

## Part III

*Nabors Industries Ltd. and Subsidiaries*

### Item 10 Directors and Executive Officers of the Registrant

The information called for by this item will be contained in the Nabors Industries Ltd. definitive proxy statement to be distributed in connection with its 2006 annual meeting of shareholders under the captions "Election of Directors" and "Other Executive Officers" and is incorporated into this document by reference.

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

To our knowledge, based solely on review of the copies of Forms 3 and 4 and amendments thereto furnished to us during 2005 and Form 5 and amendments thereto furnished to us with respect to the year 2005, and written representations that no other reports were required, all Section 16(a) filings required to be made by Nabors' officers, directors and greater than 10% beneficial owners with respect to the fiscal year 2005 were timely filed, except that Mr. Martin Whitman filed one Form 4 late with respect to a single sale transaction that occurred in May 2005.

We have adopted a Code of Business Conduct that satisfies the SEC's definition of a "Code of Ethics" and applies to all employees, including our principal executive officer, principal financial officer, and principal accounting officer. The Code of Ethics is posted on our website at [www.nabors.com](http://www.nabors.com). We intend to disclose on our website any amendments to the Code of Conduct and any waivers of the Code of Conduct that apply to our principal executive officer, principal financial officer, and principal accounting officer.

On October 21, 2005, we filed with the New York Stock Exchange, or NYSE, the Annual CEO Certification regarding our compliance with the NYSE's Corporate Governance listing standards as required by Section 303A-12(a) of the NYSE Listed Company Manual. In addition, we have filed as exhibits to this annual report the applicable certifications of our Chairman and Chief Executive Officer and our Vice President and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002, regarding the quality of our public disclosures.

### Item 11 Executive Compensation

Except as specified in the following sentence, the information called for by this item will be contained in our definitive proxy statement to be distributed in connection with our 2006 annual meeting of shareholders under the caption "Management Compensation" and is incorporated into this document by reference. Information in Nabors' 2006 proxy statement not deemed to be "soliciting material" or "filed" with the Commission under its rules, including the Report of the Compensation Committee on Executive Compensation, the Report of the Audit Committee and the Five Year Stock Performance Graph, is not deemed to be incorporated by reference.

### Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The Company maintains eleven different equity compensation plans: the 1993 Stock Option Plan for Non-Employee Directors, 1996 Executive Officers Incentive Stock Plan, 1996 Employee Stock Plan, 1996 Chairman's Executive Stock Plan, 1996 Executive Officers Stock Plan, 1997 Executive Officers Incentive Stock Plan, 1998 Employee Stock Plan, 1998 Chairman's Executive Stock Plan, 1999 Stock Option Plan for Non-Employee Directors, 1999 Pool Employee/Director Option Exchange Plan and 2003 Employee Stock Plan pursuant to which it may grant equity awards to eligible persons from certain plans. The terms of the Company's Equity Compensation Plans are described more fully below.

The following table gives information about these equity compensation plans as of December 31, 2005:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	11,076,970	\$ 44.6594	5,471,063 <sup>(1)</sup>
Equity compensation plans not approved by security holders <sup>(2)</sup>	8,203,067	\$ 42.4782	451,362
<b>Total</b>	<b>19,280,037</b>		<b>5,922,425</b>

<sup>(1)</sup> The 1996 Employee Stock Plan incorporates an evergreen formula pursuant to which on each January 1, the aggregate number of shares reserved for issuance under the 1996 Employee Stock Plan will increase by an amount equal to 1 1/2 % of the common shares outstanding on December 31 of the immediately preceding fiscal year.

<sup>(2)</sup> The Company issued 153,519 stock options under the 1999 Pool Employee/Director Option Exchange Plan of Pool Energy Services Co. The remaining options are exercisable for 1,972 common shares of the Company (after giving effect to the exchange ratio provided in the Pool acquisition agreement). The options have a weighted-average exercise price of \$15.7151 per share. No further awards will be made under the 1999 Pool Employee/Director Option Exchange Plan.

Following is a brief summary of the material terms of the plans that have not been approved by our shareholders. Unless otherwise indicated, (1) each plan is administered by an independent committee appointed by the Company's Board of Directors; (2) the exercise price of options granted under each plan shall be no less than 100% of the fair market value per common share on the date of the grant of the option; (3) the term of an award granted under each plan may not exceed ten years; (4) options granted under the plan are nonstatutory options not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (NSOs); and (5) unless otherwise determined by the committee in its discretion, options may not be exercised after the optionee has ceased to be in the employ of the Company.

#### 1996 Executive Officers Incentive Stock Plan

The plan reserves for issuance up to 3,600,000 common shares of the Company pursuant to the exercise of options granted under the plan. Options may be granted under the plan to executive officers of the Company. No optionee may receive grants in excess of 50% of the total number of common shares authorized to be issued under the plan.

#### 1996 Chairman's Executive Stock Plan

The plan reserves for issuance up to 850,000 common shares of the Company pursuant to the exercise of options granted under the plan. Options may be granted under the plan to the Chairman of the Board of the Company. In the event of a termination of employment for any reason, except by the Company for cause or by voluntary resignation by optionee, all unvested options shall be immediately exercisable as of the date of his termination of his employment.

#### 1996 Executive Officers Stock Plan

The plan reserves for issuance up to 860,000 common shares of the Company pursuant to the exercise of options granted under the plan. Options may be granted under the plan to executive officers of the Company. No optionee may receive grants in excess of 50% of the total number of common shares authorized to be issued under the plan.

#### 1997 Executive Officers Incentive Stock Plan

The plan reserves for issuance up to 2,450,000 common shares of the Company pursuant to the exercise of options granted under the plan. Options may be granted under the plan to executive officers of the Company. No optionee may receive grants in excess of 50% of the total number of common shares authorized to be issued under the plan.

#### 1998 Employee Stock Plan

The plan reserves for issuance up to 17,500,000 common shares of the Company pursuant to the exercise of options granted under the plan. The persons who shall be eligible to participate in the plan are employees and consultants of the company. Options granted to employees may either be awards of shares, non-qualified stock options (NQSOS), incentive stock options (ISOs) or stock appreciation rights (SARs). An optionee may reduce the option exercise price by paying the Company in cash, shares, options, or the equivalent, an amount equal to the difference between the exercise price and the reduced exercise price of the option. The committee shall establish performance goals for stock awards in writing not later than the date required for compliance under IRC Section 162(m) and the vesting of such shares shall be contingent upon the attainment of such performance goals.

Stock awards shall vest over a period determined by the Committee, which period shall expire no later than January 18, 2006. The committee may grant ISOs of not less than 100% of the fair market value per common share on the date of grant; except that in the event the optionee owns on the date of grant, securities possessing more than 10% of the total combined voting power of all classes of securities of the Company or of any subsidiary of the Company, the price per share shall not be less than 110% of the fair market value per common share on the date of the grant and such option shall expire five years from the date such option is granted. SARs may be granted in conjunction with all or part of any option granted under the plan, in which case the exercise of the SAR shall require the cancellation of a corresponding portion of the option and the exercise of the option will result in cancellation of a corresponding portion of the SAR. In the case of a NQSO, such rights may be granted either at or after the time of grant of such option. In the case of an ISO, such rights may be granted only at the time of grant of such option. A SAR may also be granted on a stand alone basis. The term of a SAR shall be established by the committee. The exercise price of a SAR shall in no event be less than 100% of the fair market value per common share on the date of grant. The committee shall have the authority to make provisions in its award and grant agreements to address vesting and other issues arising in connection with a change of control.

#### **1998 Chairman's Executive Stock Plan**

The plan reserves for issuance up to 764,924 common shares of the Company pursuant to the exercise of options granted under the plan. Options may be granted under the plan to the Chairman of the Board of the Company. In the event of a termination of employment for any reason, except by the Company for cause or by voluntary resignation by optionee, all unvested options shall be immediately exercisable as of the date of his termination of his employment.

#### **1999 Stock Option Plan for Non-Employee Directors**

The plan reserves for issuance up to 1,500,000 common shares of the Company pursuant to the exercise of options granted under the plan. The plan is administered by the Company's Board of Directors, provided that the Board may appoint a committee to administer the plan. In no event shall an eligible director consider or vote on the administration of this plan or serve as a member of the committee. Options may be granted under the plan to non-employee directors of the Company. Options shall vest and become non-forfeitable on the first year anniversary of the day on which such option was granted, if the optionee has continued to serve as a director until that day, unless otherwise provided. In the event of termination of an optionee's service as a director by reason of voluntary retirement, declining to stand for re-election or becoming a full time employee of the Company or a subsidiary of the Company, all unvested options granted pursuant to this Plan shall automatically expire and shall not be exercisable and all options unexercised shall continue to be exercisable until the stated expiration date of such options. In the event of death or disablement of an optionee while the optionee is a director, the then-outstanding options of such optionee shall be exercisable for two years from the date of the death or disablement of the optionee or by his/her successors in interest. All unvested options shall automatically vest and become non-forfeitable as of the date of death or disablement and shall be exercisable for two years from the date of the death of the optionee or until the stated grant expiration date, whichever is earlier, by the optionee or by his/her successors in interest. In the event of the termination of an optionee's service as a director by the Board of Directors for cause or the failure of such director to be re-elected, the administrator of the plan in its sole discretion can cancel the then-outstanding options of such optionee, including those options which have vested and such options shall automatically expire and become non-exercisable on the effective date of such termination.

### 1999 Pool Employee/Director Option Exchange Plan

The plan reserves for issuance up to 1,466,010 common shares of the Company pursuant to the exercise of options granted under the plan. Options may be granted under the plan to former employees and non-employee directors of Pool Energy Services Co. or its subsidiaries who held options to purchase shares of Pool common stock pursuant to certain stock option plans of Pool. The exercise price of options granted under the plan shall equal the exercise price per share of the corresponding Pool option, divided by 1.025 (rounding the resulting exercise price up to the nearest whole cent). The period for exercise of an option shall be the same as the period for exercise of the corresponding Pool option. If an optionee has ceased to be in the employ of the Company or its subsidiaries, any outstanding options, whether or not vested, generally may not be exercised after the optionee's date of termination and shall be forfeited; provided however, in its sole discretion the committee may extend the time to exercise any option to a period ending on its applicable expiration date. The committee, in its discretion, shall have the authority to make provisions in its grant agreements to address vesting and other issues arising in connection with a change of control.

The remainder of the information called for by this item will be contained in our definitive proxy statement to be distributed in connection with our 2006 annual meeting of shareholders under the caption "Share Ownership of Management and Principal Shareholders" and is incorporated into this document by reference.

### Item 13 Certain Relationships and Related Transactions

The information called for by this item will be contained in our definitive 2006 proxy statement to be distributed in connection with our 2006 annual meeting of shareholders under the captions "Certain Relationships" and "Compensation Committee Interlocks and Insider Participation" and is incorporated into this document by reference.

### Item 14 Principal Accounting Fees and Services

The information called for by this item will be contained in our definitive 2006 proxy statement to be distributed in connection with our 2006 annual meeting of shareholders under the caption "Principal Accountant Fees and Services" and is incorporated into this document by reference.