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LETTER OF COMMENT NO. 20

October 11, 2007

Re: Proposed FSP APB 14-a

Ladies and Gentlemen:

We would like to take this opportunity to comment on the proposed FASB Staff Position No. APB 14-a, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* "Proposed FSP", and the questions indicated in the Notice to Recipients.

We do not agree that paragraph 12 of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*, excludes convertible debt instruments that may be settled in cash upon conversion. The original and revised consensus in 2002 EITF Issue No. 90-19, *Convertible Bonds with Issuer Option to Settle for Cash upon Conversion*, specifically addressed the applicability of APB No. 14 or FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, for certain convertible debt instruments.

Separation of a liability and equity component at initial recognition

We believe convertible bonds, described as Instrument C in EITF Issue No. 90-19, should not be separated into a liability and equity component as provided by the Proposed FSP. Namely, there is inseparability of the debt and option components since neither can be separated and traded. Upon exercise of the conversion option, an investor releases all debt claims and has only an equity claim for the value of the underlying shares. Therefore, the exercise of the conversion option and redemption of the bond are mutually exclusive transactions.

The existing accounting treatment has been well understood and consistently applied by issuers and accurately reflects the economic substance of the transaction. In May 2006, we completed a significant \$2.75 billion convertible debt issue in reliance on existing accounting literature. The current accounting treatment requires that (1) the balance sheet liability reflect the proceeds received, (2) the income statement reflect the actual cash interest paid and (3) that the diluted EPS calculation include the net shares that would be issued upon conversion in the denominator. We believe users of the financial statements are afforded a clear description of the financing transaction and its underlying terms.

In paragraph 10, the Proposed FSP requires the issuer to value the "bond" component and deduct the value from the initial proceeds to calculate an amount to allocate to equity. This separation creates a discounted debt instrument which must be accreted to its par value over the estimated life of the bond, creating interest expense similar to a traditional debt instrument rather than the actual cash coupon paid to investors. As a result, the balance sheet debt amount is understated, the equity is overstated by a value allocated to the option and interest expense exceeds the amount actually paid.



In paragraph 22, the Proposed FSP requires full retroactive restatement for a bond within the scope of the FSP that is outstanding during any financial statement period presented. We believe the requirement to retroactively restate for all periods presented is punitive as issuers relied in good faith on well-established accounting guidelines when these debt instruments were issued. Further, we believe it is inappropriate to require restatement for instruments that are no longer outstanding or no longer permit cash settlement due to the costs and complexities of implementation as well as whether the information is understood and useful by the users. While we believe current guidance supports the applicability of paragraph 12 from APB No. 14 and EITF 90-19 for certain nonconvertible debt instruments that do not require bifurcation, if this Proposed FSP is issued, we believe the implementation should be delayed for at least one year and be applicable to new issuances only.

We are supportive of the FASB's overall direction to improve the usefulness of financial information and hope that the upcoming Liability and Equity Project will present a comprehensive standard of accounting and reporting for financial instruments of equity, liabilities or both. To codify the Proposed FSP for this particular type of convertible debt before this project is complete could lead to confusion among users if the broader standard allows for a different approach.

Other references/Illustrative example

The references throughout the Proposed FSP, specifically on guidance for subsequent measurement and accounting for modifications at paragraphs 14 through 18, as well as the inclusion of an illustrative example in Appendix A improve the understandability of the Proposed FSP if it is issued.

Conclusion

In summary, we do not support the Proposed FSP changes related to the accounting and reporting of convertible debt that may be settled in cash upon conversion. Considering the likely confusion to financial statement users, the benefit of reporting the liability and equity component of a convertible bond is not clearly evident for existing issues of convertible debt. Although we oppose this Proposed FSP, if this standard is issued, we believe the implementation should be delayed for at least one year and be applicable to new issuances only.

We appreciate the opportunity to respond to the Board's Proposed FSP and trust that our comments will be considered in future Board deliberations on this issue.

Regards,

Bruce P. Koch
Vice President and Chief Financial Officer