

NABORS INDUSTRIES LTD  
Form 424B3  
June 25, 2002

Filed pursuant to Rule 424(b)(3)  
Registration No. 333-85228-99

PROSPECTUS

(NABORS LOGO)

UP TO 7,150,000 COMMON SHARES  
(PAR VALUE U.S.\$0.001 PER SHARE)

OF

NABORS INDUSTRIES LTD.

This prospectus relates to the common shares of Nabors Industries Ltd. (which we refer to as Nabors Bermuda in this prospectus), issuable upon:

- exchange or redemption of the exchangeable shares of Nabors Exchangeco (Canada) Inc., a Canadian corporation and an indirect wholly-owned subsidiary of Nabors Bermuda, which we call Exchangeco in this prospectus; and
- the exercise of certain warrants to purchase Nabors Bermuda common shares described in this prospectus.

The exchangeable shares were issued to former shareholders of Enserco Energy Service Company Inc., a corporation incorporated under the laws of Canada, in connection with the acquisition of Enserco by Nabors Industries, Inc., a Delaware corporation and our wholly-owned indirect subsidiary (which we refer to as Nabors Delaware). Each exchangeable share may be exchanged for one of our common shares, plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share. In some cases, Exchangeco may redeem each exchangeable share for one of our common shares plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share. Because our common shares offered by this prospectus will be issued in exchange for, or upon the redemption of, the exchangeable shares, we will not receive any cash proceeds from the issuance of our common shares upon exchange or redemption of exchangeable shares in connection with this offering.

In connection with Nabors Delaware's acquisition of Enserco, warrants to purchase 500,000 Enserco common shares became, after the completion of the acquisition of Enserco and the reorganization transaction in which Nabors Delaware became a wholly-owned indirect subsidiary of Nabors Bermuda (which transaction we refer to as the reorganization in this prospectus), warrants to purchase the number of our common shares as the warrant holder would have been entitled to receive pursuant to the Enserco acquisition if the warrants had been exercised and the Enserco common shares were exchanged for Nabors Bermuda common shares on the basis of the exchange ratio in the Enserco acquisition. In this offering, we may receive the exercise price of the warrants in cash when the warrants are exercised and we deliver our common shares upon such exercise, up to a maximum of approximately U.S.\$3 million if all warrants are exercised (subject to adjustment of the exercise price of the warrants in accordance with their terms).

We are paying all expenses of registration incurred in connection with this offering.

Nabors Bermuda's common shares are traded on the American Stock Exchange

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under the symbol "NBR." On June 24, 2002, the last reported sales price of the common stock of Nabors Delaware (which was the publicly traded parent corporation of the Nabors group of companies prior to consummation of the reorganization described in this prospectus on June 24, 2002) on that exchange was \$37.95. Unless otherwise indicated, all dollar references in this prospectus are to U.S. dollars.

INVESTING IN NABORS BERMUDA'S COMMON SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 3.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is June 25, 2002.

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### ABOUT THIS PROSPECTUS

This document is called a prospectus and is part of a registration statement that we filed with the Securities and Exchange Commission (which we refer to as the SEC in this prospectus) using a "shelf" registration or continuous offering process.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read at the SEC web site or at the SEC office mentioned under the heading "Where You Can Find More Information."

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer or soliciting a purchase of these securities in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make the offer or solicitation. You should not assume that the information in this prospectus or

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any prospectus supplement is accurate as of any date other than the date on the front of the document.

THIS PROSPECTUS INCORPORATES BY REFERENCE IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT NABORS BERMUDA, NABORS DELAWARE, EXCHANGE CO AND THE EXCHANGEABLE SHARES THAT IS NOT INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS. COPIES OF THE INCORPORATED DOCUMENTS (OTHER THAN EXHIBITS TO SUCH DOCUMENTS, UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE THEREIN) WILL BE FURNISHED UPON WRITTEN OR ORAL REQUEST WITHOUT CHARGE TO EACH PERSON TO WHOM THIS PROSPECTUS IS DELIVERED. REQUESTS SHOULD BE DIRECTED TO NABORS INDUSTRIES LTD., WHITEPARK HOUSE, WHITE PARK ROAD, BRIDGETOWN, BARBADOS, OR VISIT OUR WEBSITE AT "<http://www.nabors.com>". WEBSITE MATERIALS ARE NOT PART OF THIS PROSPECTUS.

Unless we have indicated otherwise, references in this prospectus to "Nabors Bermuda," "we," "us," and "our" or similar terms are to Nabors Industries Ltd. and its consolidated subsidiaries.

### THE COMPANY

Nabors Bermuda, together with its subsidiaries, is the largest land drilling contractor in the world, with over 580 land drilling rigs as of June 24, 2002. We conduct oil, gas and geothermal land drilling operations in the U.S. lower 48 states, Alaska and Canada, and internationally, primarily in South and Central America, the Middle East and Africa. As of June 24, 2002, 142 of our approximately 596 land drilling rigs were located in certain international markets. We also are one of the largest land well-servicing and workover contractors in the United States and in Canada. We own approximately 745 land workover and well-servicing rigs in the southwestern and western United States, and approximately 233 well-servicing and workover rigs in certain international markets, including approximately 193 rigs in Canada. We also are a leading provider of offshore platform workover and drilling rigs. We market 42 platform, 16 jackup and three barge rigs in the Gulf of Mexico and international markets. These rigs provide well-servicing, workover and drilling services. We also own and operate a net of nine rigs through an international joint venture in Saudi Arabia (giving effect to our 50% interest in the venture's 18 rigs).

To further supplement our primary business, we offer a number of ancillary well-site services, including oilfield management, engineering, transportation, construction, maintenance, well logging and other support services, in selected domestic and international markets. Our land transportation and hauling fleet includes approximately 240 rig and oilfield equipment hauling tractor-trailers and a number of cranes, loaders and light-duty vehicles. We also maintain over 290 fluid hauling trucks, approximately 700 fluid storage tanks, eight salt water disposal wells and other auxiliary equipment used in domestic drilling and well-servicing operations. In addition, we market a fleet of 30 marine transportation and support vessels, primarily in the Gulf of Mexico, that provides transportation of drilling materials, supplies and crews for offshore rig operations and support for other offshore operations. And we manufacture and lease or sell top

drives for a broad range of drilling rig applications, rig instrumentation and data collection equipment, and rig reporting software.

Nabors Bermuda was formed as a Bermuda exempted company on December 11, 2001. Nabors Delaware was incorporated in Delaware in 1978. Our principal executive offices are located at Whitepark House, White Park Road, Bridgetown, Barbados. Our phone number at our principal executive offices is (246) 427-8617.

### RECENT DEVELOPMENTS

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### AGREEMENT TO ACQUIRE ENSERCO

On February 25, 2002, Nabors Delaware entered into an acquisition agreement to acquire Enserco, which agreement was amended and restated on March 18, 2002. The acquisition became effective pursuant to a plan of arrangement submitted for approval to the securityholders of Enserco and to the Court of Queen's Bench of Alberta. Nabors Delaware agreed to pay Cdn. \$15.50 per Enserco common share (plus additional consideration calculated at 6% per annum from and including February 26, 2002 to closing). The purchase price was payable, at the election of each individual Enserco shareholder, in cash, in exchangeable shares of Exchangeco or in a combination of cash and such exchangeable shares. The acquisition closed on April 26, 2002. The exchangeable shares are now exchangeable for our common shares on a 1:1 basis, plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share.

Under the terms of the acquisition agreement, the number of exchangeable shares to be issued for each Enserco common share took into account the additional consideration component and was determined based on the weighted average trading price of Nabors Delaware common stock, on the American Stock Exchange for the 10 consecutive trading days ending on the third business day prior to the date of the Enserco shareholders meeting to approve the plan of arrangement, converted into Canadian dollars at an exchange rate set forth in the plan of arrangement. On April 19, 2002, Nabors Delaware and Enserco announced that under this formula (which we refer to as the exchange ratio in this prospectus), each Enserco shareholder electing to receive exchangeable shares as consideration for all or a portion of their Enserco common shares in the transaction would receive .2377 exchangeable shares for each Enserco common share for which such election was made.

Pursuant to the plan of arrangement, Exchangeco acquired all of the outstanding common shares of Enserco in exchange for approximately Cdn. \$184 million in cash and approximately 3.55 million exchangeable shares, of which approximately 2.64 million shares were immediately exchanged for shares of Nabors Delaware common stock. As of May 31, 2002, there were approximately 742,609 exchangeable shares issued and outstanding.

In connection with entering into the acquisition agreement, Nabors Delaware also agreed to acquire from four significant Enserco shareholders, prior to the completion of the acquisition of Enserco pursuant to the plan of arrangement, approximately 20.5% of the outstanding Enserco common shares for Cdn. \$15.50 in cash per Enserco common share. Two of these purchase agreements were entered into between Nabors Delaware and John E. Hokanson, the President and Chief Executive Officer of Enserco, and J&S Hokanson Investments Ltd., a corporation controlled by Mr. Hokanson, under which Exchangeco purchased 131,731 and 771,747 Enserco common shares, respectively. The other two purchase agreements were entered into between Nabors Delaware and SCF-III, L.P. and SCF-IV, L.P., pursuant to which Exchangeco purchased from such shareholders 1,706,092 and 2,757,304 Enserco common shares, respectively. SCF-III, L.P. and SCF-IV, L.P. are private investment partnerships based in Houston, Texas. Mr. John Geddes, chairman of the board of directors of Enserco, is affiliated with the general partner of SCF-III, L.P. and SCF-IV, L.P. Exchangeco completed the four share purchase transactions on March 18, 2002.

SCF-IV also held warrants to purchase 500,000 Enserco common shares at an exercise price of Cdn. \$9.50 per share. The plan of arrangement provided that such warrants would, after the effective time of the arrangement and the reorganization, represent the right to purchase our common shares. Under the arrangement, the number of our common shares issuable upon exercise of the warrants after the effective time of the arrangement and the reorganization is

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equal to 500,000 (or such lesser number of shares if the warrant is exercised in part prior to the effective time of the arrangement or the reorganization) multiplied by the exchange ratio and the exercise price for such warrants is Cdn. \$9.50 divided by the exchange ratio, converted into U.S. dollars at an agreed upon exchange rate. On April 19, 2002, Nabors Delaware and Enserco announced that the exchange ratio would be .2377.

Accordingly, upon completion of the arrangement and the reorganization, the warrants held by SCF-IV became exercisable for 118,850 of our common shares at an exercise price of U.S.\$25.39 per share.

### REORGANIZATION

The stockholders of Nabors Delaware have approved and we have consummated a reorganization in which Nabors Delaware became a wholly-owned, indirect subsidiary of Nabors Bermuda. As a result of the reorganization, all outstanding shares of Nabors Delaware common stock were converted into the right to receive our common shares on a 1:1 basis, so that the stockholders of Nabors Delaware, including the holders of Nabors Delaware common stock who became stockholders of Nabors Delaware as a result of the Enserco acquisition, on the date of the reorganization became the owners of the same number of our common shares as they previously held in shares of Nabors Delaware common stock.

We will continue to conduct the business previously conducted by Nabors Delaware and its subsidiaries. We consummated the reorganization, because international activities are an important part of our current business and we believe that international operations will account for a greater percentage of our total revenues in the future. Expansion of our international business is an important part of our current business strategy and significant growth opportunities exist in the international marketplace. We believe that reorganizing as a Bermuda company will allow us to implement our business strategy more effectively. In addition, we believe that the reorganization should increase our access to international capital markets and acquisition opportunities, increase our attractiveness to non-U.S. investors, improve global cash management, improve global tax position and result in a more favorable corporate structure for expansion of our current business.

It is important to note that several senior members of the United States Congress have introduced legislation that, if enacted, would have the effect of eliminating the anticipated tax benefits of the reorganization. In addition, several other members of the United States Congress and the Treasury Department have recently announced the intent to investigate transactions such as the reorganization. On May 17, 2002, the Treasury Department released its preliminary report on the issues arising in connection with inversion transactions. The Treasury Report indicates that a prompt and comprehensive review of the U.S. tax system is in order and concludes that further work is needed to develop and implement an appropriate and effective long-term response to the issues under study. As a result of the increased scrutiny of such transactions, changes in the tax laws, tax treaties or tax regulations may occur, with prospective or retroactive effect, which could eliminate or substantially reduce the anticipated tax benefits of the reorganization or have a material adverse effect on the tax consequences of the reorganization to Nabors Bermuda.

### RISK FACTORS

Investing in our common shares involves risk. In addition to the risk factors described: (i) in Nabors Delaware's Annual Report on Form 10-K under the heading "Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" for the year ended December 31, 2001, (ii) in Nabors Delaware's Quarterly Report on Form 10-Q under the heading "Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS" for the quarter ended March 31, 2002 and (iii) in our Registration Statement on Form S-4, filed with the SEC on January 2, 2002, as amended, under the heading "RISK FACTORS," which are incorporated by reference in this prospectus, and the other information contained or incorporated by reference in this prospectus, you should carefully consider the risk factors described below before making an investment decision. The risks and uncertainties described below and incorporated by reference are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may impair our future business operations.

THE EXCHANGE OF YOUR EXCHANGEABLE SHARES IS GENERALLY TAXABLE.

Based on the tax laws as of the date of this prospectus, the exchange of exchangeable shares for our common shares is generally a taxable event in Canada and may be a taxable event in the United States. A holder's tax consequences can vary depending on a number of factors, including the residency of the holder, the method of the exchange and the length of time that the exchangeable shares were held prior to the exchange. Canadian and United States federal income tax consequences will vary depending on your particular circumstances. We strongly urge you to consult your tax advisor as to the tax consequences of exchanging your exchangeable shares for our common shares. See "Income Tax Considerations."

THE MARKET PRICE OF OUR COMMON SHARES MAY BE LESS THAN THE MARKET PRICE OF THE EXCHANGEABLE SHARES.

Our common shares are listed on the American Stock Exchange, and the exchangeable shares are listed on The Toronto Stock Exchange. We do not intend to list the exchangeable shares or our common shares on any other stock exchange in Canada or in the United States. As a result, the price at which the exchangeable shares trade is expected to be based upon the market for such shares on The Toronto Stock Exchange, and the price at which our common shares trade is based upon the market for such shares on the American Stock Exchange. Although we believe that the market price of the exchangeable shares on The Toronto Stock Exchange and the market price of our common shares on the American Stock Exchange should reflect essentially equivalent values, there can be no assurance that the market price of our common shares will be identical, or even similar, to the market price of the exchangeable shares.

OUR COMMON SHARES WILL BE FOREIGN PROPERTY FOR CANADIAN TAX PURPOSES.

You may be required to limit your investment in our common shares or risk incurring penalties under the Income Tax Act (Canada) if you are:

- a registered pension plan;
- a registered retirement savings plan;
- a registered retirement income fund;
- a deferred profit sharing plan; or
- among some other classes of tax-exempt person.

So long as the exchangeable shares are listed on a prescribed Canadian stock exchange, which exchanges include The Toronto Stock Exchange, and Exchangeco maintains a substantial presence in Canada, the exchangeable shares will not be foreign property under the Income Tax Act (Canada). Our common shares will, however, be foreign property for these plans or persons. These

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plans or persons may have to limit their investment in our common shares or risk incurring penalties under the Income Tax Act (Canada).

### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain any document we file with the SEC at the SEC's Public Reference Room in

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Washington, D.C. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549-1004. Our SEC filings are also accessible through the Internet at the SEC's web site at <http://www.sec.gov>.

The SEC permits us to "incorporate by reference" into this prospectus the information in documents we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and later information that we file with the SEC will update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the offering is otherwise terminated:

- Nabors Delaware's Annual Report on Form 10-K for the year ended December 31, 2001, filed with the SEC on March 19, 2002 (File No. 001-09245);
- Nabors Delaware's Current Reports on Form 8-K dated January 3, 2002, January 25, 2002, April 18, 2002, June 14, 2002 and June 24, 2002 (File No. 001-09245);
- Nabors Bermuda's Current Report on Form 8-K dated June 24, 2002 (File No. 333-76198);
- Nabors Delaware's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, filed with the SEC on May 15, 2002 (File No. 001-09245);
- Nabors Delaware's Definitive Proxy Statement on Schedule 14A dated April 30, 2002 (File No. 001-09245); and
- The description of our common shares contained in our Registration Statement on Form S-4, filed with the SEC on January 2, 2002, as amended by Pre-Effective Amendment No. 1, Pre-Effective Amendment No. 2, Pre-Effective Amendment No. 3 and Pre-Effective Amendment No. 4 to Form S-4, filed with the SEC on March 3, 2002, April 17, 2002, April 29, 2002 and May 10, 2002, respectively (Registration No. 333-76198).

If you request a copy of any or all of the documents incorporated by reference, we will send to you the copies you requested at no charge. However, we will not send exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents. You should direct requests for such copies to Nabors Industries Ltd., Whitepark House, White Park Road, Bridgetown, Barbados, telephone: (246) 427-8617.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933, as amended (which we refer to as the Securities Act in this prospectus), covering the securities described in this prospectus. This

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prospectus does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual contract, agreement or other document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

### FORWARD-LOOKING STATEMENTS

The statements in this document and the documents incorporated by reference that relate to matters that are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. When used in this document and the documents incorporated by reference, words such as "anticipate," "believe," "expect," "plan," "intend," "estimate," "project," "will," "should," "could," "may," "predict" and similar expressions are intended to identify forward-looking statements. Further events and actual results may differ materially

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from the results set forth in or implied in the forward-looking statements. Factors that might cause such a difference include:

- fluctuations in worldwide prices and demand for natural gas and crude oil;
- fluctuations in levels of natural gas and crude 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 uncertainties;
- the possibility of political instability 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 and production activities, could also materially affect our financial position, results of operations and cash flows.

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.

### USE OF PROCEEDS



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We will receive no net cash proceeds upon the issuance of our common shares upon exchange or redemption of the exchangeable shares. Upon completion of the plan of arrangement and the reorganization, the warrants held by SCF-IV became exercisable for 118,850 of our common shares, subject to adjustment, at an exercise price of U.S.\$25.39 per share (subject to adjustment in accordance with the terms of the warrants). We may receive up to approximately U.S.\$3 million in net cash proceeds in connection with the exercise of SCF-IV's warrants if all such warrants are exercised. If received, we will use any such proceeds for general corporate purposes.

### PLAN OF DISTRIBUTION

#### EXCHANGEABLE SHARES

Our common shares may be issued to you in exchange for your exchangeable shares in the following ways:

- You may require Exchangeco to exchange your exchangeable shares for an equivalent number of our common shares. We refer to this as your retraction rights.
- Exchangeco may automatically redeem your exchangeable shares for our common shares on the date which is the fifth anniversary of our acquisition of Enserco or upon the occurrence of any of the events described under "Our Redemption Rights." We refer to these rights as our redemption rights.
- Upon our liquidation or the liquidation or insolvency of Exchangeco, you may be required to, or may choose to, exchange your exchangeable shares for our common shares. We refer to these rights as your exchange rights.

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In addition, 3064297 Nova Scotia Company, an unlimited company organized under the laws of Nova Scotia, Canada, and our indirect, wholly-owned subsidiary (which we refer to as Callco in this prospectus) may exercise call rights over your exchangeable shares as described under "Callco's Call Rights" beginning on page 10. These call rights permit Callco to require an exchange of your exchangeable shares for our common shares if you exercise your retraction rights or exchange rights or in any circumstance where Exchangeco exercises its redemption rights. We are also permitted to exercise the call right identified below as the "change of law call right." Callco and Nabors Bermuda plan to exercise their call rights, when available, and we currently foresee no circumstances under which Callco or Nabors Bermuda would not exercise their call rights. We expect that you will receive our common shares through an exchange with Callco or Nabors Bermuda, as the case may be, as opposed to a redemption by Exchangeco, of your exchangeable shares for our common shares. While the consideration received upon an exchange with Callco or Nabors Bermuda or a redemption by Exchangeco will be the same, the tax consequences will be substantially different. These call rights are described below and are respectively called the:

- retraction call rights;
- liquidation call rights;
- redemption call rights; and
- change of law call rights.

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### YOUR RETRACTION RIGHTS

Subject to applicable law and Callco's retraction call right described in this prospectus, you are entitled at any time to retract, or require Exchangeco to redeem, any or all of your exchangeable shares and to receive an equal number of our common shares plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share. You may exercise your retraction rights by presenting to the transfer agent for the exchangeable shares or Exchangeco:

- a certificate or certificates representing the number of exchangeable shares you desire to retract;
- any other documents as may be required to effect the retraction of such exchangeable shares; and
- a duly executed retraction request:
  - specifying the number of exchangeable shares you desire to retract;
  - stating the retraction date on which you desire to have Exchangeco redeem your exchangeable shares, which must be between 10 and 15 business days from the date Exchangeco receives the request; and
  - acknowledging Callco's overriding retraction call right to purchase all but not less than all of the retracted shares directly from you and that the retraction request will be deemed to be a revocable offer by you to sell the retracted shares to Callco in accordance with Callco's retraction call right on the terms and conditions described below.

Exchangeco will promptly notify Callco upon receipt of a retraction request. In order to exercise its retraction call right, Callco must notify Exchangeco of its determination to do so within five business days of Exchangeco's receipt of the retraction request. If Callco delivers the call notice to Exchangeco within five business days, and you have not revoked your retraction request, Exchangeco will not redeem the retracted shares and Callco will purchase from you the retracted shares on the retraction date. If Callco does not timely deliver the call notice and you have not revoked your retraction request, Exchangeco will redeem the retracted shares on the retraction date. In the event that Callco exercises its retraction call right, the closing of the purchase and sale of the retracted shares under the retraction call right will be deemed to occur as at the close of business on the retraction date, and no redemption by Exchangeco of the retracted shares will take place on the retraction date.

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You may revoke a retraction request by giving notice in writing to Exchangeco at any time prior to the close of business on the business day immediately preceding the retraction date, in which case the retracted shares will neither be purchased by Callco nor be redeemed by Exchangeco. If the retraction request is not revoked on or prior to the close of business on the business day immediately preceding the retraction date, the retracted shares will either be purchased by Callco or redeemed by Exchangeco. Callco or Exchangeco, as the case may be, will then deliver or cause Exchangeco's transfer agent to deliver the retraction price to you by mailing:

- certificates representing the number of our common shares equal to the number of exchangeable shares purchased or redeemed, registered in your name or such other name as you may request; and
- if applicable, a check payable to you for the aggregate amount of

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dividends payable and unpaid on each such exchangeable share,

to the address recorded in the securities register of Exchangeco or to the address specified in your retraction request or by holding the same for you to pick up at the registered office of Exchangeco or the office of Exchangeco's transfer agent as specified by Exchangeco, in each case less any amounts required to be withheld because of applicable taxes.

If, as a result of solvency requirements or applicable law, Exchangeco is not permitted to redeem all of your exchangeable shares specified in the retraction request, and provided Callco has not exercised its retraction call right with respect to such retracted shares, Exchangeco will redeem only those retracted shares requested by you (rounded down to a whole number of shares) as would not be contrary to provisions of applicable law. The trustee under the voting and exchange trust agreement, on your behalf, will require us to purchase the retracted shares not redeemed by Exchangeco or purchased by Callco on the retraction date or as soon as reasonably practicable after the retraction date, under your exchange rights.

### OUR REDEMPTION RIGHTS

Subject to applicable law and Callco's redemption call rights discussed below, on an automatic redemption date, Exchangeco will redeem all of the then outstanding exchangeable shares in exchange for an equal number of our common shares, plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share. Notwithstanding any proposed redemption of the exchangeable shares you may initiate, our redemption rights give us the overriding right to acquire on an automatic redemption date all but not less than all of the outstanding exchangeable shares in exchange for an equal number of our common shares, plus the amount of all payable and unpaid dividends, if any, on each such exchangeable share.

An automatic redemption will occur upon the first to occur of:

- the date, on or after the fifth anniversary of the effective date of our acquisition of Enserco, as established by the board of directors of Exchangeco;
- the date that there are outstanding less than 1,500,000 exchangeable shares (other than exchangeable shares held by us and our affiliates) and the board of directors of Exchangeco decides to accelerate the redemption of the exchangeable shares prior to the fifth anniversary of the effective date of our acquisition of Enserco;
- the occurrence of any merger, amalgamation, tender offer, material sale of shares or similar transactions involving Nabors Bermuda, or any proposal to carry out the same, in which case the board of directors of Exchangeco determines in good faith that it is not reasonably practicable to substantially replicate the terms and conditions of the exchangeable shares in connection with such transaction and that the redemption of all but not less than all of the exchangeable shares is necessary to enable the completion of such transaction in accordance with its terms;
- the business day prior to the record date for any meeting or vote of Exchangeco shareholders to consider any matter in which the holders of exchangeable shares would be entitled to vote as

Exchangeco shareholders, but, except as described in the bullet immediately following below, excluding meetings or votes regarding

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changes to the rights, privileges, restrictions or conditions of the exchangeable shares requiring the approval of the holders of the exchangeable shares; and

- the business day following the day on which the holders of exchangeable shares fail to take the necessary action at a meeting or other vote of holders of exchangeable shares, if and to the extent the action is required, to approve or disapprove any change to, or in the rights of the holders of, the exchangeable shares, if the approval or disapproval of the change would be required to maintain the economic and legal equivalence of the exchangeable shares and our common shares.

At least 45 days before an automatic redemption date (or if the automatic redemption date occurs as a result of a Nabors control transaction, a record date for a vote of Exchangeco shareholders or the failure of Exchangeco shareholders to approve a change to the exchangeable shares described in the three immediately preceding bullet points above, on as many days prior written notice as the board of directors of Exchangeco determines to be reasonably practicable under the circumstances), Exchangeco shall provide you with written notice of the proposed redemption or possible redemption of the exchangeable shares by Exchangeco or the purchase of the exchangeable shares by Callco under its redemption call right, as the case may be. In the case of a possible automatic redemption date, the notice will be given contingently and will be withdrawn if the contingency does not occur.

### YOUR EXCHANGE RIGHTS

Liquidation and Insolvency Rights with Respect to Exchangeco. Subject to Callco's liquidation call right described below, in the event of the liquidation, dissolution or winding-up of Exchangeco or any other distribution of assets of Exchangeco among its shareholders for the purpose of winding-up its affairs, you will be entitled to receive for each exchangeable share one of our common shares, together with all dividends payable and unpaid on your exchangeable shares, if any.

In the event of the liquidation, dissolution or winding-up of Exchangeco or any other proposed distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs, holders of the exchangeable shares will have, subject to applicable law, preferential rights to receive from Exchangeco, for each exchangeable share held, an amount equal to the market price of our common shares on the last business day prior to the liquidation, which amount shall be paid by the delivery to such holders of one of our common shares for each exchangeable share held plus the aggregate amount of dividends payable and unpaid on each such exchangeable share, if any. Upon the occurrence of such liquidation, dissolution or winding-up, Callco will have an overriding right to purchase all of the outstanding exchangeable shares (other than exchangeable shares held by us and our affiliates) from the holders of the exchangeable shares on the effective date of such liquidation, dissolution or winding-up for a purchase price per share equal to the market price of our common shares on the last business day prior to the liquidation (which amount shall be paid by the delivery to such holders of one of our common shares for each exchangeable share held), plus, to the extent it is not paid by Exchangeco, the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share.

Upon, and during the continuance of, insolvency of Exchangeco, a holder of exchangeable shares will be entitled to instruct the trustee under the voting and exchange trust agreement to exercise the exchange rights with respect to any or all of the exchangeable shares held by such holder, thereby requiring us to purchase such exchangeable shares from the holder. As soon as practicable following the occurrence of such an insolvency of Exchangeco or any event which would, with the passage of time and/or the giving of notice, lead to insolvency

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of Exchangeco, we and Exchangeco will give written notice of an insolvency or such event to the trustee. As soon as practicable after the delivery of such notice, the trustee will then notify each holder of exchangeable shares of such event or potential event and will advise the holder of its rights with respect to the liquidation exchange right. The purchase price payable by us for each exchangeable share purchased under this right will be satisfied by the issuance of one of our common shares plus, to the extent not paid by Exchangeco, the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share.

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An insolvency event will occur in respect of Exchangeco upon:

- the institution by Exchangeco of any proceeding to be adjudicated as bankrupt or insolvent or to be wound up, or the consent of Exchangeco to the institution of bankruptcy, insolvency or winding-up proceedings against it;
- the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including the Companies Creditors' Arrangement Act (Canada) and the Bankruptcy and Insolvency Act (Canada), and Exchangeco's failure to contest in good faith such proceedings commenced in respect of Exchangeco within 30 days of becoming aware of the proceedings, or the consent by Exchangeco to the filing of any such petition or to the appointment of a receiver;
- the making by Exchangeco of a general assignment for the benefit of creditors, or the admission in writing by Exchangeco of its inability to pay its debts generally as they come due; or
- Exchangeco not being permitted, under solvency requirements of applicable law, to redeem any retracted exchangeable shares in accordance with the exchangeable share conditions.

Liquidation with Respect to Nabors Bermuda. In order for the holders of the exchangeable shares to participate on a pro rata basis with the holders of our common shares in the event of our liquidation, immediately prior to the effective date of a liquidation event, each exchangeable share will automatically be exchanged for an equivalent number of our common shares, plus, to the extent not paid by Exchangeco, the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share. Upon a holder's request and surrender of exchangeable share certificates, duly endorsed in blank and accompanied by such instruments of transfer as we may reasonably require, we will deliver to such holder certificates representing an equivalent number of our common shares plus, to the extent not paid by Exchangeco, the aggregate amount of dividends payable and unpaid, if any, on exchangeable shares for each exchangeable share exchanged under this exchange right.

A liquidation event will occur in respect of Nabors Bermuda upon:

- determination by the Nabors Bermuda board to institute voluntary liquidation, dissolution, or winding-up proceedings with respect to Nabors Bermuda or to effect any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, at least 60 days prior to the proposed effective date of such liquidation, dissolution, winding-up or other distribution; or
- receipt by Nabors Bermuda of notice of, or Nabors Bermuda otherwise becoming aware of, any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation,

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dissolution or winding-up of Nabors Bermuda or to effect any distribution of assets of Nabors Bermuda among its shareholders for the purpose of winding-up its affairs, in each case where Nabors Bermuda has failed to contest in good faith any such proceeding commenced in respect of Nabors Bermuda within 30 days of becoming aware of the proceeding.

### CALLCO'S CALL RIGHTS

In the circumstances described below, Callco and, in the case of the change of law call right, we will have overriding call rights to acquire your exchangeable shares by delivering an equal number of our common shares, plus all dividends on our common shares then payable but unpaid on the exchangeable shares. DIFFERENT CANADIAN FEDERAL INCOME TAX CONSEQUENCES MAY ARISE DEPENDING UPON WHETHER WE OR CALLCO EXERCISE THE CALL RIGHTS OR WHETHER YOUR EXCHANGEABLE SHARES ARE REDEEMED BY EXCHANGEICO. See "Income Tax Considerations -- Canadian Federal Income Tax Considerations." In any circumstance where Exchangeico is required to purchase your exchangeable shares, we may cause Callco to acquire from us and deliver to you our common shares. In addition, we and Callco will have an overriding call right on your exchangeable shares if there are changes to Canadian tax laws permitting you to exchange your exchangeable shares without recognizing any gain or loss or any actual or deemed dividend in respect of such exchange. If and when Callco or, if applicable, Nabors Bermuda, acquires your exchangeable shares

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as a result of exercise of the call rights, neither of them will be entitled to exercise any of the voting rights attached to your exchangeable shares.

**Retraction Call Right.** If you request the redemption by Exchangeico of your exchangeable shares, you will be deemed to offer your exchangeable shares to Callco, and Callco will have an overriding retraction call right to acquire all, but not less than all, of the exchangeable shares that you have requested Exchangeico to redeem in exchange for an equal number of our common shares, plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share. Upon the exercise of Callco's retraction call right, you will be obligated to transfer your exchangeable shares to Callco.

**Redemption Call Right.** Callco has an overriding redemption call right to acquire on an automatic redemption date all, but not less than all, of the exchangeable shares then outstanding in exchange for an equal number of our common shares, plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share, and, upon the exercise of Callco's redemption call right, you will be obligated to transfer your shares to Callco.

**Liquidation Call Right.** Callco will be granted an overriding liquidation call right, in the event of and notwithstanding a proposed liquidation, dissolution or winding-up of Exchangeico or any other distribution of the assets of Exchangeico among its shareholders for the purpose of winding-up its affairs, to acquire all, but not less than all, of the exchangeable shares then outstanding in exchange for an equal number of our common shares, plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share. Upon the exercise of Callco's liquidation call right, you will be obligated to transfer your exchangeable shares to Callco. Callco's acquisition of all of the outstanding exchangeable shares upon the exercise of the liquidation call right will occur on the effective date of the voluntary or involuntary liquidation, dissolution or winding-up of Exchangeico.

**Change of Law Call Right.** We have the overriding right, in the event of any amendment to the Income Tax Act (Canada) and other applicable Canadian provincial income tax laws that permits holders of exchangeable shares who are

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resident in Canada, hold the exchangeable shares as capital property and deal at arm's length with us and Enserco (all for the purpose of the Income Tax Act (Canada) and other applicable Canadian provincial income tax laws) to exchange their exchangeable shares for our common shares on a basis that will not require such holders to recognize any gain or loss or any actual or deemed dividend in respect of such exchange for the purposes of the Income Tax Act (Canada) and other applicable Canadian provincial income tax laws, to purchase (or to cause Callco to purchase) from all but not less than all of the holders of the exchangeable shares (other than any holder which is an affiliate of Nabors Bermuda) all but not less than all of the exchangeable shares held by each such holder upon payment by Nabors Bermuda or Callco, as the case may be, of an amount per share equal to the exchangeable share price applicable on the last business day prior to the date on which Nabors Bermuda or Callco intends to purchase such shares. Payment of the exchangeable share price will be fully satisfied by the delivery for each exchangeable share of one of our common shares plus the aggregate amount of dividends payable and unpaid, if any, on each such exchangeable share.

To exercise the foregoing right, Nabors Bermuda or Callco must notify the transfer agent for the exchangeable shares of its intention to exercise such right at least 45 days before the date on which Nabors Bermuda or Callco intends to acquire the exchangeable shares. Upon the exercise of this right, holders will be obligated to sell their exchangeable shares to Nabors Bermuda or Callco, as the case may be.

If we or Callco exercise one or more of our call rights, Nabors Bermuda or Callco will issue our common shares to you and will become the holder of your exchangeable shares. If and when Callco or, if applicable, Nabors Bermuda, acquires your exchangeable shares under the call rights, neither of them will be entitled to exercise any of the voting rights attached to your exchangeable shares. If we or Callco decline to exercise our respective call rights when available, we will be required to issue our common shares as Exchangeco directs, including to Exchangeco, which will, in turn, transfer our common shares to you in consideration for the return and cancellation of your exchangeable shares. In the event we or Callco do not exercise our call rights when applicable and instead deliver our common shares as Exchangeco

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directs, you would receive the same consideration, but the Canadian tax consequences will be substantially different. See "Income Tax Considerations -- Canadian Federal Income Tax Considerations." However, we anticipate that we or Callco will exercise our call rights, when available, and currently foresee no circumstances under which we or Callco would not exercise our call rights. In addition, we do not anticipate any restriction or limitation on the number of exchangeable shares we or Callco would acquire upon the exercise of our call rights.

### WITHHOLDING RIGHTS

Each of Nabors Bermuda, Callco, Exchangeco, Exchangeco's transfer agent and the trustee will be entitled to deduct and withhold from any dividend or other consideration otherwise payable to any holder of exchangeable shares or our common shares such amounts as each of Nabors Bermuda, Callco, Exchangeco, Exchangeco's transfer agent or the trustee is required to deduct and withhold with respect to such payment under the Income Tax Act (Canada), the United States Internal Revenue Code of 1986, as amended (the "Code"), or any provision of federal, provincial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes as having been paid to the holder of the exchangeable shares or our common shares, as the case may be, in respect of which the deduction and withholding

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was made, provided that the withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount required to be deducted or withheld from any payment to a holder exceeds the cash portion of the dividend or other consideration otherwise payable to the holder, Nabors Bermuda, Callco, Exchangeco, Exchangeco's transfer agent and the trustee are authorized to sell or otherwise dispose of the portion of the consideration necessary to provide sufficient funds to Nabors Bermuda, Callco, Exchangeco, Exchangeco's transfer agent or the trustee, as the case may be, to enable it to comply with the deduction or withholding requirement and Nabors Bermuda, Callco, Exchangeco, Exchangeco's transfer agent or the trustee, as the case may be, will notify the holder and remit to the holder any unapplied balance of the net proceeds of such sale.

### SCF-IV WARRANTS

On March 18, 2002, SCF-IV held warrants to purchase 500,000 Enserco common shares at an exercise price per Enserco common share of Cdn. \$9.50. Such warrants were set to expire on November 13, 2003. The warrants may be exercised in whole or in part at any time prior to the expiration date.

Upon the closing of our acquisition of Enserco and the reorganization, we assumed Enserco's obligations under all of the above warrants. Each warrant then became exercisable for a number of our common shares equal to the product obtained by multiplying the number of Enserco common shares subject to such warrant by the exchange ratio (rounded down to a whole number of shares). The exercise price of each such warrant per share of our common share is equal to the exercise price per Enserco common share of such warrant immediately prior to the consummation of the plan of arrangement divided by the exchange ratio, with the result converted into U.S. dollars. The term to expiry, conditions to and the manner of exercising, vesting schedule, and all other terms and conditions of such warrants are otherwise unchanged, and any document or agreement previously evidencing an Enserco warrant evidences and is deemed to evidence the assumed warrant.

On April 26, 2002, such warrants became exercisable for approximately 118,850 shares of Nabors Delaware common stock, then upon the completion of the reorganization such warrants became exercisable for approximately 118,850 of our common shares, subject to adjustment. The number of our common shares issuable upon exercise of each warrant is subject to adjustment if we subdivide, redivide or change our outstanding common shares into a greater number of shares or if we reduce, combine or consolidate our outstanding common shares into a smaller number of shares. In addition, if we otherwise reclassify our common shares or if we effect a capital reorganization, merger, amalgamation, consolidation or sell all or substantially all of our assets, each warrant will, after the effective time of any such action or transaction, be exercisable for a number and type of shares, other securities or property that the holder of the warrant would have been entitled to receive had the holder of the warrant been the registered holder of

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the number of shares of our common shares issuable upon exercise of the warrant on the record date or the effective date of any such transaction.

If we fix a record date for making a distribution or dividend of cash, Nabors Bermuda shares of any class, rights options or warrants, evidence of indebtedness or assets (including shares of other corporations) to all or substantially all the holders of our outstanding common shares, the holder of a warrant shall be entitled to receive, upon exercise of such warrant, the amount of cash or the number and kind of shares, other securities or property the holder of the warrant would have been entitled to receive had the holder of the



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warrant been the registered holder of the number of shares of our common shares issuable upon exercise of the warrant on such record date.

In addition, each warrant contains a "cashless exercise" provision which allows the holder of the warrant to exercise the warrant without payment of the exercise price. The number of shares of our common shares issuable upon a cashless exercise will be determined by dividing by the weighted average closing price, the difference between the weighted average closing price and the exercise price of the warrant multiplied by the number of warrants being exercised. For these purposes, the weighted average closing price is the weighted average closing price of our common shares on the American Stock Exchange for the 10 days before such exercise.

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### DESCRIPTION OF OUR SHARE CAPITAL

Our authorized share capital consists of 425,000,000 shares of capital stock of which 400,000,000 are common shares, par value \$0.001 per share, and 25,000,000 are preferred shares, par value \$0.001 per share. The following summary is qualified in its entirety by the provisions of Nabors Bermuda's Memorandum of Association, dated December 10, 2001 and Nabors Bermuda's Amended and Restated Bye-Laws, which are both publicly available. See "Where You Can Find More Information." As of the close of business on June 24, 2002, there were 144,185,776 Nabors Bermuda common shares outstanding and one special preferred voting share outstanding (with the rights and preferences described below under "Preferred Shares").

#### COMMON SHARES

Holders of our common shares are entitled to one vote on any question to be decided on a show of hands and one vote per share on a poll on all matters submitted to a vote of the shareholders of Nabors Bermuda. Except as specifically provided in the Nabors Bermuda's bye-laws or in The Companies Act 1981 (Bermuda), as amended (which we refer to as the Companies Act in this prospectus), any action to be taken by shareholders at any meeting at which a quorum is in attendance shall be decided by a majority of the issued shares present in person or represented by proxy and entitled to vote. There are no limitations imposed by Bermuda law or Nabors Bermuda's bye-laws on the right of shareholders who are not Bermuda residents to hold or to vote their Nabors Bermuda common shares.

Our bye-laws do not provide for cumulative voting. A special meeting of shareholders may be called by Nabors Bermuda's board of directors or as otherwise provided by the Companies Act and applicable law. Any action, except the removal of auditors and directors, required or permitted to be taken at any annual or special meeting of shareholders may be taken by written consent if the consent is signed by each shareholder, or their proxy, entitled to vote on the matter.

Holders of Nabor Bermuda common shares do not have a preemptive or preferential right to purchase any other securities of Nabors Bermuda. Nabors Bermuda's common shares have no sinking fund provision.

#### PRICE RANGE OF COMMON SHARES

Our common shares are traded on the American Stock Exchange under the symbol "NBR." The following table sets forth, for the periods indicated, the high and low sale price per share of Nabors Delaware common stock prior to the reorganization on the American Stock Exchange.

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	HIGH (U.S.\$) -----	LOW (U.S.\$) -----
1999 -- NABORS DELAWARE		
First Quarter.....	19.00	10.75
Second Quarter.....	25.3125	15.50
Third Quarter.....	29.50	21.5625
Fourth Quarter.....	31.25	19.75
2000 -- NABORS DELAWARE		
First Quarter.....	40.5625	28.125
Second Quarter.....	44.25	34.00
Third Quarter.....	53.8125	38.5625
Fourth Quarter.....	60.47	40.50

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	HIGH (U.S.\$) -----	LOW (U.S.\$) -----
2001 -- NABORS DELAWARE		
First Quarter.....	63.12	50.70
Second Quarter.....	61.25	37.20
Third Quarter.....	38.12	18.00
Fourth Quarter.....	36.15	19.76
2002 -- NABORS DELAWARE		
First Quarter.....	43.00	26.98
Second Quarter (through June 24, 2002).....	49.98	36.00

On June 24, 2002, the last sale price reported on the American Stock Exchange for Nabors Delaware common stock was \$37.95 per share.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common shares. Nabors Delaware last paid a cash dividend in 1982. We do not anticipate paying any cash dividends on our common shares in the foreseeable future.

PREFERRED SHARES

The board of directors of Nabors Bermuda is authorized, without further shareholder action, to issue from time to time up to 25,000,000 preferred shares in one or more classes or series, and fix for each such class or series such voting power, full or limited, or no voting power, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as are provided in the resolutions adopted by the board of directors providing for the issuance of such class or series. The Nabors Bermuda board of directors in authorizing such class or series may provide that any such class or series may be:

- subject to redemption at the option of the company or the holders, or both, at such time or times and at such price or prices;
- entitled to receive dividends (which may be cumulative or non-cumulative)

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at such rates, on such conditions, and at such times, and payable in preference to, or in relation to, the dividends payable on any other class or classes or any other series;

- entitled to such rights upon the dissolution of, or upon any distribution of the assets of, Nabors Bermuda; or
- convertible into, or exchangeable for, shares of any other class or classes of shares, or of any other series of the same or any other class or classes of shares, of Nabors Bermuda at such price or prices or at such rates of exchange and with such adjustments;

in each case, as set forth in the resolutions authorizing the class or series of preferred shares.

A series of preferred shares, consisting of one share, has been designated as a special voting preferred share, having a par value of \$0.001 per share and a liquidation preference of \$0.01. Except as otherwise required by law, our memorandum of association or our bye-laws, the one special voting preferred share will possess a number of votes for the election of directors and on all other matters submitted to a vote of our shareholders equal to the number of outstanding exchangeable shares from time to time not owned by us or any entity controlled by us. The holders of our common shares and the holder of the special voting preferred share will vote together as a single class on all matters on which holders of our common shares are eligible to vote. In the event of our liquidation, dissolution or winding-up, all outstanding exchangeable shares will automatically be exchanged for shares of our common shares, and the holder of the special voting preferred share will not be entitled to receive any assets available for distribution to our

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shareholders (other than the \$.01 liquidation preference). The holder of the special voting preferred share will not be entitled to receive dividends. The special voting preferred share will be issued to Computershare Trust Company of Canada, as trustee under a voting and exchange trust agreement among us, Exchangeco and such trustee. At such time as the one special voting preferred share has no votes attached to it because there are no exchangeable shares outstanding not owned by us or an entity controlled by us, the special voting preferred share will be canceled.

### TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for Nabors Bermuda's common shares is EquiServe.

### ANTI-TAKEOVER EFFECTS OF PROVISIONS OF OUR CERTIFICATE OF INCORPORATION AND BYE-LAWS

Nabors Bermuda's bye-laws have provisions that could have an anti-takeover effect. Generally, these provisions are intended to substantively replicate provisions which were in Nabors Delaware's certificate of incorporation and by-laws. In addition, Nabors Bermuda's bye-laws include an "advance notice" provision which places time limitations on shareholders' nominations of directors and submission of proposals for consideration at an annual general meeting. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to encourage negotiations with the board of directors in transactions that may involve an actual or potential change of control of Nabors Bermuda.

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The bye-laws provide that Nabors Bermuda's board of directors will be divided into three classes serving staggered three-year terms. Directors can be removed from office prior to the expiration of their term only for cause by the affirmative vote of the holders of a majority of the voting power of Nabors Bermuda on the relevant record date. The board of directors does not have the power to remove directors. As long as a quorum of directors remains and is present, vacancies on the board of directors may be filled by a majority vote of the remaining directors. Any general meeting can authorize the board of directors to fill any vacancy left unfilled at a general meeting. Each of these provisions can delay a shareholder from obtaining majority representation on the board of directors.

The bye-laws also provide that the board of directors will consist of not less than five nor more than eighteen persons, the exact number to be set from time to time by the affirmative vote of a majority of the directors then in office. Accordingly, the board of directors, and not the shareholders, has the authority to determine the number of directors and could delay any shareholder from obtaining majority representation on the board of directors by enlarging the board of directors and filling the new vacancies with its own nominees.

The bye-laws of Nabors Bermuda provide that at any annual general meeting, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the board of directors, by any shareholder who complies with certain procedures set forth in the bye-laws or by any shareholder pursuant to the valid exercise of the power granted under the Companies Act.

For business to be properly brought before an annual general meeting by a shareholder in accordance with the terms of the bye-laws the shareholder must have given timely notice thereof in proper written form to the Secretary of Nabors Bermuda and satisfied all requirements under applicable rules promulgated by the SEC. To be timely for consideration at the annual general meeting, a shareholder's notice must be received by the Secretary at Nabors Bermuda's principal executive offices and its registered office in Bermuda not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual general meeting, provided that in the event that the annual general meeting is called for a date that is not within 30 days before or after such anniversary date, not later than the 10th day following the day on which such notice of the date of the annual general meeting was mailed or public disclosure of the date of the annual general meeting was made, whichever occurs first. In order for a shareholder to nominate directors in connection with an annual general meeting of shareholders, a shareholder's notice of his intention to make such nominations must be received in proper written form as

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specified in the bye-laws of Nabors Bermuda by the Secretary of Nabors Bermuda within the time limits described above.

In addition, the Companies Act provides for a mechanism by which 100 shareholders acting together or shareholders holding at least 5% of the voting power of a Bermuda company may properly propose a resolution for consideration at a general meeting of the company.

Subject to the terms of any other class of shares in issue, any action required or permitted to be taken by the holders of Nabors Bermuda's common shares must be taken at a duly called annual or special general meeting of shareholders unless taken by written consent of all holders of common shares. Under the bye-laws, special general meetings may be called at any time by the board of directors or when requisitioned by shareholders pursuant to the provisions of the Companies Act. The Companies Act currently permits shareholders holding 10% of the shares of a company entitled to vote at general

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meeting to requisition a special general meeting.

The board of directors is authorized, without obtaining any vote or consent of the holders of any class or series of shares unless expressly provided by the terms of issue of a class or series, to from time to time issue any authorized and unissued shares on such terms and conditions as it may determine. For example, the board of directors could authorize the issuance of preferred shares with terms and conditions that could discourage a takeover or other transaction that holders of some or a majority of the Nabors Bermuda common shares might believe to be in their best interests or in which holders might receive a premium for their shares over the then market price of the shares.

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### INCOME TAX CONSIDERATIONS

#### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott, our Canadian counsel, the following is a fair and accurate summary of the material Canadian federal income tax considerations generally applicable under the Income Tax Act (Canada) (the "Canadian Income Tax Act") if you hold exchangeable shares or acquire our common shares on the exchange of exchangeable shares and if, for purposes of the Canadian Income Tax Act, you deal with us at arm's length and hold your exchangeable shares and will hold our common shares as capital property. This discussion does not apply to you if you are a "financial institution", as defined in the Canadian Income Tax Act for the purposes of the mark-to-market provisions thereof.

The exchangeable shares and our common shares will generally be considered to be capital property to you unless such shares are held by you in the course of carrying on a business of buying and selling securities or such shares are acquired by you in a transaction considered to be an adventure in the nature of trade. If you are a resident of Canada and the exchangeable shares might not otherwise qualify as capital property, you may be entitled to obtain this qualification by making the irrevocable election provided under subsection 39(4) of the Canadian Income Tax Act. If you do not hold your exchangeable shares or will not hold our common shares as capital property, you should consult your own tax advisors for information and advice having regard to your particular circumstances.

This summary is based on the current provisions of the Canadian Income Tax Act and regulations thereunder, the current provisions of the Convention Between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended, (the "Canada-U.S. Tax Convention") and our counsel's understanding of the current published administrative practices of the Canada Customs and Revenue Agency (the "CCRA"). This summary takes into account all specific proposals to amend the Canadian Income Tax Act and regulations that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof and assumes that all of these proposed amendments will be enacted in their present form. No assurances can be given that any proposed amendments will be enacted in the form proposed, if at all. Except for the foregoing, this summary does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations which may differ from the Canadian federal income tax considerations described below. No advance income tax ruling has been sought or obtained from the CCRA to confirm the tax consequences of any of the transactions relating to the exchangeable shares or the acquisition of our common shares on the exchange of exchangeable shares.

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For purposes of the Canadian Income Tax Act, all amounts otherwise denominated in United States dollars relating to the acquisition, holding or disposition of our common shares, including dividends, adjusted cost base amounts and proceeds of disposition, must be converted into Canadian dollars based on the prevailing United States dollar exchange rate generally at the time these amounts arise.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL, BUSINESS OR TAX ADVICE TO YOU. THEREFORE, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS WITH RESPECT TO YOUR PARTICULAR CIRCUMSTANCES.

### SHAREHOLDERS RESIDENT IN CANADA

The following portion of this summary will apply to you only if, for the purposes of the Canadian Income Tax Act and any applicable income tax treaty or convention, you are resident or deemed to be resident in Canada at all relevant times. This summary does not apply to you if we are or will be a "foreign affiliate" of you as defined in the Canadian Income Tax Act.

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### Redemption of Exchangeable Shares

On a redemption (including a retraction) of your exchangeable shares by Exchangeco, you will be deemed to have received a dividend equal to the amount, if any, by which the redemption proceeds exceed the "paid-up capital" of the exchangeable shares so redeemed. The "paid-up capital" of an exchangeable share will be equal to the aggregate paid-up capital of all of the exchangeable shares divided by the number of exchangeable shares outstanding. The aggregate paid-up capital of all of the exchangeable shares will generally be equal to the aggregate consideration for which the exchangeable shares were issued (provided that amount was added to the stated capital account maintained for the exchangeable shares under the relevant corporate law), less an amount to be determined based upon the Canadian tax elections that are filed by former shareholders of Enserco who elected to exchange their Enserco shares for exchangeable shares under the arrangement and who are permitted under the terms of the arrangement to, and do, file such Canadian tax elections. For these purposes, the redemption proceeds will be the fair market value of our common shares received from Exchangeco at the time of the redemption plus the amount, if any, of all payable and unpaid dividends on the exchangeable shares paid on the redemption. The taxation of dividends received or deemed to be received on the exchangeable shares is described below. We anticipate that we or Callco, as the case may be, will exercise our call rights, when available, and currently foresee no circumstances under which exchangeable shares would be redeemed by Exchangeco.

On a redemption (including a retraction) of your exchangeable shares, you will also be considered to have disposed of your exchangeable shares, but the amount of the deemed dividend, described above, will be excluded in computing your proceeds of disposition for purposes of computing any capital gain or capital loss arising on the disposition. If you are a corporation, in some circumstances, the amount of any such deemed dividend may be treated as proceeds of disposition and not as a dividend. The taxation of capital gains and capital losses is described below.

### Exchange of Exchangeable Shares With Us

On an exchange of your exchangeable shares with us or Callco for our common shares, you will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of your exchangeable shares, net

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of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to you of the exchangeable shares immediately before the exchange. For these purposes, the proceeds of disposition will be the fair market value at the time of the exchange of our common shares which you receive. The taxation of capital gains and capital losses is described below. Any amount received by you as part of the exchange that is in lieu of or in satisfaction of dividends that are payable but not paid on the exchangeable shares will be treated as a dividend rather than as proceeds of disposition. The taxation of dividends received or deemed to be received on the exchangeable shares is discussed below.

### Dividends on Exchangeable Shares

If you are an individual, dividends received or deemed to be received on the exchangeable shares will be included in computing your income, and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from a corporation resident in Canada.

Subject to the discussion below regarding our status as a "specified financial institution" for the purposes of the Canadian Income Tax Act, if you are a corporation other than a "specified financial institution", as defined in the Canadian Income Tax Act, dividends received or deemed to be received on the exchangeable shares normally will be included in your income and be deductible in computing your taxable income.

The exchangeable shares will be "term preferred shares", as defined in the Canadian Income Tax Act. Consequently, if you are a "specified financial institution", as defined in the Canadian Income Tax

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Act, a dividend received on the exchangeable shares will be deductible in computing your taxable income only if:

1. you did not acquire the exchangeable shares in the ordinary course of carrying on your business; or
2. at the time the dividend is received, the exchangeable shares are listed on a prescribed stock exchange in Canada (which currently includes the TSX) and you, either alone or together with persons with whom you do not deal at arm's length, do not receive (and are not deemed to receive) dividends in respect of more than 10% of the issued and outstanding exchangeable shares.

If you are a specified financial institution, you should consult your own tax advisors.

We have been advised by our counsel (based in part on representations made by us as to certain factual matters) that we currently qualify as a "specified financial institution" for the purposes of the Canadian Income Tax Act. As a consequence, and for so long as we continue to so qualify, if you are a corporation (including a "specified financial institution" as defined in the Canadian Income Tax Act), dividends received or deemed to be received on the exchangeable shares will be deductible in computing your taxable income only if, at the time such dividends or deemed dividends are received, the exchangeable shares are listed on a prescribed stock exchange (which includes the TSX), we are "related" to Exchangeco for the purposes of the Canadian Income Tax Act (which we are now and anticipate that we will continue to be), and you, either alone or together with persons with whom you do not deal at arm's length or trusts or partnerships of which you or any such non-arm's length person is a beneficiary or member, receive dividends in respect of not more than 10 percent of the issued and outstanding exchangeable shares.

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If you are a "private corporation," as defined in the Canadian Income Tax Act, or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals, you may be liable under Part IV of the Canadian Income Tax Act to pay a refundable tax of 33 1/3 percent of any dividends received or deemed to be received on your exchangeable shares to the extent that these dividends are deductible in computing your taxable income.

If you are throughout the relevant taxation year a "Canadian-controlled private corporation," as defined in the Canadian Income Tax Act, you may be liable to pay an additional refundable tax of 6 2/3 percent of your "aggregate investment income" for the year which will include dividends or deemed dividends on the exchangeable shares that are not deductible in computing taxable income.

If you are a corporation, the amount of any capital loss realized on a disposition or deemed disposition of exchangeable shares may be reduced by the amount of any dividends received or deemed to have been received by you on the exchangeable shares to the extent and under circumstances prescribed by the Canadian Income Tax Act. Similar rules may apply where you are a corporation and a member of a partnership or a beneficiary of a trust that owns these shares.

### Acquisition and Disposition of Our Common Shares

The cost of our common shares received on a retraction, redemption or exchange of exchangeable shares will be equal to the fair market value of such common shares at the time of that event, and will be averaged with the adjusted cost base of any other common shares of Nabors Bermuda held by you at that time as capital property. A disposition or deemed disposition of our common shares by you will generally result in the realization of a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to you of these shares immediately before the disposition. The taxation of capital gains and capital losses is described below.

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### Dividends on Our Common Shares

Dividends on our common shares will be included in your income for the purposes of the Canadian Income Tax Act. If you are an individual, you will not be subject to the gross-up and dividend tax credit rules in the Canadian Income Tax Act applicable to dividends received from corporations resident in Canada. If you are a corporation, you will be required to include these dividends in computing your income and generally will not be entitled to deduct the amount of these dividends in computing your taxable income.

A shareholder that is throughout the relevant taxation year a "Canadian-controlled private corporation," as defined in the Canadian Income Tax Act, may be liable to pay an additional refundable tax of 6 2/3 percent of its "aggregate investment income" for the year which will include these dividends.

If there is non-resident withholding tax on any dividends you receive on our common shares, you will generally be eligible for foreign tax credit or deduction treatment where applicable under the Canadian Income Tax Act.

### Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized on a disposition or deemed disposition of exchangeable shares or our common shares must be included in your income for the year of the disposition. You generally may be able to deduct



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one-half of any capital losses against one-half of any capital gains realized in the year of the disposition. Any capital losses in excess of capital gains in the year of the disposition may generally be carried back and deducted against net capital gains (capital gains less capital losses) in any of the three taxation years immediately preceding, or carried forward and deducted against net capital gains in any taxation year following, the year of disposition, to the extent and in the circumstances prescribed in the Canadian Income Tax Act.

Capital gains realized by an individual or trust, other than certain trusts, may give rise to alternative minimum tax under the Canadian Income Tax Act.

A shareholder that is throughout the relevant taxation year a "Canadian-controlled private corporation," as defined in the Canadian Income Tax Act, may be liable to pay an additional refundable tax of 6 2/3 percent of its "aggregate investment income" for the year which will include an amount in respect of taxable capital gains.

### Foreign Property Information Reporting

With some exceptions, any taxpayer resident in Canada in the year is a "specified Canadian entity," as defined in the Canadian Income Tax Act. If you are a specified Canadian entity for a taxation year or fiscal period and the total cost amount of "specified foreign property," which would include our common shares and the exchangeable shares, at any time in the year or fiscal period exceeds Cdn. \$100,000, you will be required to file an information return for the year or period disclosing prescribed information, your cost amount, any dividends received in the year, and any gains or losses realized in the year, in respect of the specified foreign property. You should consult your own advisors about whether you must comply with these rules with respect to the ownership of our common shares or the exchangeable shares.

### SHAREHOLDERS NOT RESIDENT IN CANADA

The following portion of this summary will apply to you only if, for purposes of the Canadian Income Tax Act and any applicable tax treaty or convention, you will not be resident or deemed to be resident in Canada at any time while you hold exchangeable shares or our common shares, and will not use or hold the exchangeable shares or our common shares in, or in the course of, carrying on a business (including an insurance business) in Canada and, except as specifically discussed below, if those shares do not constitute "taxable Canadian property" to you as defined in the Canadian Income Tax Act.

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The exchangeable shares will generally not be taxable Canadian property to you at a particular time provided that these shares are listed on a prescribed stock exchange (which includes the TSX) and you, or persons with whom you do not deal at arm's length, or you together with such persons have not owned (or had under option) 25 percent or more of the issued shares of any class or series of the capital stock of Exchangeco at any time within five years preceding the particular time. Our common shares will generally not constitute taxable Canadian property to you.

Provided the exchangeable shares or our common shares are not taxable Canadian property to you, you will not be subject to tax under the Canadian Income Tax Act on the exchange of exchangeable shares for our common shares (except to the extent the exchange gives rise to a deemed dividend as discussed below), or on the sale or other disposition of exchangeable shares or our common shares.

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Dividends paid or deemed to be paid on the exchangeable shares will be subject to non-resident withholding tax under the Canadian Income Tax Act at the rate of 25 percent, although this rate may be reduced under the provisions of an applicable income tax treaty or convention. For example, under the Canada-U.S. Tax Convention, the rate of non-resident withholding tax is generally reduced to 15 percent in respect of dividends paid to a person who is the beneficial owner thereof and who is resident in the United States for purposes of the convention.

A holder whose exchangeable shares are redeemed by Exchangeco (either under redemption rights or pursuant to retraction rights) will be deemed to receive a dividend equal to the amount, if any, by which the redemption proceeds exceed the "paid-up capital," for the purposes of the Canadian Income Tax Act, of the exchangeable shares at the time the exchangeable shares are redeemed. For these purposes, the redemption proceeds will be the fair market value of our common shares received from Exchangeco at the time of the redemption plus the amount, if any, of all payable and unpaid dividends on the exchangeable shares paid on the redemption. Any deemed dividend will be subject to non-resident withholding tax as described in the preceding paragraph. However, we anticipate that we or Callco, as the case may be, will exercise our call rights, when available, and currently foresee no circumstances under which exchangeable shares would be redeemed by Exchangeco.

### MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, the following general discussion constitutes a fair and accurate summary of the anticipated material United States federal income tax consequences of the ownership and disposition of exchangeable shares that may be relevant to holders generally. This discussion is based on the Code, United States Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, in each case as in effect and available as of the date of this prospectus. These income tax laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of this prospectus. It should be noted that legislation has been introduced which, if enacted in its present form, could materially change the discussion set forth below. Moreover, the United States Treasury Department is currently studying transactions such as the reorganization and, as a result, changes in these income tax laws, regulations, and interpretations may occur, possibly with retroactive effect, which could affect the discussion set forth below. These income tax laws and regulations are also subject to various interpretations, and the United States Internal Revenue Service (the "IRS") or the United States courts could later disagree with the explanations or conclusions contained in this summary.

No statutory, judicial or administrative authority exists that directly addresses the United States federal income tax consequences of instruments comparable to the exchangeable shares together with the associated ancillary rights and call rights. Consequently, the United States federal income tax treatment of the ownership of exchangeable shares and the exchange of exchangeable shares for Nabors Bermuda common shares is not certain. No advance ruling has been sought or obtained from the IRS regarding the tax consequence of any of the transactions described herein and there can be no assurance that the IRS would not challenge the conclusions contained in the discussion below, or, if challenged, that a court would not agree with the IRS.

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As used herein, a "United States Holder" is a beneficial owner of exchangeable shares that, for United States federal income tax purposes, is: (1) a citizen or resident of the United States, (2) a corporation created or organized in or under the laws of the United States, or of any political subdivision thereof, (3) an estate or other entity the income of which is includible in its gross income for United States federal income tax purposes

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without regard to its source or (4) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of the trust or (B) the trust has a valid election in effect under the applicable United States Treasury regulations to be treated as a United States person. A "non-United States Holder" is a beneficial owner of exchangeable shares that is not a United States Holder. If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of the exchangeable shares, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A holder that is a partnership and partners in such partnership are urged to consult their tax advisers about the United States federal income tax consequences of holding and disposing of exchangeable shares. Based on current estimates of gross income and gross assets and the nature of the business, Nabors Bermuda believes that none of Exchangeco, Enserco or Nabors Bermuda will be classified as a foreign personal holding company or a passive foreign investment company for the current taxable year. The status of Exchangeco, Enserco and Nabors Bermuda in future years, however, will depend on their income, assets and activities in those years. Accordingly, this summary assumes that none of Exchangeco, Enserco or Nabors Bermuda are or will be a "foreign personal holding company" or a "passive foreign investment company" for United States federal income tax purposes. This summary also assumes that none of Exchangeco, Enserco or Nabors Bermuda are or will be a "controlled foreign corporation" for United States federal income tax purposes. This discussion does not address persons subject to special provisions of United States federal income tax law, such as tax-exempt organizations, banks, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, dealers or traders in securities or currencies, grantor trusts, persons having a "functional currency" other than the United States dollar, non-United States Holders, holders who own, or are deemed to own, 10% or more, determined by voting power or value, of exchangeable shares, holders who hold exchangeable shares as part of a hedge, straddle, wash sale, synthetic security, conversion transaction or other integrated investment and holders of exchangeable shares who acquired their interests through the exercise of employee stock options or otherwise as compensation for services. This discussion is limited to holders who hold exchangeable shares as, and who will hold Nabors Bermuda common shares as, a capital asset as defined in the Code.

This discussion does not address all aspects of United States federal income taxation that may be applicable to a particular holder in light of the holder's particular circumstances. Accordingly, all holders are urged to consult their tax advisers with respect to the United States federal income tax consequences to them of the ownership and disposition of exchangeable shares in light of their particular circumstances. This discussion does not address any aspects of United States federal income taxation that may be applicable to holders of options or warrants. In addition, this discussion does not address the United States state or local tax consequences or the foreign tax consequences of the ownership and disposition of the exchangeable shares.

HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE UNITED STATES FEDERAL, STATE AND LOCAL TAX CONSEQUENCES, THE FOREIGN TAX CONSEQUENCES AND THE NON-TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF EXCHANGEABLE SHARES, NABORS BERMUDA COMMON SHARES AND ANCILLARY RIGHTS AND CALL RIGHTS.

UNITED STATES HOLDERS

### Exchange of Exchangeable Shares

There is no authority directly addressing the proper characterization of instruments similar to the exchangeable shares together with the associated ancillary rights and call rights or the exchange of exchangeable shares for

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Nabors Bermuda common shares (including an exchange upon the occurrence of an automatic redemption date). As a result, the consequences to a United States Holder of such an exchange are unclear.

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A United States Holder may be justified in taking the position that the exchangeable shares (together with the ancillary rights and call rights) constitute stock of Nabors Bermuda for United States federal income tax purposes. If the exchangeable shares (together with the ancillary rights and call rights) constitute stock of Nabors Bermuda for United States federal income tax purposes, the exchange of the exchangeable shares for Nabors Bermuda common shares should not be a taxable event. In such event, the aggregate tax basis of the Nabors Bermuda common shares received pursuant to the exchange would equal the United States Holder's aggregate tax basis in the exchangeable shares and the holding period of the Nabors Bermuda common shares received by such holder would include the holding period of the exchangeable shares surrendered in the exchange.

Alternatively, if the exchangeable shares constitute stock of Exchangeco for United States federal income tax purposes, a United States Holder who exchanges its exchangeable shares for Nabors Bermuda common shares would generally recognize gain or loss. Such gain or loss would be measured by the difference, if any, between (1) the fair market value of the Nabors Bermuda common shares received at the time of the exchange and (2) the United States Holder's tax basis in the exchangeable shares surrendered, and would generally be capital gain or loss, except with respect to any declared but unpaid dividends on the exchangeable shares. Under this alternative characterization, a United States Holder's tax basis in the Nabors Bermuda common shares received would be equal to the fair market value of such shares at the time of the exchange and the holding period for such shares would begin on the day after the exchange.

For United States federal income tax purposes, gain recognized on the exchange of exchangeable shares for Nabors Bermuda common shares will generally be treated as United States source gain, except that, under the terms of the Canada-United States Tax Convention, such gain may be treated as sourced in Canada. Any Canadian tax imposed on the exchange may be available as a credit against United States federal income taxes, subject to applicable limitations. Alternatively, a United States Holder may be entitled to claim a deduction with respect to any Canadian tax paid in computing United States taxable income.

### Distributions on the Exchangeable Shares

Because the treatment of exchangeable shares is not clear, the treatment of dividends with respect to such shares is also not clear. If dividends received by a United States Holder with respect to the exchangeable shares constitute dividends from Nabors Bermuda for United States federal income tax purposes, then any dividends paid with respect to the exchangeable shares out of Nabors Bermuda's earnings and profits would be treated as foreign source dividend income and would generally not be eligible for the dividends received deduction allowed to corporate shareholders under the Code.

Alternatively, if dividends received by a United States Holder with respect to the exchangeable shares constitute dividends from Exchangeco for United States federal income tax purposes, then any dividends paid with respect to the exchangeable shares out of Exchangeco's earnings and profits would be treated as foreign source dividend income and would generally not be eligible for the dividends received deduction allowed to corporate shareholders under the Code.

Dividends paid in Canadian dollars will be includible in the income of a

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United States Holder in a United States dollar amount calculated by reference to the exchange rate in effect on the date the dividends are deemed received. United States Holders are urged to consult their tax advisors regarding the treatment of any foreign currency gain or loss on any Canadian dollars received which are not converted into United States dollars on such date.

Under the terms of the Canada-United States Tax Convention, distributions with respect to the exchangeable shares received by United States Holders may be subject to Canadian withholding tax at a rate of 15% irrespective of the treatment for United States federal income tax purposes. Subject to certain limitations of United States federal income tax law, a United States Holder should generally be entitled to either a credit against its United States federal income tax liability or a deduction in computing United States taxable income for Canadian income taxes withheld from distributions with respect to the exchangeable shares. The use of a credit may, however, be limited or precluded entirely if the United

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States Holder has no income that is treated as non-United States source income for United States federal income tax purposes.

### Backup Withholding and Information Reporting

Payments of dividends made with respect to, or the proceeds of the sale or other disposition of, the exchangeable shares and Nabors Bermuda common shares, as the case may be, may be subject to information reporting and United States federal backup withholding tax at the then applicable rate if the recipient of such payment fails to supply an accurate taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amount withheld from a payment to a United States Holder under the backup withholding rules is allowable as a credit against the holder's United States federal income tax, provided that the required information is furnished to the IRS.

### NON-UNITED STATES HOLDERS

A non-United States Holder should generally not be subject to United States federal income tax as a result of the ownership and disposition of exchangeable shares. However, as noted above, legislation has been introduced which, if enacted in its present form, could materially change the United States federal income tax consequences of the ownership and disposition of exchangeable shares to non-United States Holders. It is difficult at this time to predict what, if any, changes might occur. Non-United States Holders are urged to consult their tax advisors regarding the possibility and effect of any such changes.

### BERMUDA INCOME TAX CONSIDERATIONS

Under current Bermuda law, we are not subject to tax in Bermuda on our income or capital gains. Furthermore, we have obtained from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act 1966, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on any income or capital gains, that tax will not be applicable to us until March 28, 2016. This undertaking does not, however, prevent the imposition of any tax or duty on persons ordinarily resident in Bermuda or any property tax on leasehold interests we may have in Bermuda. We will pay an annual government fee in Bermuda based on our authorized share capital and share premium. The maximum annual government fee applicable to us is currently \$29,215, and we expect to be subject to the maximum fee.

Under current Bermuda law, no income, withholding or other taxes or stamp

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or other duties are imposed in Bermuda upon the issue, transfer or sale of our common shares or on any payments in respect of our common shares (except, in certain circumstances, to persons ordinarily resident in Bermuda).

In the opinion of Appleby, Spurling & Kempe, the exchange of exchangeable shares for common shares of Nabors Bermuda will be tax-free under Bermuda law to Nabors Bermuda and the holders of the exchangeable shares.

### LEGAL MATTERS

The validity of our common shares issuable hereunder will be passed upon for us by Appleby, Spurling & Kempe. Certain Bermuda income tax matters have been passed on by Appleby, Spurling & Kempe, certain United States federal income tax matters have been passed upon by Skadden, Arps, Slate, Meagher & Flom LLP and certain Canadian federal income tax matters have been passed upon by Stikeman Elliott.

### EXPERTS

The consolidated financial statements incorporated in this prospectus by reference to the Annual Report on Form 10-K of Nabors Delaware for the year ended December 31, 2001 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.