remote real-time monitoring of directional drilling.</p>

UNIT	OVERVIEW
<p data-bbox="147 1638 318 1665">OIL AND GAS</p>  <p data-bbox="235 1913 272 1938">4%</p>	<ul style="list-style-type: none"> <li data-bbox="410 239 1487 394">> StraightShot™, the company's electronic drift indicator, was also deployed on scale in 2007 with 150 units delivered during the year after introductory marketing efforts in 2006. Epoch also developed and implemented sophisticated software to <i>replace less reliable code furnished by certain PACE™ rig vendors</i>. This broadens Epoch's product line and allows the company to add control software for rig equipment and automation systems. <li data-bbox="410 417 1442 478">> Results in 2008 are expected to be in line with our performance in 2007, but our ongoing expansion into international markets should positively impact performance in late 2008 and beyond. <p data-bbox="410 516 799 541">RYAN ENERGY TECHNOLOGIES</p> <p data-bbox="410 562 1425 623">Ryan Energy Technologies provides horizontal and directional drilling and measurement while drilling (MWD) services.</p> <ul style="list-style-type: none"> <li data-bbox="410 644 1481 766">> Results for this unit almost doubled in 2007 on the strength of improved utilization and pricing in the U.S. market, where Ryan was able to capitalize on rapidly increasing demand for directional and horizontal drilling. Results in Canada also improved as increased market penetration more than offset a 60 percent drop in the rig count. <li data-bbox="410 787 1442 848">> Safety improved from one recordable incident in 2006 to zero in 2007, a significant accomplishment considering the continuously mobile nature of this unit's assets. <li data-bbox="410 869 1490 961">> The outlook for 2008 is for continued improvement, but at a much slower pace. This unit is also pursuing opportunities to package services with Nabors rigs in certain international venues where the Company has infrastructure and competitive advantages. <p data-bbox="410 999 850 1024">PEAK OILFIELD SERVICE COMPANY</p> <p data-bbox="410 1045 1471 1106">Peak Oilfield Service Company is involved in construction, maintenance and logistics in support of oil and gas drilling in Alaska.</p> <ul style="list-style-type: none"> <li data-bbox="410 1127 1487 1283">> Results for Peak Alaska were flat year-over-year, but at a high level as this unit virtually duplicated the record year it posted in 2006. The company benefitted from a full season of our new Roll-a-gon (all-terrain tundra vehicle) business which created several opportunities in the foothills of the Brooks Range and in the National Petroleum Reserve Alaska (NPRA). Revenues were further bolstered by increased drilling and production activity on the North Slope and in Southern Alaska. <li data-bbox="410 1304 1464 1365">> Safety in this unit showed a slight improvement over last year's excellent results, giving us a substantial competitive advantage. <li data-bbox="410 1386 1484 1541">> Results in this unit should be up slightly in 2008 as an influx of new operators continues to drive aggressive exploration programs. This unit will also benefit from two long-term contracts to conduct support work for major operators in Prudhoe Bay and in the Alpine area. We continue to expand marketing opportunities for Peak, as evidenced by the formation of our Civil Technology Division which recently secured an airport soil stabilization contract with the FAA. <p data-bbox="410 1642 1471 1734">Nabors invests in numerous oil and gas properties with a multitude of operators in the U.S., Canada and other select international venues. Investments are made through both Ramshorn, a wholly-owned Nabors subsidiary, and NFR, a joint venture with First Reserve Corporation.</p> <ul style="list-style-type: none"> <li data-bbox="410 1755 1474 1940">> 2007 provided many attractive investment opportunities for this unit. We continued to develop certain properties in our Ramshorn portfolio and we were also able to capitalize on two opportunities to monetize a portion of our holdings at a significant gain. NFR added several key managers and technical staff and commenced operations as both a working-interest owner and an operating company, acquiring significant holdings at attractive costs late in the year. The value of our oil and gas holdings continues to grow and will become increasingly apparent in the future.