NABORS INDUSTRIES LTD
Form 10-Q
May 03, 2016
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2016

Commission File Number: 001-32657

NABORS INDUSTRIES LTD.

(Exact name of registrant as specified in its charter)

Bermuda	98-0363970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Crown House

Second Floor

4 Par-la-Ville Road

Hamilton, HM08

Bermuda

(441) 292-1510

(Address of principal executive office)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of common shares, par value $.001 per share, outstanding as of April 29, 2016 was 281,909,668, excluding 49,672,636 common shares held by our subsidiaries, or 331,582,304 in the aggregate.

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

Index

Table of Contents

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2016	December 31, 2015
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 200,674	$ 254,530
Short-term investments	20,827	20,059
Assets held for sale	80,100	75,678
Accounts receivable, net	594,506	784,671
Inventory	153,837	153,824
Other current assets	209,443	187,135
Total current assets	1,259,387	1,475,897
Property, plant and equipment, net	6,942,315	7,027,802
Goodwill	167,217	166,659
Investment in unconsolidated affiliates	94,657	415,177
Other long-term assets	486,755	452,305
Total assets	$ 8,950,331	$ 9,537,840
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	$ 5,880	$ 6,508
Trade accounts payable	250,078	271,984
Accrued liabilities	572,025	686,613
Income taxes payable	43,285	41,394
Total current liabilities	871,268	1,006,499
Long-term debt	3,584,402	3,655,200
Other long-term liabilities	565,086	552,947
Deferred income taxes	13,378	29,326
Total liabilities	5,034,134	5,243,972
Commitments and contingencies (Note 8)		
Equity:		
Shareholders' equity:		
Common shares, par value $0.001 per share:		
Authorized common shares 800,000; issued 331,675 and 330,526, respectively	332	331
Capital in excess of par value	2,497,283	2,493,100
Accumulated other comprehensive income (loss)	(13,264)	(47,593)
Retained earnings	2,715,918	3,131,134
Less: treasury shares, at cost, 49,673 and 49,342 common shares, respectively	(1,295,949)	(1,294,262)

Total shareholders’ equity	3,904,320	4,282,710
Noncontrolling interest	11,877	11,158
Total equity	3,916,197	4,293,868
Total liabilities and equity	$ 8,950,331	$ 9,537,840

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(In thousands, except per share amounts)	
Revenues and other income:		
Operating revenues	$ 597,571	$ 1,414,707
Earnings (losses) from unconsolidated affiliates	(167,151)	6,502
Investment income (loss)	343	969
Total revenues and other income	430,763	1,422,178
Costs and other deductions:		
Direct costs	365,023	919,610
General and administrative expenses	62,334	115,430
Research and engineering	8,162	11,703
Depreciation and amortization	215,818	281,019
Interest expense	45,730	46,601
Other, net	182,404	(55,842)
Total costs and other deductions	879,471	1,318,521
Income (loss) from continuing operations before income taxes	(448,708)	103,657
Income tax expense (benefit):		
Current	14,825	47,349
Deferred	(66,889)	(68,054)
Total income tax expense (benefit)	(52,064)	(20,705)
Income (loss) from continuing operations, net of tax	(396,644)	124,362
Income (loss) from discontinued operations, net of tax	(926)	(817)
Net income (loss)	(397,570)	123,545
Less: Net (income) loss attributable to noncontrolling interest	(724)	89
Net income (loss) attributable to Nabors	$ (398,294)	$ 123,634
Earnings (losses) per share:		
Basic from continuing operations	$ (1.41)	$ 0.43
Basic from discontinued operations	—	—
Total Basic	$ (1.41)	$ 0.43
Diluted from continuing operations	$ (1.41)	$ 0.43
Diluted from discontinued operations	—	(0.01)
Total Diluted	$ (1.41)	$ 0.42
Weighted-average number of common shares outstanding:		
Basic	275,851	285,361

Diluted	275,851	286,173

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(In thousands)	
Net income (loss) attributable to Nabors	$ (398,294)	$ 123,634
Other comprehensive income (loss), before tax:		
Translation adjustment attributable to Nabors		
Unrealized gain (loss) on translation adjustment	33,362	(68,539)
Less: reclassification adjustment for realized loss on translation adjustment	—	5,365
Translation adjustment attributable to Nabors	33,362	(63,174)
Unrealized gains (losses) on marketable securities:		
Unrealized gains (losses) on marketable securities	769	153
Less: reclassification adjustment for (gains) losses included in net income (loss)	—	—
Unrealized gains (losses) on marketable securities	769	153
Pension liability amortization and adjustment	174	276
Unrealized gains (losses) and amortization on cash flow hedges	153	153
Other comprehensive income (loss), before tax	34,458	(62,592)
Income tax expense (benefit) related to items of other comprehensive income (loss)	129	162
Other comprehensive income (loss), net of tax	34,329	(62,754)
Comprehensive income (loss) attributable to Nabors	(363,965)	60,880
Net income (loss) attributable to noncontrolling interest	724	(89)
Translation adjustment attributable to noncontrolling interest	419	(880)
Comprehensive income (loss) attributable to noncontrolling interest	1,143	(969)
Comprehensive income (loss)	$ (362,822)	$ 59,911

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (397,570)	$ 123,545
Adjustments to net income (loss):		
Depreciation and amortization	216,669	281,019
Deferred income tax expense (benefit)	(67,289)	(68,623)
Impairments and other charges	2,735	—
Losses (gains) on debt buyback	(6,027)	—
Losses (gains) on long-lived assets, net	2,563	732
Impairments on equity method holdings	177,242	—
Losses (gains) on merger and acquisitions	—	(52,574)
Share-based compensation	7,374	13,691
Foreign currency transaction losses (gains), net	4,213	(2,345)
Equity in (earnings) losses of unconsolidated affiliates, net of dividends	167,151	(5,737)
Other	1,258	3,988
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	166,074	244,544
Inventory	2,057	511
Other current assets	(18,651)	13,145
Other long-term assets	13,214	(1,665)
Trade accounts payable and accrued liabilities	(120,757)	(275,313)
Income taxes payable	966	24,927
Other long-term liabilities	10,284	7,325
Net cash provided by operating activities	161,506	307,170
Cash flows from investing activities:		
Sales and maturities of investments	41	623
Investment in unconsolidated affiliates	—	(445)
Capital expenditures	(129,875)	(364,234)
Proceeds from sales of assets and insurance claims	5,448	8,997
Proceeds from merger transaction	—	693,450
Other	(4,439)	1,710
Net cash (used for) provided by investing activities	(128,825)	340,101
Cash flows from financing activities:		
Increase (decrease) in cash overdrafts	1,642	(1,017)
Proceeds from revolving credit facilities	150,000	—

Reduction in revolving credit facilities	(70,000)	(250,000)
Proceeds from (payments for) issuance of common shares	—	182
Repurchase of common shares	(1,687)	—
Reduction in long-term debt	(148,045)	—
Dividends to shareholders	(16,922)	(17,470)
Proceeds from (payment for) commercial paper, net	1,325	(282,615)
Proceeds from term loan	—	300,000
Payments on term loan	—	(300,000)
Other	(3,818)	(4,549)
Net cash (used for) provided by financing activities	(87,505)	(555,469)
Effect of exchange rate changes on cash and cash equivalents	968	(6,950)
Net increase (decrease) in cash and cash equivalents	(53,856)	84,852
Cash and cash equivalents, beginning of period	254,530	501,149
Cash and cash equivalents, end of period	$ 200,674	$ 586,001

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

NABORS INDUSTRIES LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(In thousands)	Common Shares Shares	Common Shares Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interest	Total Equity
As of December 31, 2014	328,196	$ 328	$ 2,452,261	$ 77,522	$ 3,573,172	$ (1,194,664)	$ 10,170	$ 4,918
Net income (loss)	—	—	—	—	123,634	—	(89)	123,5
Dividends to shareholders	—	—	—	—	(17,470)	—	—	(17,4
Other comprehensive income (loss), net of tax	—	—	—	(62,754)	—	—	(880)	(63,6
Issuance of common shares for stock options exercised, net of surrender of unexercised stock options	20	—	182	—	—	—	—	182
Share-based compensation	—	—	13,691	—	—	—	—	13,69
Other	1,341	2	(7,091)	—	—	—	(252)	(7,34
As of March 31, 2015	329,557	$ 330	$ 2,459,043	$ 14,768	$ 3,679,336	$ (1,194,664)	$ 8,949	$ 4,967
As of December 31, 2015	330,526	$ 331	$ 2,493,100	$ (47,593)	$ 3,131,134	$ (1,294,262)	$ 11,158	$ 4,293
Net income (loss)	—	—	—	—	(398,294)	—	724	(397,
Dividends to shareholders	—	—	—	—	(16,922)	—	—	(16,9
Repurchase of treasury shares	—	—	—	—	—	(1,687)	—	(1,68
Other comprehensive income (loss), net of tax	—	—	—	34,329	—	—	419	34,74

Share-based compensation	—	—	7,374	—	—	—	—	7,374
Other	1,149	1	(3,191)	—	—	—	(424)	(3,61
As of March 31, 2016	331,675	$ 332	$ 2,497,283	$ (13,264)	$ 2,715,918	$ (1,295,949)	$ 11,877	$ 3,916

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Nabors Industries Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations

We own and operate the world's largest land-based drilling rig fleet and are a leading provider of offshore platform workover and drilling rigs in the United States and numerous international markets. As a global provider of services for land-based and offshore oil and natural gas wells, our fleet of rigs and drilling-related equipment as of March 31, 2016 includes:

- 427 actively marketed rigs for land-based drilling operations in the United States, Canada and approximately 20 other countries throughout the world; and

- 43 actively marketed rigs for offshore drilling operations in the United States and multiple international markets.

We also provide innovative drilling technology and equipment and comprehensive well-site services including engineering, transportation and disposal, construction, maintenance, well logging, directional drilling, rig instrumentation, data collection and other support services in many of the most significant oil and gas markets in the world. In addition, we manufacture and lease or sell top drives and other rig equipment.

On March 24, 2015, we completed the merger (the "Merger") of our Completion & Production Services business with C&J Energy Services, Inc. ("C&J Energy"). In the Merger and related transactions, our wholly-owned interest in our Completion & Production Services business was exchanged for cash and an equity interest in the combined entity, C&J Energy Services Ltd. ("CJES"), and has been accounted for as an unconsolidated affiliate as of the acquisition date. As a result of the Merger, we report our share of the earnings (losses) of CJES through earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss). See further discussion in Note 3 — Investments in Unconsolidated Affiliates. Prior to the Merger, our Completion & Production Services business conducted our operations involved in the completion, life-of-well maintenance and plugging and abandonment of wells in the United States and Canada. These services include stimulation, coiled-tubing, cementing, wireline, workover, well-servicing and fluids management. As we no longer consolidate the results of operations from our historical Completion & Production Services business, our results of operations for the three months ended March 31, 2015 are not directly comparable to the three months ended March 31, 2016.

Our Drilling & Rig Services business is comprised of our global land-based and offshore drilling rig operations and other rig services, consisting of equipment manufacturing, rig instrumentation, optimization software and directional drilling services. Our Drilling & Rig Services business consists of four reportable operating segments: U.S., Canada, International and Rig Services. Through our investment in CJES, we remain engaged in the completion and production services business. CJES provides well construction, well completions, well support and other complementary oilfield services to oil and gas exploration and production companies primarily in North America.

On May 24, 2015, we paid $106.0 million in cash to acquire the remaining 49% equity interest in Nabors Arabia Company Limited ("Nabors Arabia"), our joint venture in Saudi Arabia, making it a wholly owned subsidiary. The effects of the acquisition and the operating results of Nabors Arabia are included in the accompanying unaudited consolidated financial statements beginning on the acquisition date, and are reflected in our International drilling segment.

Unless the context requires otherwise, references in this report to "we," "us," "our," "the Company," or "Nabors" mean Nabors Industries Ltd., together with our subsidiaries where the context requires, including Nabors Industries, Inc., a Delaware corporation ("Nabors Delaware"), our wholly owned subsidiary.

Table of Contents

Note 2 Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited consolidated financial statements of Nabors have been prepared in conformity with the generally accepted accounting principles in the United States ("GAAP"). Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. Therefore, these financial statements should be read along with our annual report on Form 10-K for the year ended December 31, 2015, as amended ("2015 Annual Report"). In management's opinion, the unaudited consolidated financial statements contain all adjustments necessary to present fairly our financial position as of March 31, 2016 and the results of operations, comprehensive income (loss), cash flows and changes in equity for the periods presented herein. Interim results for the three months ended March 31, 2016 may not be indicative of results that will be realized for the full year ending December 31, 2016.

Principles of Consolidation

Our consolidated financial statements include the accounts of Nabors, as well as all majority owned and non-majority owned subsidiaries required to be consolidated under GAAP. All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in operating entities where we have the ability to exert significant influence, but where we do not control operating and financial policies, are accounted for using the equity method. Our share of the net income (loss) of these entities is recorded as earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss). The investments in these entities are included in investment in unconsolidated affiliates in our consolidated balance sheets. We record our share of the net income (loss) of our equity method investment in CJES on a one-quarter lag, as we are not able to obtain the financial information of CJES on a timely basis. See Note 3 — Investments in Unconsolidated Affiliates.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out or weighted-average cost methods and includes the cost of materials, labor and manufacturing overhead. Inventory included the following:

	March 31, 2016	December 31, 2015
	(In thousands)	
Raw materials	$ 110,166	$ 105,217
Work-in-progress	26,343	29,710
Finished goods	17,328	18,897
	$ 153,837	$ 153,824

Goodwill

We review goodwill for impairment annually during the second quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the carrying amount of such goodwill and intangible assets exceed their fair value. We initially assess goodwill for impairment based on qualitative factors to determine whether to perform the two-step annual goodwill impairment test, a Level 3 fair value measurement. After our qualitative assessment, step one of the impairment test compares the estimated fair value of the reporting unit to its carrying amount. If the carrying amount exceeds the fair value, a second step is required to measure the goodwill impairment loss. The second step compares the implied fair value of the reporting unit's goodwill to its carrying amount. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to the excess.

Our estimated fair values of our reporting units incorporate judgment and the use of estimates by management. Potential factors requiring assessment include a further or sustained decline in our stock price, declines in oil and natural gas prices, a variance in results of operations from forecasts, a change in operating strategy of assets and additional transactions in the oil and gas industry. Another factor in determining whether impairment has occurred is the relationship between our market capitalization and our book value. As part of our annual review, we compare the sum of

Table of Contents

our reporting units' estimated fair value, which includes the estimated fair value of non-operating assets and liabilities, less debt, to our market capitalization and assess the reasonableness of our estimated fair value. Any of the above-mentioned factors may cause us to re-evaluate goodwill during any quarter throughout the year.

Recent Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") relating to consolidation, which eliminates the presumption that a general partner should consolidate a limited partnership. It also modifies the evaluation of whether limited partnerships are variable interest entities or voting interest entities and adds requirements that limited partnerships must meet to qualify as voting interest entities. This guidance is effective for public companies for fiscal years beginning after December 15, 2015. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued an ASU relating to the revenue recognition from contracts with customers that creates a common revenue standard for GAAP and IFRS. The core principle will require recognition of revenue to represent the transfer of promised goods or services to customers in an amount that reflects the consideration, including costs incurred, to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB approved a one year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017. We are currently evaluating the impact this will have on our consolidated financial statements.

In July 2015, the FASB issued an ASU to simplify the measurement of inventory by changing the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory. Subsequent measurement is unchanged for inventory measured using the last-in, first-out or the retail inventory method. This guidance is effective for public companies for fiscal years beginning after December 15, 2015. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In September 2015, the FASB issued an ASU to simplify the accounting for measurement-period adjustments in connection with business combinations by requiring that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This guidance is effective for public companies for fiscal years beginning after December 15, 2015. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In January 2016, the FASB issued an ASU relating to the recognition and measurement of financial assets and liabilities. This standard enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. This guidance is effective for public companies for fiscal years beginning after December 15, 2017. Early application is permitted. We are currently evaluating the impact this will have on our consolidated financial statements.

In March 2016, the FASB issued an ASU to simplify the transition to the equity method of accounting. This standard eliminates the requirement to retroactively adopt the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence. Instead, the equity method investor should add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment qualifies for the equity method of accounting. This guidance is effective for public companies for fiscal years beginning after December 15, 2016. Early application is permitted. We are currently evaluating the impact this will have on our consolidated financial statements.

In March 2016, the FASB issued an ASU to simplify the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for public companies for fiscal years beginning after December 15, 2016. Early application is permitted. We are currently evaluating the impact this will have on our consolidated financial statements.

Note 3 Investments in Unconsolidated Affiliates

On March 24, 2015, we completed the Merger of our Completion & Production Services business with C&J Energy. We received total consideration comprised of approximately $693.5 million in cash ($650.1 million after settlement of working capital requirements) and approximately 62.5 million common shares in the combined company, CJES, representing approximately 53% of the outstanding and issued common shares of CJES as of the closing date. Because

Table of Contents

we have significant influence over CJES, but not a controlling financial interest, we account for our investment in CJES under the equity method of accounting.

Our consolidated statement of income (loss) for the three months ended March 31, 2015 consolidates the operating results of our Completion & Production Services business through the closing date of the Merger. As a result of the Merger, CJES became an unconsolidated affiliate and we no longer consolidate the operating results of our Completion & Production Services business. Therefore, subsequent to the closing date of the Merger, our share of the net income (loss), as adjusted for our basis difference, of our equity method investment in CJES is recorded as earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss). Our policy is to record our share of the net income (loss) of CJES on a one-quarter lag as we are not able to obtain the financial information of CJES on a timely basis. Accordingly, the equity in earnings from CJES, which is reflected in earnings (losses) from unconsolidated affiliates in our consolidated statement of income (loss) for the three months ended March 31, 2016 is related to the period from October 1, 2015 through December 31, 2015.

We record our investment in the equity of CJES in the Investment in unconsolidated affiliates line in our consolidated balance sheet. We review our equity method investments for impairment whenever certain impairment indicators exist including the absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment. A loss in value of an investment that is other than a temporary decline should be recognized. During the quarter, we determined the carrying value of our investment was other than temporarily impaired, which resulted in an impairment charge of $153.4 million to reduce our carrying value to its estimated fair value determined principally based on the average share price over a specified period. Additionally, we recognized a $23.8 million charge to reserve certain other amounts associated with our CJES holdings including affiliate receivables. These charges are reflected in other expense (income), net in our consolidated statement of income (loss) for the three months ended March 31, 2016. See Note 10 – Supplemental Balance Sheet, Income Statement and Cash Flow Information.

During the first quarter of 2015, we recognized an estimated gross gain of $102.2 million in connection with the Merger based on the difference between the consideration received and the carrying value of the assets and liabilities of our Completion & Production Services business. This gain was partially offset by $49.6 million in transaction costs related to the Merger.

The following table presents summarized income statement (loss) information for CJES for the three months ended December 31, 2015, which is reflected in earnings (losses) from unconsolidated affiliates in our consolidated statement of income (loss) for the three months ended March 31, 2016:

	Three Months Ended

	December 31, 2015 (In thousands)
Gross revenues	$ 409,011
Gross margin	37,417
Net income (loss)	(321,742)
Nabors' share of equity method earnings (losses)	(167,145)

Note 4 Fair Value Measurements

Our financial assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2016 consist of available-for-sale equity and debt securities. Our debt securities could transfer into or out of a Level 1 or 2 measure depending on the availability of independent and current pricing at the end of each quarter. During the three months ended March 31, 2016, there were no transfers of our financial assets between Level 1 and Level 2 measures. Our financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The majority of our short-term investments are categorized as Level 1 and had a fair value of $20.8 million as of March 31, 2016.

Table of Contents

Nonrecurring Fair Value Measurements

We applied fair value measurements to our nonfinancial assets and liabilities measured on a nonrecurring basis, which consist of measurements primarily to assets held-for-sale, goodwill, intangible assets and other long-lived assets, assets acquired and liabilities assumed in a business combination and our pipeline contractual commitment.

Fair Value of Financial Instruments

We estimate the fair value of our financial instruments in accordance with GAAP. The fair value of our long-term debt, revolving credit facility and commercial paper is estimated based on quoted market prices or prices quoted from third-party financial institutions. The carrying and fair values of these liabilities were as follows:

	March 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)		(In thousands)	
2.35% senior notes due September 2016	$ 338,532	$ 336,867	$ 347,955	$ 347,708
6.15% senior notes due February 2018	827,561	828,667	921,162	935,962
9.25% senior notes due January 2019	303,489	308,421	339,607	342,575
5.00% senior notes due September 2020	669,310	578,457	683,839	617,409
4.625% senior notes due September 2021	698,688	592,375	698,628	581,630
5.10% senior notes due September 2023	349,053	269,721	349,021	280,907
Term loan facility	325,000	325,000	325,000	325,000
Revolving credit facility	80,000	80,000	—	—
Commercial paper	9,325	9,325	8,000	8,000
Other	5,880	5,880	6,508	6,508
	3,606,838	3,334,713	3,679,720	3,445,699
Less: Deferred financing costs	16,556		18,012	
	$ 3,590,282		$ 3,661,708	

The fair values of our cash equivalents, trade receivables and trade payables approximate their carrying values due to the short-term nature of these instruments.

Note 5 Share-Based Compensation

We have several share-based employee and director compensation plans, which are more fully described in Note 7 — Share-Based Compensation in our 2015 Annual Report. Total share-based compensation expense, which includes stock options and restricted shares, totaled $7.4 million and $13.9 million for the three months ended March 31, 2016 and 2015, respectively, which is included in direct costs and general and administrative expenses in our consolidated statements of income (loss). Share-based compensation expense has been allocated to our various operating segments. See Note 12 — Segment Information.

Stock Options

The total intrinsic value of options exercised during three months ended March 31, 2015 was $0.1 million. No options were exercised during the three months ended March 31, 2016. The total fair value of options that vested during the three months ended March 31, 2016 and 2015 was $1.6 million and $1.5 million, respectively.

Restricted Stock

During the three months ended March 31, 2016 and 2015, we awarded 1,011,737 and 1,514,934 restricted shares, respectively, to our employees and directors. These awards had an aggregate value at their date of grant of $7.8 million and $19.3 million, respectively, and were scheduled to vest over a period of up to four years. The fair value of restricted shares that vested during the three months ended March 31, 2016 and 2015 was $8.0 million and $15.7 million, respectively. The fair value of these awards is based on the closing price of Nabors stock on the date the awards are granted.

Table of Contents

Restricted Stock Based on Performance

During the three months ended March 31, 2015, we awarded 438,307 restricted shares vesting over a period of three years to some of our executives. The performance awards granted were based upon achievement of specific financial or operational objectives. The number of shares granted was determined by the number of performance goals achieved during fiscal year 2014.

Until shares are issued, our awards that are earned based on performance conditions are liability-classified awards. Our accrued liabilities included $3.7 million for such awards at March 31, 2016 for the performance period beginning on January 1, 2015 through December 31, 2015 and $0.6 million for such awards at March 31, 2016 for the performance period beginning January 1, 2016 through December 31, 2016. The fair value of these awards that vested during the three months ended March 31, 2016 and 2015 was $1.5 million and $6.8 million, respectively. The fair value of these awards are estimated at each reporting period, based on internal metrics and marked to market.

Restricted Stock Based on Market Conditions

During the three months ended March 31, 2016 and 2015, we awarded 749,427 and 544,925 restricted shares, respectively, which are equity classified awards and will vest based on our performance compared to our peer group over a three-year period. These awards had an aggregate value at their date of grant of $4.2 million and $4.7 million, respectively, after consideration of all assumptions.

The grant date fair value of these awards was based on a Monte Carlo model, using the following assumptions:

	Three Months Ended March 31,	
	2016	2015
Risk free interest rate	1.41%	1.18%
Expected volatility	52.00%	50.00%
Closing stock price at grant date	$ 8.64	$ 12.98
Expected term (in years)	3.0	3.0

Note 6 Debt

Debt consisted of the following:

	March 31, 2016	December 31, 2015
	(In thousands)	
2.35% senior notes due September 2016 (1)	$ 338,532	$ 347,955
6.15% senior notes due February 2018	827,561	921,162
9.25% senior notes due January 2019	303,489	339,607
5.00% senior notes due September 2020	669,310	683,839
4.625% senior notes due September 2021	698,688	698,628
5.10% senior notes due September 2023	349,053	349,021
Term loan facility	325,000	325,000
Revolving credit facility	80,000	—
Commercial paper	9,325	8,000
Other	5,880	6,508
	3,606,838	3,679,720
Less: current portion	5,880	6,508
Less: deferred financing costs	16,556	18,012
	$ 3,584,402	$ 3,655,200

(1) The 2.35% senior notes due September 2016 have been classified as long-term as we have the ability and intent to repay this obligation utilizing our revolving credit facility.

During the three months ended March 31, 2016, we repurchased $154.1 million aggregate principal amount of our senior notes (all of which is now held by a consolidated affiliate) at various maturities for approximately $150.4 million in cash, reflecting principal and approximately $2.9 million of accrued and unpaid interest. The discount represents the gain on the debt buybacks and is included in other expense (income), net in our consolidated statement of income (loss) for the three months ended March 31, 2016.

Commercial Paper Program

As of March 31, 2016, we had approximately $9.3 million of commercial paper outstanding. The weighted average interest rate on borrowings at March 31, 2016 was 1.07%. Our commercial paper borrowings are classified as long-term debt because the borrowings are fully supported by availability under our revolving credit facility, which matures as currently structured in July 2020, more than one year from now.

Revolving Credit Facility

As of March 31, 2016, we had $80.0 million of borrowings outstanding under this facility, which matures in July 2020. The weighted average interest rate on borrowings at March 31, 2016 was 1.75%. The revolving credit facility contains various covenants and restrictive provisions that limit our ability to incur additional indebtedness, make investments or loans and create liens and require us to maintain a net funded indebtedness to total capitalization ratio, as defined in the agreement. We were in compliance with all covenants under the agreement at March 31, 2016. If we fail to perform our obligations under the covenants, the revolving credit commitment could be terminated, and any outstanding borrowings under the facility could be declared immediately due and payable.

Term Loan Facility

On February 6, 2015, Nabors Industries, Inc., our wholly owned subsidiary, entered into an unsecured term loan facility for $300.0 million with a three-year maturity, which was fully and unconditionally guaranteed by us. Under the new term loan facility, we were required to prepay the loan upon the closing of the Merger, or if we otherwise disposed of assets, issued term debt, or issued equity with net proceeds of more than $70.0 million, subject to certain exceptions. The term loan agreement contained customary representations and warranties, covenants and events of default for loan facilities of this type. On March 27, 2015, we repaid the $300.0 million term loan, according to the terms of the agreement using a portion of the cash consideration received in connection with the Merger and the facility was terminated.

On September 29, 2015, Nabors Industries, Inc., our wholly owned subsidiary, entered into a new five-year unsecured term loan facility for $325.0 million, which is fully and unconditionally guaranteed by us. The term loan facility contains a mandatory prepayment of $162.5 million due in September 2018. As of March 31, 2016, we had $325.0 million of borrowings outstanding under this facility. Borrowings under this facility will bear interest for periods of one, two, three or six months, at an annual rate equal to LIBOR, plus the applicable interest margin. The interest margin is based on our long-term unsecured credit rating for debt as in effect from time to time.

Note 7 Common Shares

During the three months ended March 31, 2015, our employees exercised vested options to acquire 0.02 million of our common shares resulting in proceeds of $0.2 million. No options were exercised during the three months ended March 31, 2016. During the three months ended March 31, 2016 and 2015, we withheld 0.2 million and 0.6 million, respectively, of our common shares with a fair value of $1.9 million and $7.1 million, respectively, to satisfy tax withholding obligations in connection with the vesting of all stock awards.

During the three months ended March 31, 2016, we repurchased 0.3 million of our common shares in the open market for $1.7 million, all of which are held in treasury.

On February 19, 2016, a cash dividend of $0.06 per share was declared for shareholders of record on March 10, 2016. The dividend was paid on March 31, 2016 in the amount of $16.9 million and was charged to retained earnings in our consolidated statement of changes in equity for the three months ended March 31, 2016.

Table of Contents

Note 8 Commitments and Contingencies

Contingencies

Income Tax

Income tax returns that we file are subject