

**NABORS INDUSTRIES
BOARD OF DIRECTORS
COMPENSATION COMMITTEE CHARTER**

Composition and Term of Office

The Compensation Committee shall be composed of not less than two independent Directors. The members of the Committee shall be elected at the first meeting of the Board following the shareholders meeting or as necessary to fill vacancies in the interim. A person may serve on the Executive Compensation Committee only if he or she (i) is a “non-employee Director” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, satisfies the requirements of an “outside director” for the purposes of Section 162(m) of the Internal Revenue Code and (ii) meets the independence requirements of the New York Stock Exchange.

Meetings

Committee meetings are normally scheduled four times a year with additional meetings held as necessary.

Purpose and Role

The Purpose of the Committee is to assist the Board in establishing and maintaining a system/policy in which the Company’s Senior executives are compensated in a manner that is consistent with Nabors’ overall business and management strategy. The Committee will consider the following practices basic to the system and its primary role is to assist the Board in ensuring adherence to them:

- Executives are to be rewarded fairly for performance benefiting shareholders on a long range basis. Thus compensation philosophy and practices are to be linked to achievement of business objectives and overall organizational performance.
- Overall compensation should provide competitive opportunities that attract and retain the executive resources necessary to successfully lead and manage the company.
- Specific expertise which Nabors executives are expected to employ in their duties which would normally be handled by outside consultants and specialists will be taken into account in overall compensation.

Duties and Responsibilities

The general responsibilities of the Committee are oversight of compensation (Salary, Bonuses, Stock related awards – Options etc. and any other incentives) for the Executive Officers (The Chairman, (the CEO) the President (the COO) and the Vice Chairman. This embraces review of and recommendation to the Board of proposed changes in compensation under existing or new employment contracts for the CEO developed by the Board as well that for the other designated Officers as set forth by the Chairman.

Specifically the Committee shall:

1. Along with the Nominating and Governance Committee periodically review and approve Corporate Goals and Objectives as established by the Board relevant to the Chief Executive and Chief Operating Officers performance and compensation level.
2. Participate in the establishment of the total Cash Bonus and the total Stock Option Pools to be awarded each year and the recommended allocation related to performance category.

The Nabors employee performance appraisal system is a basic tool in the execution of its salary and incentive program and overall compensation structure. The Committee or its delegated member will be consulted on the elements to be included in evaluation forms used in the system and will participate in the annual review of the overall statistical results particularly as they pertain to high potential employees who are candidates for the Management Development Program and inclusion in Bonus and stock option plans.

3. Assist and advise the Board and Management in establishing and maintaining the composition of total compensation for the Senior Executives (CEO and COO) and the other Senior Management positions. The mix of Salary, Cash Bonus, Option Awards, Perks and other elements should be continuously examined to take into account the competitive situation, individual employee potential and performance.
4. Prepare an annual report on Executive Compensation for inclusion in the Corporation's proxy statement or annual report on Form 10-K filed with the Securities and Exchange Commission, in accordance with applicable rules and regulations.
5. Participate in the preparation, review, and approval process of any disclosure, press release, or other company communication related to Executive compensation including those required in the Company's proxy statement.
6. Monitor compliance with (a) legal prohibition of loans to Directors and Executive officers and (b) with the Company's program of required stock ownership by Senior Management and Directors.

The Committee will have access to consultants to assist in the execution of its duties and responsibilities. The Committee shall have sole authority to retain and

terminate any consulting firm used to assist in the evaluation of Director, CEO or Executive officer compensation, including sole authority to approve the firm's fees and other retention terms.

Participation in Other Matters Related to Employee Compensation

The Committee through its Chairman or a designated member will insure that it is informed and knowledgeable as to the Company's Benefit and Pension plans including the 401(k) plan. It will, as necessary, attend periodic reviews of the performance of the Investment Plans and will diligently review, keep involved and comment on proposed significant changes in the Plans and in the Administration of the entire Program. Although the Committee cannot assume a line authority role its comments and suggestions are part of its responsibility related to (1) oversight of Senior Management's performance in judiciously controlling costs (in this case of indirect compensation and emoluments) against the need to provide total competitive compensation to retain and recruit high caliber personnel and 2) Monitoring Managements adherence to principals of Fiduciary Responsibilities in respect to employee funds.

The Committee, through its Chairman or a designated member will review proposed Stock Option awards included in employment offers in recruiting efforts to employ senior executives or specialists.

Performance Evaluation

Periodically, at such time deemed appropriate by the Committee or the Board, the Committee shall review and assess the adequacy and appropriateness of this charter and the Committee's own performance. The results of such evaluation and any proposed changes shall be presented to the full Board.