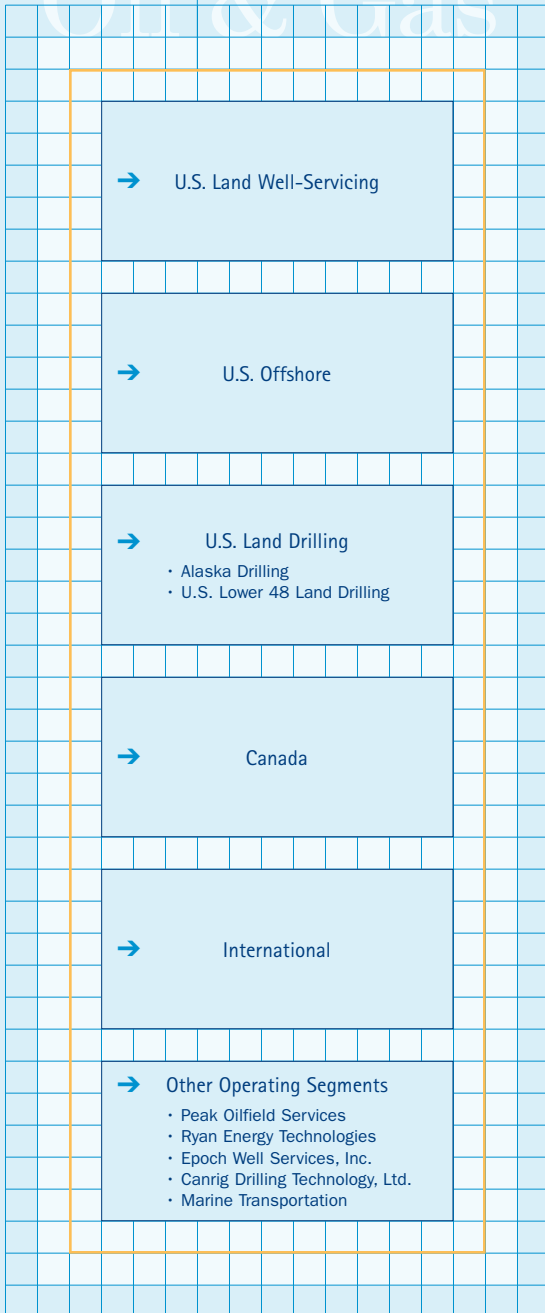


Operational Model

Oil & Gas



Rig Fleet Status

Areas of Operation



best in class

as of December 31, 2005

Offshore Rig Fleet

	Platform Workover				Platform Drilling				Barge	Workover Jack-up	Accommodation Jack-up Units	Jack-up Special Purpose	Drilling Jack-up	↓ Total
	Concentric	< 750 HP	Sundowner*	> 750 HP	Super Sundowner	MASE*	Self-Elevated	API						
International Offshore														
Australia							1							1
Congo					1									1
Indonesia						1								1
India			2											2
Italy					1									1
Malaysia				1										1
Mexico					3	1	1						1	6
New Zealand							1							1
Qatar											2		1	3
Saudi Arabia										1			1.5 ⁽¹⁾	2.5
Trinidad													1	1
U.A.E.												1		1
United States					1	1							1	3
Inventory													1	1
Total International Offshore	0	0	2	1	6	3	3	0	0	1	2	1	6.5	25.5
U.S. Gulf of Mexico	3	2	6	2	2		7	4	3	7			1	37
Alaska							1							1
California								1						1
Total Offshore	3	2	8	3	8	3	11	5	3	8	2	1	7.5	64.5

Workover/Well-Servicing Rigs

	< 300 HP	300 – 350 HP	400 – 450 HP	500 HP and >	↓ Total
U.S. Lower 48					
West Texas	6	71	67	8	152
East Texas	3	14	13	5	35
South Texas	0	6	15	9	30
Oklahoma	3	9	17	9	38
Rocky Mountains	0	5	37	11	53
California	63	70	55	5	193
Stacked	6	35	18	5	64
Total U.S. Lower 48	81	210	222	52	565
Canada	18	129	60	9	216
Total Workover/Well-Servicing	99	339	282	61	781

Land Drilling Fleet

	< 1,000 HP			1,000 – 1,399 HP		
	Electrical	Mechanical	Total	Electrical	Mechanical	Total
Alaska						
North Slope	1	1	2	4	0	4
Cook Inlet	0	2	2	0	0	0
Joint Venture	0	1	1	0	0	0
Total Alaska	1	4	5	4	0	4
U.S. Lower 48						
Southern Division						
California	4	3	7	3	0	3
East Texas	3	4	7	16	5	21
Gulf Coast	0	0	0	3	1	4
South Texas	0	0	0	1	2	3
North Texas	1	4	5	6	7	13
West Texas	0	6	6	4	3	7
Subtotal Southern Division	8	17	25	33	18	51
Northern Division						
Arkoma	1	19	20	0	3	3
Mid-continent	1	1	2	2	2	4
North Dakota	0	5	5	1	18	19
Colorado	2	12	14	2	6	8
Wyoming	3	8	11	3	4	7
Subtotal Southwestern Division	7	45	52	8	33	41
Stacked Inventory	5	42	47	4	20	24
Subtotal U.S. Lower 48	20	104	124	45	71	116
Total U.S. Land Drilling Fleet	21	108	129	49	71	120
Canada	10	47	57	10	2	12
International						
Latin America						
Mexico	2	0	2	0	0	0
Argentina	0	12	12	2	1	3
Bolivia	0	0	0	0	2	2
Colombia	1	2	3	0	1	1
Ecuador	0	4	4	0	1	1
Venezuela	0	0	0	0	0	0
Subtotal Latin America	3	18	21	2	5	7
Australia	0	3	3	0	0	0
Subtotal Australia	0	3	3	0	0	0
Middle East/Africa/CIS						
Algeria	0	0	0	0	0	0
Kazakhstan	0	2	2	0	0	0
Oman	0	0	0	3	0	3
Saudi Arabia	0	0	0	0	0	0
U.A.E.	0	2	2	0	0	0
Yemen	0	1	1	4	0	4
Subtotal Middle East/Africa/CIS	0	5	5	7	0	7
Joint Ventures						
Saudi Arabia	0	4	4	0	0	0
JV Inventory	0	8	8	0	0	0
Subtotal Joint Ventures	0	12	12	0	0	0
Inventory	0	8	8	0	1	1
Total International	3	46	49	9	6	15
Total Global Land Drilling Fleet	→ 34	201	235	→ 68	79	147

1,400 – 1,999 HP			> 2,000 HP			Total		
Electrical	Mechanical	Total	Electrical	Mechanical	Total	Electrical	Mechanical	Total
0	0	0	9	0	9	14	1	15
1	0	1	1	0	1	2	2	4
0	0	0	0	0	0	0	1	1
1	0	1	10	0	10	16	4	20
3	0	3	2	0	2	12	3	15
14	1	15	7	0	7	40	10	50
4	2	6	18	0	18	25	3	28
14	4	18	7	1	8	22	7	29
0	1	1	0	0	0	7	12	19
1	2	3	4	1	5	9	12	21
36	10	46	38	2	40	115	47	162
0	2	2	0	0	0	1	24	25
5	2	7	8	1	9	16	6	22
1	4	5	0	0	0	2	27	29
0	0	0	1	0	1	5	18	23
4	0	4	2	0	2	12	12	24
10	8	18	11	1	12	36	87	123
5	19	24	2	2	4	16	83	99
51	37	88	51	5	56	167	217	384
52	37	89	61	5	66	183	221	404
8	0	8	4	0	4	32	49	81
0	0	0	0	0	0	2	0	2
0	0	0	0	0	0	2	13	15
1	0	1	0	0	0	1	2	3
1	1	2	2	0	2	4	4	8
1	0	1	1	0	1	2	5	7
0	0	0	1	0	1	1	0	1
3	1	4	4	0	4	12	24	36
0	0	0	0	0	0	0	3	3
0	0	0	0	0	0	0	3	3
2	0	2	3	0	3	5	0	5
0	0	0	1	0	1	1	2	3
0	0	0	0	0	0	3	0	3
6	0	6	10	0	10	16	0	16
0	0	0	2	0	2	2	2	4
2	0	2	0	0	0	6	1	7
10	0	10	16	0	16	33	5	38
4	0	4	1	0	1	5	4	9
0	0	0	0	0	0	0	8	8
4	0	4	1	0	1	5	12	17
0	0	0	0	0	0	0	9	9
17	1	18	21	0	21	50	53	103
→ 77	38	115	→ 86	5	91	→ 265	323	588

Detailed Unit Discussion

Visual Perspective 1



U.S. Lower 48 Land Drilling

Nabors Drilling USA markets a broad range of land rigs in every size and in every important oil and gas drilling area in the U.S. Lower 48.

Notes

→ 2005 was an excellent year for this unit as the rig count climbed to 255 by year end with a per rig average margin of \$8,900 per day. Income increased fivefold over the previous year, primarily on the strength of improved pricing.

The year was highlighted by customer commitments for 57 new-build rigs, with two delivered by year end. These new PACE™ rigs incorporate AC and PLC technology with sophisticated power and control systems, allowing them more control over the drilling process to achieve improved efficiency and command higher dayrates. Refurbishment and deployment of rigs also continued, but at a reduced rate.

This unit's continued emphasis on safety was apparent as the total recordable rate improved from 3.60 to 3.34 even as man hours of exposure climbed from 12.3 million to 15.1 million. The severity of injury also declined with the lost-time incident rate improving dramatically from .39 to .17. Both were directly attributable to the company's comprehensive safety and training programs.

We continued to augment our service offerings with the acquisition of Alexander Drilling. The addition of eight rigs expanded our presence in the rapidly growing air drilling market in Arkansas. We also added one like-new, ready to run rig from Lewis Production.

In response to the unparalleled growth experienced in virtually every market, this unit took the steps necessary to improve operational quality and efficiency. A key component of this effort was a focused restructuring of the organization into 11 districts, up from eight, within three operating divisions. Manpower issues were also addressed proactively, by increasing the number of dedicated human resource and health, safety and environmental professionals in each district. The scope of training was also expanded, with training centers equipped with functional drilling rigs now operating in the Rocky Mountains, mid-continent and South Louisiana, collectively providing the resources to train 2,800 rig personnel at all levels during the year.

2006 has the potential to be another record year. At least 37 of the 57 new-build rigs will commence operations during the year, with eight additional refurbished rigs scheduled to deploy. All new-build rigs are secured by term contracts.

Approximately \$1 billion dollars will be spent in this unit on capital expenditures during the year, with most targeted for new rig construction, top drives and pipe handling equipment. Significant investments will also be made in safety and training, the latter highlighted by the construction of three new drilling simulators that will be used to train drillers in much the same way that aircraft simulators are used to train pilots, reducing accidents and improving operational efficiency in the process.

Canada

Nabors Canada operates 81 drilling rigs and 216 well-servicing and workover rigs and provides related services. The market is characterized by large seasonal fluctuations, 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.

Notes

→ Nabors Canada posted a record year in 2005, the third in a row for this unit. Improved utilization and pricing were the primary drivers in a year that saw results in the normally slower fourth quarter surpass performance in the traditionally peak first quarter.

The unit that premiered the innovative PACE™ rig continued to develop new technology, rolling out the industry's first AC-powered coiled tubing/stem drilling rig in the first quarter.

Nabors Canada continued to look for ways to extend the drilling season for customers. To this end, the company began building a heliportable PACE™ rig that can be air transported into remote or environmentally-sensitive areas when other, more traditional access is unavailable. Year-round well-servicing also continues to be a challenge, leading this unit to acquire the assets necessary for heliportable well-servicing.

The outlook for 2006 is excellent with the expectation of continued improvement in pricing and the deployment of several incremental rigs. The benefits of extended season technology should also be evident, bolstered by the introduction of the first well-servicing rig with PACE™ technology, which should debut in the first quarter.

Rapid expansion in drilling activity continues to stretch traditional manpower sources and Nabors Canada is paralleling other Nabors units in expanding its training program to address this issue. A drilling rig devoted specifically to training is being added at the operations center in Nisku that will complement the service rig already installed in Red Deer. Together, they are expected to significantly improve the experience level of new employees before they go into the field, improving both safety and drilling efficiency.

International

Nabors International owns and operates both land and offshore rigs in 28 countries worldwide and has operating experience in more than 20 others.

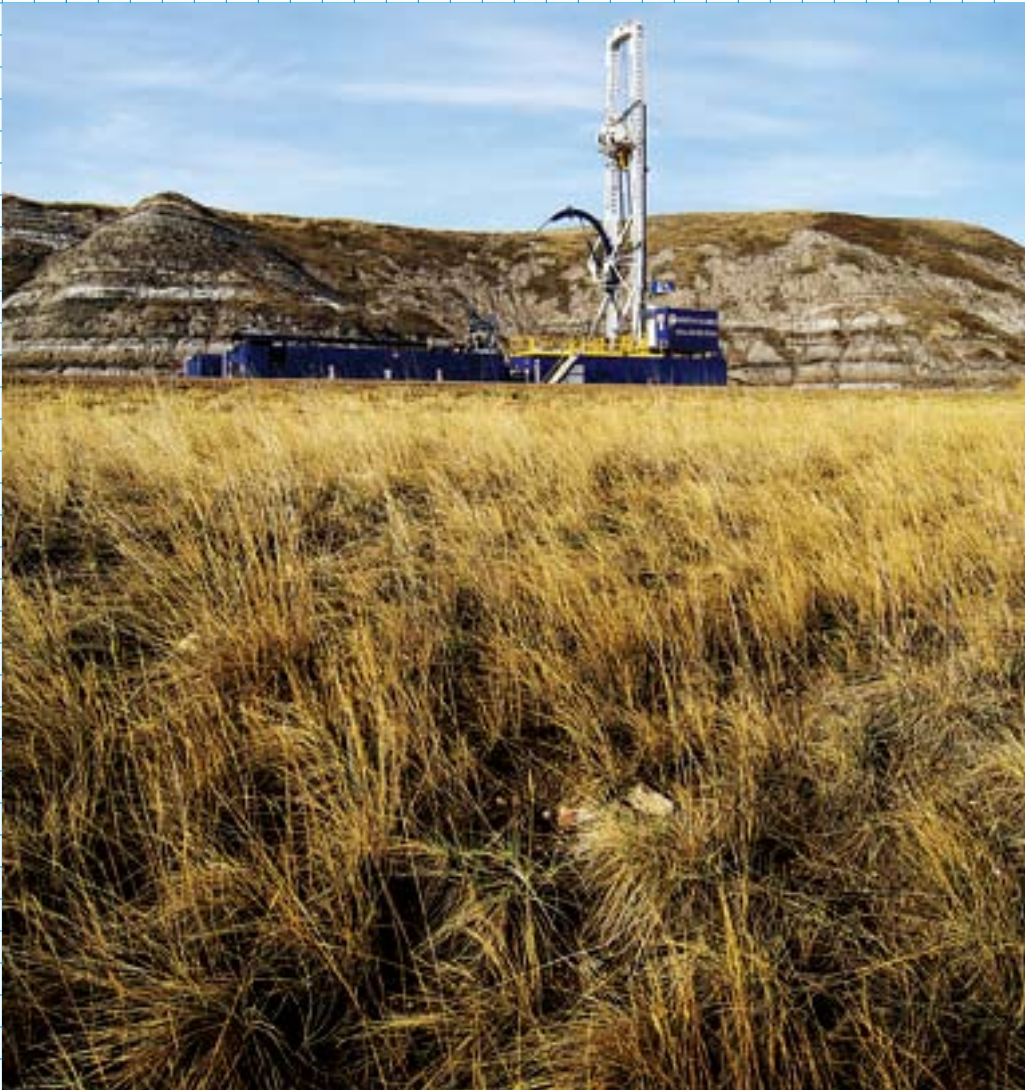
Notes

→ 2005 was an excellent year for this unit as results increased by 52 percent on the strength of improved pricing and the deployment of several incremental rigs, including six in Saudi Arabia. Two additional rigs were also deployed to Colombia with one each in India, Gabon, Kazakhstan, Algeria and the United Arab Emirates.

The improvement in rig rates that has characterized our North American operations began to be felt internationally during the year with contracts for several rigs being renewed at much higher rates. The majority of the impact from improved pricing is yet to be realized in this unit, however, and will be most evident in 2006 and beyond.

Nabors International was charged with sourcing additional rig manufacturing capacity during the year on behalf of all Nabors operating entities. This led to a long-term investment in the most entrepreneurial of Chinese manufacturing companies. To date, approximately 70 rigs are under construction, 58 of which have customer commitments. Ten of these rigs

Visual Perspective 2



Visual Perspective 3



Notes

have been assigned to Nabors International, with two already deployed in Venezuela and two more scheduled to be drilling in Oman mid-year. Four additional rigs are also scheduled for Saudi Arabia and one each for Algeria and Libya.

In 2006, this unit expects to realize the effects of multiple rig repricings and the deployment of 18 incremental rigs, 13 of which are PACE™ rigs. Twelve of these additional rigs are land rigs, with six targeted for Saudi Arabia, and six are offshore rigs, with four deploying offshore Mexico.

This unit will continue to invest in operational efficiency, expanding the training network to better address the manpower requirements that accompany rapid growth. To this end, we are adding a drilling simulator and a training rig at the company's training center in Oman.

The outlook for this business unit has never been better with a large number of current and prospective opportunities for additional PACE™ rigs. A modest success rate combined with the realization of additional pricing leverage should deliver the best year in Nabors International's history.

U.S. Land Well-Servicing

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.

Notes

→ Nabors Well Services had a record-breaking year in 2005 as operating income practically doubled, primarily driven by improved pricing. Workover activity also increased as sustained high oil prices continued to buoy the repair market for mechanically pumped wells.

Formerly known as Pool Well Services, this unit changed its name during the year to better reflect its relationship with parent company Nabors Industries.

The year was highlighted by the deployment of six state-of-the-art Millennium rigs, a step-change in the safety, efficiency and economy of well maintenance work. This unit also rolled out 60 new fluid hauling trucks and 100 new frac tanks, further upgrading its fleet in preparation for what is expected to be significant growth in 2006.

Nabors Well Services continued to expand our operations in the rapidly growing Rocky Mountain region, adding several new facilities. We also opened new locations in Texas that will support rig, trucking and frac tank rental operations, and expanded our participation in the rental tool business, acquiring Rocky Mountain Oil Tools in Colorado and Sunset Well Services in Wyoming.

Safety continued to be a high point for this unit, which won the Association of Energy Service Companies' Gold Award for the ninth consecutive year, a record unmatched by any of its competitors.

Going forward, Nabors Well Services expects to continue to benefit from improved pricing in the new year. We also expect to deploy 43 of the remaining 74 Millennium rigs currently on order, as well as 20 smaller 200-horsepower rigs, ideal for working over closely spaced wells. More than 100 new fluid hauling trucks will again be added, as will more than 300 new frac tanks.

Notes

A new safety training program will be implemented in 2006 that will complement the successful advanced safety audits now implemented company-wide. Two training rigs will also be installed in the mid-continent, improving both safety and efficiency in this unit's well-servicing operations.

U.S. Offshore

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 reengineered to accommodate the dynamic wave action associated with deepwater SPAR and tension-leg platforms.

Notes

→ Results for Nabors Offshore nearly doubled in 2005 in spite of the effects of two hurricanes in the third quarter. SSD XII was lost completely during the storms, which also put Barge Rig 300, Pool 54 and Dolphin 110 out of commission for the remainder of the year.

Improved pricing across the board and strong demand, particularly for our platform rigs, were the primary drivers of this unit's performance. All Super Sundowner platform rigs were active the entire year, with newly constructed SSD XIX deploying in the fourth quarter. Demand remained heavy for all rigs capable of working on deepwater SPARs, with all four of our MODS rigs and API Rig 85 busy the entire year. Demand for our smaller Sundowner® platform rigs was weak, however, resulting in relatively low utilization.

This unit's continued focus on safety also paid off as the lost-time incident rate dropped by 31 percent.

The outlook for 2006 is excellent with continued contributions from our platform drilling rigs. Our ultra-deep drilling Barge Rig 300 also went back to work early in the first quarter, and a new posted barge rig with similar capabilities will be completed and deployed in the second quarter.

Two new Super Sundowners, SSD XX and SSD XXI, are also under construction and will be deployed in 2006. Demand for rigs in this class has been strong since the first unit was deployed over a decade ago and we continue to evaluate expansion opportunities. Workover activity for our smaller Sundowner® rigs is also expected to improve. Manpower continues to be a challenge and we have instituted an aggressive recruiting and training program to address this issue.

Pricing on all classes of rigs remains strong with additional opportunities to realize pricing leverage as rig contracts renew. Rates for large jack-ups continue to climb, which is having a positive impact on the smaller jack-ups in the Nabors fleet.

Visual Perspective 4



Nabors Alaska

Nabors Alaska conducts Arctic drilling operations on the North Slope of the Brooks Range, as well as in southern Alaska and the Cook Inlet. 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.

Notes

→ 2005 results improved only slightly in Nabors Alaska, primarily on the strength of improved pricing.

Activity in the National Petroleum Reserve – Alaska (NPRA) began to improve as major and smaller independents continued to acquire drilling prospects. Nabors rig 14E commenced drilling in the region after being transported by Roll-A-Gon, a cost-effective alternative to the air transport normally required.

The year was highlighted by a key customer's announcement that Nabors had been selected as the drilling contractor on its island development in the Beaufort Sea north of Kaparuk. As many as 30 wells will be drilled, with the first set to spud in 2007.

The outlook for 2006 is for continued modest improvement in results, although several new independent operators have moved onto the North Slope and bidding is active on several new drilling projects, including one multi-well project where Nabors' asset base and experience make it a strong candidate.

Canrig Drilling Technology, Ltd.

Canrig manufactures and markets a broad range of top drives and accessory equipment worldwide.

Notes

→ Canrig had a record year in 2005 as it increased its top drive production to 60, a 250 percent increase over the 17 units produced in 2004. This unit also benefited from broad-based customer acceptance of its lower well control valve actuator. Canrig began the roll out of its Equipment Condition Monitoring System, which sends an alarm to the rig site and the company office when predetermined conditions are reached that may indicate the need for maintenance or repair. This unit also began actively marketing a Directional Steering Control System, which uses the top drive to assist the directional drilling process, automating decision making for drillers.

A major expansion and renovation of its primary manufacturing facility in Magnolia, Texas, was also performed during the year. This allows this unit to meet the increased demand for top drives and will also better accommodate rig equipment repairs, a new line of business.

Canrig continued to make major strides in safety performance during the year. The total recordable rate dropped from 1.25 to .86 and the severity of accidents was also greatly reduced.

In 2006, Canrig expects to deliver 160 top drives. This unit will also package its automatic driller, crown and floor saver and RigWatch instrumentation panel into an integrated driller's console, which will be expandable to accommodate other control applications in the future. This system will improve the capabilities of DC-powered rigs to more closely approximate the performance of AC-powered rigs.

Epoch Well Services, Inc.

Epoch manufactures instrumentation systems to collect, analyze and transmit data that facilitates oil and gas drilling operations.

Notes

→ Results for this unit were improved on the strength of a substantial increase in the installations of its RigWatch instrumentation systems. This unit also rolled out an upgrade to its myWells.com product and initiated real-time instrumentation and real-time directional/MWD data gathering. These products provide customers with immediate access to drilling data as it occurs, improving decision making and response time.

Epoch made a significant investment in improving both the quality of its operations and its customer support structure during the year. This was highlighted by the introduction of a 24/7 support center with remote administrative capabilities. As a result, one-third of the calls that previously required a site visit by a technician are now handled remotely via the Internet, improving response time and reducing costs. Epoch also completed an agreement with Halliburton subsidiary Landmark Graphics under which Landmark will market two of Epoch's Bengal line of products, AFE and Rig Scheduler.

In 2006, Epoch expects to introduce its instrumentation product for workover rigs. This product will include control systems, as well as standard instrumentation. Real-time access to rig data will be available via myWells.com.

Epoch will also premiere an electronic drift tool that provides more accurate deviation data on non-directional wells. Called StraightShot™, it is a quantum leap over the mechanical technology that has been used for years. It will roll out in the first quarter and has the potential to claim a significant portion of this market.

Marine Transportation

Nabors Marine Transportation markets a broad fleet of offshore supply vessels worldwide.

Notes

→ Results for this unit were up slightly early in the year, but a flurry of repair and maintenance work in the wake of two third-quarter hurricanes caused utilization and pricing to increase dramatically and provided the basis for a very good year.

Results were further bolstered by the return of three Super 200 Class Vessels from our international subsidiary, with all three immediately going to work for significantly better charter rates.

The outlook for the coming year is excellent as the remediation of pipelines and platforms continues, bolstered by enhanced drilling activity as several new independents begin projects in the Gulf of Mexico. Activity worldwide continues to escalate, particularly in Latin America, West Africa and the Middle East, with demand for vessels in every class increasing. This unit expects its vessels to continue to be awarded a high number of these prospects based on the quality of our assets and their superior performance history.

Visual Perspective 5



Visual Perspective 6



Peak Oilfield Services

Peak Oilfield Services is involved in construction, maintenance and logistics in support of oil and gas drilling in Alaska.

Notes

→ Results for this unit were down in 2005 based on reduced levels of exploration and a lower contribution from our Kenai maintenance contract.

Peak made a significant investment in equipment during the year, adding three Tundra Cat vehicles that transport a broad range of equipment over tundra and other difficult terrain in support of operations in remote areas. This is a new line of business for Peak that began to contribute in 2005 and has the potential to significantly impact performance in 2006 and beyond.

This unit also took advantage of an opportunity in its crane business, purchasing two new units that were immediately put to work at good rates. We expanded our engineering, procurement and construction business outside our traditional oilfield market with a contract for the first phase of a multi-stage project to upgrade and expand the power generation capability of the municipality of Anchorage.

The outlook for 2006 is for improved results based on additional exploration in the National Petroleum Reserve – Alaska (NPRA). Expansion of the Alpine field for a major operator should also contribute to results as demand for equipment improves. An influx of new operators into this market is increasing the number of projects available for bid, with Peak already landing several new contracts.

Ryan Energy Technologies

Ryan Energy Technologies provides horizontal and directional drilling and measurement while drilling (MWD) services for both conventional and unique drilling applications.

Notes

→ Ryan Energy Technologies had the best year in its history on the strength of improved pricing, additional capacity and a modest increase in market share. This performance was the result of accurately positioning the company to take advantage of a rapidly expanding market in North America. A twelvefold improvement in results proved the wisdom of this strategy.

Particularly noteworthy was the relative strength of the U.S. market and customer acceptance of new MWD technology. A strategy in the U.S. of delivering packaged directional drilling and MWD services allowed us to increase sales directly to operators, leading to improved utilization, pricing and field execution. Results in 2005 reflect a very balanced contribution from both Ryan's U.S. and Canadian operations, with all financial metrics reflecting a near-equal contribution from each market.

The safety record for this unit was again excellent, with no lost-time accidents reported during the year for Ryan USA or Ryan Canada.

We expect continued strong financial performance as demand for this unit's products, services and expertise continues to grow. The procurement and/or construction of additional capacity in this buoyant market should positively impact results for this division in 2006.

Visual Perspective 7



Visual Perspective 8

