NORTH CAROLINA

OFFICE OF THE TREASURER

JANET COWELL, TREASURER

September 29, 2011

**VIA EMAIL, FACSIMILE, AND FEDERAL EXPRESS**

Mr. John Yearwood, Lead Director
Nabors Industries Limited
c/o Corporate Secretary
515 West Greens Road, Suite 1200
Houston, Texas 77067

Dear Mr. Yearwood:

As major institutional investors holding approximately 2.25 million shares valued at almost $40 million, we believe the board of directors (the "Board") of Nabors Industries Ltd. ("Nabors" or the "Company") has approved egregious compensation practices, including lavish payouts for Eugene M. Isenberg ("Isenberg"), the Chair of the Board and the Company's CEO, that are divorced from Nabor's stock performance. Such poor compensation practices are even more troubling given the Board's consistent refusal to effectuate the clear will of a majority of the Company's shareholders. As you know, in recent years, institutional investors submitted shareholder proposals requesting the Board amend the Company's bylaws to declassify the Board (the "Declassification Proposal"), and to implement a majority voting requirement in director elections (the "Majority Voting Proposal"). The Board has refused to implement either proposal, although they are supported by large majorities of shareholders.

Because of the Company's demonstrated record of excessive compensation practices and consistent disregard for shareholders, we call upon the Board to take several immediate steps that will restore shareholder value and confidence: (1) appoint an independent member as Chair; (2) declassify the staggered Board; (3) take steps to provide that director nominees be elected by majority vote; and (4) demand and accept the resignation of Directors John V. Lombardi ("Lombardi"), James L. Payne ("Payne") and Myron M. Sheinfeld ('Sheinfeld") and appoint new independent directors upon consultation with institutional investors.

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I. POOR CORPORATE GOVERNANCE

A. Failure to Link Executive Compensation to Performance

We believe comments made by independent proxy advisors as well as recent support for several shareholder proposals underscore the Board's troublesome stance on corporate governance in two key areas. First, we are concerned about Nabors' consistent practice of failing to link executive compensation to company performance. Proxy advisory firm Glass Lewis has given Nabors an "F" for its pay-for-performance model, the worst possible rating, over the last three years. Specifically, we note the following concerns with the Company's compensation policy:

- Bonus: Mr. Isenberg received a bonus of $9.7 million in 2010, the highest compared to his peer group. For the three years before, he received a bonus of $19.9 million, $58.8 million, and $22.5 million bringing his total bonus in the last four years to $110 million. We believe the uncapped bonus formula which pays a fixed percentage of excess returns runs contrary to shareholder interest.

- Perquisites: The Company paid Mr. Isenberg $2.5 million in benefits last year. Furthermore, Mr. Isenberg has used Nabors' jets for extensive travel to New York City, Palm Beach, and Martha's Vineyard, where Mr. Isenberg owns homes. A recent *Wall Street Journal* estimated that the travel to and from Palm Beach and Martha's Vineyard alone would run about $704,000. Finally, Nabors has contributed $2.4 million to Mr. Isenberg's deferred compensation plan. In fact, under this plan, he will be credited $600,000 for each quarter as long as he remains employed.

- Severance Payments. Finally, Mr. Isenberg will be paid about $126.5 million for a "change-in-control" event at Nabors. This "change-in-control" arrangement is about nine times Mr. Isenberg's annual compensation, exceeding a best practice threshold of paying between no more than twice to three times the annual total compensation.

These seriously egregious compensation policies have led to strong support for shareholders proposals that now warrant the Board's attention. In 2009 and 2010, shareholders cast 40 percent of their votes for a proposal requesting the Board's Compensation Committee to adopt a pay for superior performance principle by establishing an executive compensation plan for senior executives. Furthermore, at this year's annual general meeting, shareholders rejected the Board's recommendation for a triennial say on pay, voting instead for annual say on pay. With this year's shareholders rejection, Nabors became one of only 35 companies to fail to win majority support for its pay practice this year.

B. Failure of the Compensation Committee to Carry Out Its Responsibility

Second, we believe the disconnect between pay and performance raises fundamental concerns about the Compensation Committee's effectiveness. According to the company's Committee Charter, the Committee is responsible for carrying out the Board's responsibility relating to executive compensation. Given the Committee's charge, we believe the Compensation Committee has failed to meet its purpose by approving excessive executive compensation. We attribute part of the Committee's sustained failure to Directors John Lombardi and James Payne. Despite running unopposed, Director Lombardi and Payne each received only 48 percent of the vote. We believe the high withhold votes last year for both directors signify shareholder concerns about Nabors' compensation practices.

1. Director John Lombardi

We first question Director Lombardi's service as Chair of the Compensation Committee given his conflicts of interest and failure to attend 75 percent of Board and committee meetings in 2010. According to Nabors' 2010 proxy statement, Director Lombardi's name was recommended to the Compensation Committee by Mr. Isenberg, "who had become acquainted with Dr. Lombardi's expertise and acumen during Dr. Lombardi's tenure as Chancellor at the University of Massachusetts Amherst."

We question Dr. Lombardi's independence given that Mr. Isenberg served as President of the University of Massachusetts Amherst Foundation which Dr. Lombardi created when he began his chancellorship in 2002. During Dr. Lombardi's tenure, Mr. Isenberg reportedly donated millions of dollars to the university. In August 2007, during a farewell celebration for Dr. Lombardi's service at University of Massachusetts Amherst, Mr. Isenberg, as President of the Foundation, announced a new scholarship fund named after Lombardi and his wife. At that time, the John V. and Cathryn L. Lombardi Scholarship had raised $400,000 with a goal of $1 million. Furthermore, we note that Director Lombardi attended less than 75 percent of the meetings held by the Board and the committees on which served during fiscal year 2010.

2. Director James Payne

We do not consider Director Payne to be independent given that Nabors entered into transactions during the first quarter of 2010 and second quarter of 2011 with Shona Energy. Mr. Payne is the Chair and CEO of Shona Energy, a company in which Nabors has an equity ownership of slightly more than 10 percent. Given these related party transactions, we question the board's affirmative determination regarding Mr. Payne's independence More importantly, Mr. Payne does not meet the more rigorous independence standards adopted by many of the undersigned and promoted by the Council of Institutional Investors and leading proxy advisors.

C. Failure of Director Myron Sheinfeld as Member of the Governance Committee to Carry Out Its Responsibility

We raise concerns about Director Myron Sheinfeld, a member of the Governance Committee, who failed to carry out the majority will of the Company's shareholders to declassify the Board. The Committee's refusal to do so resulted in the Connecticut Retirement Plans & Trust Fund to again submit another proposal to declassify of the Board this year. Both proposals won approximately 75 percent of the voting shares. We also note that Mr. Sheinfeld received only 38 percent of the shareholder vote at this year's annual meeting. He has served on the Board for the entirety of Mr. Isenberg's reign as the Company's CEO.

II. BOARD SHOULD IMPLEMENT SEVERAL CHANGES TO REMEDY POOR CORPORATE GOVERNANCE PRACTICES

A. Appoint an Independent Chairman

Based on these concerns, we ask the Board to implement several changes. First, we call on the Board to appoint an independent Chairman. We are concerned that Mr. Isenberg's service as both Chair and CEO has compromised the Board's ability to objectively oversee management, particularly the adoption of a sound compensation policy. Nabors has not performed as well as its peers, but nonetheless Mr. Isenberg received significant compensation, including outsized bonuses, perquisites, and severance arrangements.

B. Repeal Its Staggered Board and Implement a System in which Every Director Stands for Annual Election

Second, we call upon the Board to repeal its staggered board and implement a phase-in system in which every director stands for annual election. As discussed, a proposal sponsored by the Connecticut Retirement Plans & Trust Funds to repeal the Nabors' classified board won 75 percent of the votes cast at the 2010 and 2011 annual general meetings. In addition, empirical evidence suggests that having classified board reduces a company's value and therefore is not in the best interest of shareholders.

We also believe that it is particularly important for Nabors to declassify its board given that Mr. Lombardi and Mr. Payne of the Compensation Committee received withhold votes from 48 percent of votes cast. This year, Mr. Sheinfeld received only 38 percent of the votes cast. The current staggered board arrangement will allow these Board members to avoid standing for reelection for another three years, thereby denying maximum accountability of directors to shareholders. We note that the Council of Institutional Investors has sent two previous requests, one on August 5, 2010 and another on March 2, 2011, requesting the Board to repeal its classified board. To date, your company has still not responded. As a coalition of major institutional investors, we are now making what we would consider a third and final request.

C. Take Steps to Provide that Director Nominees be Elected by Affirmative Vote of Majority Votes Cast

Third, we call upon the Board to take the necessary steps to provide that director nominees be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholder, with a plurality vote standard retained for contested director elections. Despite the Board's recommendation to vote "against" this proposal, 57 percent of Nabors shareholders voted in favor of modifying the voting standard.

We believe a majority vote standard would result in a more attentive and accountable Board. The adoption of a majority vote standard would enhance the shareholders' ability to determine who best serves them on the Board. We note that majority voting for the election of directors has now become the standard in corporate board elections. Today, approximately 71 percent of companies in the Standard & Poor 500 index have adopted some form of majority voting.

The Board's apparent decision to re-seat Director Sheinfeld, who failed to receive majority shareholder support at Nabors' 2011 annual meeting, reinforces our concerns with the Board's lack of accountability and underscores the need for robust majority voting. We urge that Board to adopt such a voting standard if it desires to regain shareholder confidence.

D. Seek and Accept the Resignation of Directors Lombardi, Payne, and Sheinfeld

Fourth, we call upon the Board to request that Directors Lombardi, Payne, and Sheinfeld resign from the Board and replace them new independent Director upon consultation with institutional investors. As Chair of the Compensation Committee John Lombardi assumed responsibility to over executive compensation of Mr. Isenberg. Nabors' performance over the past years calls into question whether he has been able to appropriately fulfill that role. As we have discussed earlier in this letter, we question Mr. Lombardi's commitment given conflicts of interest and his failure to attend 75 percent of the Board and committee meetings.

Mr. Payne, as also discussed in this letter, has potential conflicts of interest raising further concerns about his independence. In addition, we believe as Chair of the Governing Committee, Mr. Payne is responsible for Nabors' poor governance practices. We believe Mr. Payne should have led the effort to declassify the Board after an overwhelming majority of shareholders supported the proposal last year. Because of his failure to do so, shareholders again filed and supported the declassification proposal with 75 percent of approval. We believe Mr. Payne's failure to respond to these proposal exacerbates shareholder concerns about the Board's independence and accountability.

Like Mr. Payne, Mr. Sheinfeld, as a member of the Governance Committee, failed to declassify the Board. He has served during the entire span of Mr. Isenberg's reign as the Company's CEO.

To remind you, at last year's annual meeting, Mr. Lombardi and Mr. Payne received only 48 percent of the vote despite running unopposed. This year, Mr. Sheinfeld received only 38 percent of shareholder support. We believe this high percentage constitutes a vote of no confidence by shareholders. We believe these three directors continue to exercise poor judgment on behalf of shareholders. Therefore, we believe the Board should ask for their resignation and replace them with new independent Directors upon consultation with institutional investors.

We believe the Board of Nabors has shown a high disregard for its shareholders, both through excessive compensation practices and disregarding Shareholder Proposals. These necessary steps – (1) request that Mr. Isenberg step down as Chairman and appoint an independent board member as Chairman; (2) declassify the staggered Board; (3) adopt majority voting standards; and (4) seek and accept the resignation of Mr. Lombardi, Mr. Payne, and Mr. Sheinfeld – are prerequisites to restoring our confidence as long-term institutional investors.

We ask that you respond to this letter no later than 5 p.m. Eastern Standard Time on Thursday, October 13, 2011. Please contact Jay Chaudhuri, General Counsel & Senior Policy Advisor at the North Carolina Department of State Treasurer, at (919) 508-1024 or jay.chaudhuri@nctreasurer.com to schedule a call or meeting at your convenience. We look forward to hearing from you.

Sincerely,

Anne Sheehan
Director of Corporate Governance
California State Teachers' Retirement System

Don Kirshbaum
Investment Officer for Policy
Connecticut Retirement Plan and Trust Fund

William Atwood
Executive Director
Illinois State Board of Investment

Victoria Willard
Managing Director, Investments
Maryland State Retirement and Pension Fund

Michael Garland
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