

OCEANEERING INTERNATIONAL INC

Form PRE 14A

March 17, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**OCEANEERING INTERNATIONAL, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing party:

4) Date filed:

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**OCEANEERING INTERNATIONAL, INC.**  
**11911 FM 529, Houston, Texas 77041-3000**

April \_\_, 2008

Dear Shareholder:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of Oceaneering International, Inc. The meeting will be held on Friday, May 16, 2008, at 8:30 a.m., local time, at our regional office located at 5004 Railroad Avenue, Morgan City, Louisiana 70380.

On the following pages, you will find the Notice of Annual Meeting of Shareholders and Proxy Statement giving information concerning the matters to be acted on at the meeting. Our Annual Report to Shareholders describing Oceaneering's operations during the year ended December 31, 2007 is enclosed.

We hope you will be able to attend the meeting in person. Whether or not you plan to attend, please take the time to vote. In addition to using the enclosed paper proxy card to vote, which you may sign, date and return in the enclosed postage-paid envelope, you may vote your shares via the Internet or by telephone by following the instructions included in this package.

Thank you for your interest in Oceaneering.

John R. Huff  
Chairman of the Board

T. Jay Collins  
President and Chief Executive Officer

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on May 16, 2008.**

The proxy statement and annual report are available on the Internet at [www.oceaneering.com/InvestorRelations.asp](http://www.oceaneering.com/InvestorRelations.asp) at Annual Reports and Proxies.

The following information applicable to the Annual Meeting may be found in the proxy statement and accompanying proxy card:

the date, time and location of the meeting;

a list of the matters intended to be acted on and our recommendations regarding those matters;

any control/identification numbers that you need to access your proxy card; and

information about attending the meeting and voting in person.

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**OCEANEERING INTERNATIONAL, INC.  
11911 FM 529, Houston, Texas 77041-3000**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held May 16, 2008**

To the Shareholders of Oceaneering International, Inc.:

The Annual Meeting of Shareholders of Oceaneering International, Inc., a Delaware corporation ( Oceaneering ), will be held on Friday, May 16, 2008, at 8:30 a.m., local time, at our regional office located at 5004 Railroad Avenue, Morgan City, Louisiana 70380, to consider and take action on the following:

election of two Class I directors as members of the Board of Directors of Oceaneering to serve until the 2011 Annual Meeting of Shareholders or until a successor has been duly elected and qualified (Proposal 1);

approval of an amendment of the Restated Certificate of Incorporation of Oceaneering to increase the number of authorized shares of common stock (Proposal 2);

ratification of the appointment of Ernst & Young LLP as independent auditors of Oceaneering for the year ending December 31, 2008 (Proposal 3); and

transaction of such other business as may properly come before the Annual Meeting of Shareholders or any adjournment or postponement thereof.

**The Board of Directors recommends a vote in favor of Proposal 1, Proposal 2 and Proposal 3.**

The close of business on March 24, 2008 is the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting or any adjournment thereof.

Our Board welcomes your personal attendance at the meeting. Whether or not you expect to attend the meeting, please submit a proxy as soon as possible so that your shares can be voted at the meeting. You may submit your proxy by filling in, dating and signing the enclosed proxy card and returning it in the enclosed postage-paid envelope. Please refer to page 1 of the Proxy Statement and the proxy card for instructions for proxy voting by telephone or over the Internet.

By Order of the Board of Directors,

George R. Haubenreich, Jr.  
Senior Vice President, General Counsel  
and Secretary

April \_\_, 2008

**YOUR VOTE IS IMPORTANT**

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND MAIL YOUR PROXY PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE, OR VOTE BY TELEPHONE OR OVER THE INTERNET IN ACCORDANCE WITH INSTRUCTIONS IN THIS PROXY STATEMENT AND ON YOUR PROXY CARD.**

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**OCEANEERING INTERNATIONAL, INC.**

**PROXY STATEMENT**

**PROXIES AND VOTING AT THE MEETING**

Only shareholders of record at the close of business on March 24, 2008 will be entitled to notice of, and to vote at, the meeting. As of that date, 55,118,588 shares of our Common Stock, \$.25 par value per share ( Common Stock ), were outstanding. Each of those outstanding shares is entitled to one vote at the meeting. We are initially sending this Proxy Statement and the accompanying proxy to our shareholders on or about April \_\_\_, 2008. The requirement for a quorum at the meeting is the presence in person or by proxy of holders of a majority of the outstanding shares of Common Stock. There is no provision for cumulative voting.

**Solicitation of Proxies**

The accompanying proxy is solicited on behalf of our Board of Directors for use at our annual meeting of shareholders to be held at the time and place set forth in the accompanying notice. We will pay all costs of soliciting proxies. We will solicit proxies primarily by mail. In addition to solicitation by mail, our officers, directors and employees may solicit proxies in person or by telephone, facsimile and electronic transmissions, for which such persons will receive no additional compensation. We have retained Georgeson Shareholder Communications, Inc. to solicit proxies at a fee estimated at \$7,500, plus out-of-pocket expenses. We will reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding proxy material to beneficial owners of our Common Stock.

The persons named as proxies were designated by our Board and are officers of Oceaneering. All properly executed proxies will be voted (except to the extent that authority to vote has been withheld), and where a choice has been specified by the shareholder as provided in the proxy, the proxy will be voted in accordance with the specification so made. Proxies submitted without specified choices will be voted **FOR Proposal 1** to elect the director nominees proposed by our Board, **FOR Proposal 2** to approve an amendment of the Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock and **FOR Proposal 3** to ratify the appointment of Ernst & Young LLP as independent auditors of Oceaneering for the year ending December 31, 2008.

**Methods of Voting**

Voting by Mail You may sign, date and return your proxy card in the pre-addressed, postage-paid envelope provided. If you return your proxy card without indicating how you want to vote, the designated proxies will vote as recommended by our Board.

Voting by Telephone or the Internet If you have stock certificates issued in your own name, you may vote by proxy by using the toll-free number or at the Internet address listed on the proxy card.

The telephone and Internet voting procedures are designed to verify your vote through the use of a voter control number that is provided on each proxy card. The procedures also allow you to vote your shares and to confirm that your instructions have been properly recorded. Please see your proxy card for specific instructions.

If you hold shares through a brokerage firm, bank or other custodian, you may vote by telephone or the Internet only if the custodian offers that option.

### **Revocability of Proxies**

If you have one or more stock certificates issued in your own name, and you vote by proxy, mail, the Internet or telephone, you may later revoke your proxy instructions by:

sending a written statement to that effect to our Corporate Secretary at 11911 FM 529, Houston, Texas 77041-3000, the mailing address for the executive offices of Oceaneering;

submitting a proxy card with a later date signed as your name appears on the stock certificate(s);

voting at a later time by telephone or the Internet; or

voting in person at the Annual Meeting.

If you have shares held through a brokerage firm, bank or other custodian, and you vote by proxy, you may later revoke your proxy instructions only by informing the custodian in accordance with any procedures it sets forth.

### **PROPOSAL 1**

#### **Election of Directors**

Our Certificate of Incorporation divides our Board into three classes, each consisting as nearly as possible of one-third of the members of the whole Board. There are currently two members of each class. The members of each class serve for three years following their election, with one class being elected each year.

Two Class I directors are to be elected at the 2008 Annual Meeting. In accordance with our bylaws, directors are elected by a plurality of the votes cast. Accordingly, abstentions and broker non-votes marked on proxy cards will not be counted in the election. The Class I directors will serve until the 2011 Annual Meeting of Shareholders or until a successor has been duly elected and qualified. The directors of Classes II and III will continue to serve their terms of office, which will expire at the Annual Meetings of Shareholders to be held in 2009 and 2010, respectively.

The persons named in the accompanying proxy intend to vote all proxies received in favor of the election of the nominees named below, except in any case where authority to vote for the directors is withheld. Although we have no reason to believe that the nominees will be unable to serve as directors, if either nominee withdraws or otherwise becomes unavailable to serve, the persons named as proxies will vote for any substitute nominee our Board designates.

Set forth below is information (ages are as of May 16, 2008) with respect to the nominees for election as directors of Oceaneering.

#### **Nominees**

##### **2008 Class I Directors**

T. Jay Collins

Mr. Collins, 61, has been Chief Executive Officer of Oceaneering since May 2006 and President of Oceaneering since 1998. He previously served as Chief Operating Officer of Oceaneering from 1998 until 2006. He also served as Executive Vice President Oilfield Marine Services of Oceaneering from 1995 to 1998 and as Senior Vice President and Chief Financial Officer of Oceaneering from 1993 until 1995. Mr. Collins has been a director of Oceaneering since 2002.

D. Michael Hughes

Mr. Hughes, 69, has been owner of The Broken Arrow Ranch and affiliated businesses, which harvest, process and market wild game meats, since 1983. He has been associated with Oceaneering since its incorporation, serving as Chairman of the Board from 1970 to 1980 and from 1984 to 1990. He is Chairman of the Nominating and Corporate Governance Committee of Oceaneering's Board and a member of the Audit Committee of Oceaneering's Board. Mr. Hughes has been a director of Oceaneering since 1970.



**Continuing Directors**

Information below (ages are as of May 16, 2008) is for those directors whose terms will expire in 2009 and 2010.

**2009 Class II Directors**

Jerold J. DesRoche

Mr. DesRoche, 71, has been a partner and a director of National Power Company, a privately owned company that owns and operates power generation facilities using waste fuels and renewable energy, since 1991. He served as President and Chief Executive Officer of ABB Combustion Engineering Canada, Inc. from 1988 to 1991. He is a member of the Compensation Committee and the Nominating and Corporate Governance Committee of Oceaneering's Board. Mr. DesRoche has been a director of Oceaneering since 2003.

John R. Huff

Mr. Huff, 62, has been Chairman of Oceaneering's Board of Directors since August 1990. He served as Chief Executive Officer of Oceaneering from 1986 to May 2006. Mr. Huff also serves as a director of BJ Services Company, Rowan Companies, Inc., KBR, Inc. and Suncor Energy, Inc. Mr. Huff has been a director of Oceaneering since 1986.

**2010 Class III Directors**

David S. Hooker

Mr. Hooker, 64, has been Chairman of Avoco Secure Ltd., a software development and distribution company which principally focuses on applications providing document content security and authentication, since November 2006, and Chairman of Ocean Hover Limited, an oilfield hovercraft marketing organization, since January 2004. Previously, he served as Chairman of Goshawk Insurance Holdings PLC, an insurance company, from January 1996 to October 2003. He is also a director of Aminex plc, an oil and gas exploration and production company, and a director of Eleuthera Capital Ltd., a helium exploration company. He is Chairman of the Audit Committee of Oceaneering's Board and a member of the Nominating and Corporate Governance Committee of Oceaneering's Board. Mr. Hooker has been a director of Oceaneering since 1973.

Harris J. Pappas

Mr. Pappas, 62, has been President of Pappas Restaurants, Inc., a privately owned multistate restaurant group, since 1983 and Chief Operating Officer and director of Luby's, Inc., a publicly owned restaurant company, since March 2001. He also serves on the Advisory Boards of Frost National Bank in Houston and the Boys & Girls Clubs of Greater Houston. He is Chairman of the Compensation Committee of Oceaneering's Board and a member of the Audit Committee of Oceaneering's Board. Mr. Pappas has been a director of Oceaneering since 1996.

**Security Ownership of Management and Certain Beneficial Owners**

The following table sets forth the number of shares of Common Stock beneficially owned as of March 24, 2008 by each director and nominee for director, each of the executive officers named in the Summary Compensation Table in this Proxy Statement and all directors and executive officers as a group. Except as otherwise indicated, each individual named has sole voting and dispositive power with respect to the shares shown.

<b>Name</b>	<b>Number of Shares (1)</b>	<b>Shares Underlying Restricted Stock Units (2)</b>	<b>Total</b>
T. Jay Collins	36,000	147,500	183,500
Jerold J. DesRoche	16,000		16,000
Philip D. Gardner	40,200	34,500	74,700
George R. Haubenreich, Jr.	18,420	60,800	79,220
David S. Hooker	64,000		64,000
John R. Huff	123,100	171,500	294,600
D. Michael Hughes	24,600		24,600
M. Kevin McEvoy	27,786	68,000	95,786
Marvin J. Migura	18,000	62,200	80,200
Harris J. Pappas	112,390		112,390
All directors and executive officers as a group (11 persons)	480,630	551,500	1,032,130

(1) Includes the following shares subject to stock options exercisable as of March 24, 2008: Mr. Gardner 27,500; Mr. Hooker 40,000; Mr. Pappas 60,000; and all directors and executive officers

as a group  
127,500. There  
are no other  
outstanding stock  
options for  
directors and  
executive officers.  
Also includes the  
following shares  
granted pursuant  
to restricted stock  
award agreements,  
as to which the  
recipient has sole  
voting power and  
no dispositive  
power:  
Mr. DesRoche  
8,000; Mr. Hooker  
8,000;  
Mr. Hughes  
8,000; Mr. Pappas  
8,000 and all  
directors and  
executive officers  
as a group  
32,000. Also  
includes the  
following share  
equivalents, which  
are fully vested  
but are held in  
trust pursuant to  
the Oceaneering  
Retirement  
Investment Plan  
(the 401(k) Plan ),  
as to which the  
individual has the  
right to direct the  
plan trustee on  
how to vote:  
Mr. McEvoy  
9,786; and all  
directors and  
executive officers  
as a group 9,920.  
At withdrawal, the  
share equivalents  
are settled in  
shares of

Common Stock.  
Each executive officer and director owns less than 1% of the outstanding Common Stock; all directors and executive officers as a group own (1) less than 1% of the outstanding Common Stock and (2) approximately 1.9% of the total of the outstanding shares of Common Stock and the shares underlying restricted stock units owned by directors and executive officers.

- (2) Includes shares of Common Stock that are represented by restricted stock units of Oceaneering that are credited to the accounts of certain individuals and are subject to vesting. The individuals have no voting or investment power over these restricted stock units.

Listed below is the only person who, to our knowledge, may be deemed to be a beneficial owner as of March 24, 2008 of more than 5% of the outstanding shares of Common Stock. This information is based on statements filed with the Securities and Exchange Commission (the SEC ).

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class (1)</b>
FMR LLC 82 Devonshire Street Boston, MA 02109	6,183,082(2)	11.2

(1) The percentage is based on the total number of issued and outstanding shares of Common Stock as of March 24, 2008.

(2) The amount beneficially owned of 6,183,082 shares as shown, is as reported by FMR LLC ( FMR ) in a Schedule 13G filed with the SEC on February 15, 2008. Includes 4,367,437 shares beneficially owned by Fidelity Management & Research Company ( Fidelity ), a wholly owned subsidiary of FMR, as a result of its acting as an investment

advisor to various investment companies (the Funds ). FMR and Edward C. Johnson III, Chairman of FMR, through FMR's control of Fidelity and the Funds, each has sole power to dispose of the 4,367,437 shares owned by the Funds. Neither FMR nor Edward C. Johnson III has the sole power to vote or direct the voting of the shares owned directly by the Funds, which power resides with the Funds Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds Boards of Trustees. Strategic Advisors, Inc., 82 Devonshire, Boston MA 02109, a wholly owned subsidiary of FMR and an investment advisor beneficially owns 100

shares. Pyramis Global Advisors, LLC ( PGALLC ), 53 State Street, Boston, MA 02109, an indirect wholly owned subsidiary of FMR, is the beneficial owner of 2,900 shares. Edward C. Johnson III and FMR, through its control of PGALLC, each has sole dispositive power over 2,900 shares and sole power to vote or to direct the voting of 2,900 shares owned by the institutional accounts or funds advised by PGALLC. Pyramis Global Advisors Trust Company ( PGATC ), 53 State Street, Boston, MA 02109, an indirect wholly owned subsidiary of FMR and a bank as defined in Section 3(a)(6) of the Securities and Exchange Act of 1934, is the beneficial owner of 447,600 shares as a result of its

serving as an investment manager of institutional accounts owning such shares. Edward C. Johnson III and FMR, through FMR's control of PGATC, each has sole dispositive power over 447,600 shares and sole power to vote or to direct the voting of 392,100 shares owned by the institutional accounts managed by PGATC. Fidelity International Limited ( "FIL" ), Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. FIL is the beneficial owner of 1,365,045 shares.





## Corporate Governance

During 2007, our Board of Directors held six meetings of the full Board and 23 meetings of the committees of the Board. Each director attended at least 75% of the aggregate number of meetings of the Board and meetings of the committees of the Board on which he served. In addition, we have a policy that directors are encouraged to attend the annual meeting. Last year, all of our directors attended our annual meeting. In 2007, the nonemployee directors met in regularly scheduled executive sessions without management present, and similar sessions are scheduled for 2008. The chairmen of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee chair these executive sessions on a rotating basis. Interested parties may communicate directly with the nonemployee directors by sending a letter to the Board of Directors (independent members), c/o Corporate Secretary, Oceaneering International, Inc., 11911 FM 529, Houston, Texas 77041-3000.

Under rules adopted by the New York Stock Exchange, our Board of Directors must have a majority of independent directors. A director qualifies as independent only if the Board affirmatively determines that the director has no material relationship with us. In evaluating each director's independence, the Board considered relationships and transactions between each director, his family members and any business, charity or other entity in which the director has an interest, on the one hand, and us and our senior management, on the other hand. As a result of this review, the Board affirmatively determined that all our directors are independent, except for Mr. Huff, who had served as our Chief Executive Officer until May 2006, and Mr. Collins, who is our President and Chief Executive Officer.

We have three standing committees of our Board of Directors: the Audit Committee; the Compensation Committee; and the Nominating and Corporate Governance Committee. Our Board of Directors has determined that each member of these committees is independent in accordance with the requirements of the New York Stock Exchange. Our Board has also determined that each member of the Audit Committee meets the independence requirements for service on an audit committee that the SEC has established.

### The Audit Committee

The Audit Committee, which is comprised of Messrs. Hooker (Chairman), Hughes and Pappas, held 13 meetings during 2007. Our Board of Directors determined that all members of the Audit Committee are audit committee financial experts as defined in the applicable rules of the SEC. For information relating to the background of each member of the Audit Committee, see the biographical information under Proposal 1 Election of Directors and Continuing Directors. The Audit Committee is appointed by our Board of Directors, on the recommendation of the Nominating and Corporate Governance Committee, to assist the Board in its oversight of:

the integrity of our financial statements;

our compliance with legal and regulatory requirements;

the independence, qualifications and performance of our independent auditors;

the performance of our internal audit functions; and

the adequacy of our internal control over financial reporting.

Our management is responsible for our internal controls and preparation of our consolidated financial statements. Our independent auditors are responsible for performing an independent audit of the consolidated financial statements and issuing a report thereon. The Audit Committee is responsible for overseeing the conduct of these activities and, subject to shareholder ratification, appointing our independent auditors. As stated above and in the Audit Committee Charter, the Audit Committee's responsibility is one of oversight. The Audit Committee is not providing any expert or special assurance as to Oceaneering's financial statements or any professional certification as to the independent auditor's work.

In discharging its duties, the Audit Committee reviews and approves the scope of the annual audit, non-audit services to be performed by the independent auditors and the independent auditors' audit and non-audit fees; reviews and discusses with management (including the senior internal auditor) and the independent auditors the annual audit of our internal control over financial reporting; recommends to our Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for filing with the SEC; meets independently with our internal auditors, independent auditors and management; reviews the general scope of our accounting, financial reporting, annual audit and internal audit programs and matters relating to internal control systems, as well as the results of the annual audit and interim financial statements, auditor independence issues and the adequacy of the Audit Committee charter; and reviews with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding our financial statements or accounting policies. A copy of the Audit Committee charter is attached to this Proxy Statement as Appendix A and available on the Corporate Governance page of our Web site ([www.oceaneering.com](http://www.oceaneering.com)). Any shareholder who so requests may obtain a written copy of the charter from us. The report of the Audit Committee is included in this Proxy Statement under the heading "Report of the Audit Committee."

### **The Compensation Committee**

The Compensation Committee, which is comprised of Messrs. Pappas (Chairman) and DesRoche, held six meetings during 2007. The Compensation Committee is appointed by our Board of Directors to:

assist the Board in discharging its responsibilities relating to (1) compensation of our executives, other key employees and nonemployee directors and (2) employee benefit plans and practices; and

produce or assist management with the preparation of any reports that may be required from time to time by the rules of the NYSE or the SEC to be included in our proxy statements for our annual meetings of shareholders or annual reports on Form 10-K.

Specific duties and responsibilities of the Compensation Committee include: general oversight of our executive and key employee compensation plans and benefit programs; reviewing and approving objectives relevant to the compensation of executives and key employees, including administration of annual bonus plans, long-term incentive plans, supplemental executive retirement plan and severance, termination and change-of-control arrangements; approving employment agreements for key executives; reviewing and making recommendations to the Board regarding the director and officers' indemnification and insurance matters; evaluating the performance of executives and key employees, including our Chief Executive Officer; recommending to the Board the compensation for the Board and committees of the Board; and annually evaluating its performance and its charter.

Since 2004, the Compensation Committee has engaged Mercer, formerly known as Mercer Human Resource Consulting ( Mercer ), to assist the Compensation Committee in its administration of compensation for our executives and other key employees. Mercer assisted the Compensation Committee in the design and particulars of our 2007 long-term incentive program. Mercer performed a market analysis of total direct compensation (the sum of salary, annual incentive bonus, and long-term incentive compensation) and retirement plan value for our executives and other key employees and compensation for nonemployee directors among peer group companies and other survey data, see "Compensation Discussion and Analysis - The Role of the Compensation Consultant" in this Proxy Statement. The Compensation Committee approved the form and amounts of our 2007 long-term incentive program and compensation for our executive officers and other key employees, and recommended to the Board the forms and amounts of compensation for nonemployee directors.

A copy of the Compensation Committee charter is available on the Corporate Governance page of our Web site ([www.oceaneering.com](http://www.oceaneering.com)). Any shareholder who so requests may obtain a written copy of the charter from us. The report of the Compensation Committee is included in this Proxy Statement under the heading "Report of the Compensation Committee."

### **The Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee, which is comprised of Messrs. Hughes (Chairman), DesRoche and Hooker, held four meetings during 2007. The Nominating and Corporate Governance Committee is appointed by our Board of Directors to:

identify individuals qualified to become directors of Oceaneering;

recommend to our Board candidates to fill vacancies on our Board or to stand for election to the Board by our shareholders;

recommend to our Board a director to serve as Chairman of the Board;

recommend to our Board committee assignments for directors;

periodically assess the performance of our Board and its committees;

evaluate related-person transactions in accordance with our policy regarding such transactions; and

periodically review and assess the adequacy of our corporate governance policies and procedures.

The Nominating and Corporate Governance Committee operates under a written charter adopted by our Board of Directors. A copy of this charter and a copy of our Corporate Governance Guidelines are available on the Corporate Governance page of our Web site ([www.oceaneering.com](http://www.oceaneering.com)). Any shareholder who so requests may obtain a written copy of each of these documents from us.

The Nominating and Corporate Governance Committee solicits ideas for potential Board candidates from a number of sources, including members of our Board of Directors and our executive officers. The Committee also has authority to select and compensate a third-party search firm to help identify candidates, if it deems it advisable to do so.

The Nominating and Corporate Governance Committee will also consider nominees recommended by shareholders in accordance with our bylaws. In assessing the qualifications of all prospective nominees to the Board, the Nominating and Corporate Governance Committee will consider, in addition to criteria set forth in our bylaws, each nominee's personal and professional integrity, experience, skills, ability and willingness to devote the time and effort necessary to be an effective board member, and commitment to acting in the best interests of Oceaneering and its shareholders. Consideration also will be given to the Board's having an appropriate mix of backgrounds and skills. A shareholder who wishes to recommend a nominee for director should comply with the procedures specified in our bylaws, as well as applicable securities laws and regulations of the New York Stock Exchange. The Nominating and Corporate Governance Committee will consider all candidates identified through the processes described above, whether identified by the Committee or by a shareholder, and will evaluate each of them on the same basis.

As to each person a shareholder proposes to nominate for election as a director, our bylaws provide that the nomination notice must:

include the name, age, business address and principal occupation or employment of that person, the number of shares of Common Stock beneficially owned or owned of record by that person and any other information relating to that person that is required to be disclosed under Section 14 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the related SEC rules and regulations; and

be accompanied by the written consent of the person to be named in the proxy statement as a nominee and to serve as a director if elected.

The nomination notice must also include, as to that shareholder and the beneficial owner, if any, of Common Stock on whose behalf the nomination or nominations are being made:

the name and address of that shareholder, as they appear on our stock records and the name and address of that beneficial owner;

the number of shares of Common Stock which that shareholder and that beneficial owner own beneficially or of record;

a description of all arrangements and understandings between that shareholder or that beneficial owner and each proposed nominee of that shareholder and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by that shareholder;

a representation by that shareholder that he or she intends to appear in person or by proxy at that meeting to nominate the person(s) named in that nomination notice;

a representation as to whether that shareholder or that beneficial owner, if any, intends, or is part of a group, as Rule 13d-5(b) under the Exchange Act uses that term, which intends (1) to deliver a proxy statement and/or form of proxy to the holders of shares of Common Stock having at least the percentage of the total votes of the holders of all outstanding shares of Common Stock entitled to vote in the election of each proposed nominee of that shareholder which is required to elect that proposed nominee and/or (2) otherwise to solicit proxies in support of the nomination; and

any other information relating to that shareholder and that beneficial owner that is required to be disclosed under Section 14 of the Exchange Act and the related SEC rules and regulations.

To be timely for consideration at our 2009 Annual Meeting, a shareholder's nomination notice must be received at our principal executive offices, 11911 FM 529, Houston, Texas 77041-3000, addressed to our Corporate Secretary, no earlier than November 17, 2008 and no later than the close of business on January 16, 2009.

#### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee has served as one of our officers or employees at any time. None of our executive officers serve as a member of the compensation committee of any other company that has an executive officer serving as a member of our Board. None of our executive officers serve as a member of the board of directors of any other company that has an executive officer serving as a member of our Compensation Committee.

#### **Code of Ethics**

Our Board of Directors adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Treasurer, and a code of business conduct and ethics that applies to our officers, directors and employees. Each is available on the Corporate Governance page of our Web site ([www.oceaneering.com](http://www.oceaneering.com)). Any shareholder who so requests may obtain a printed copy of these codes from us. Any change in or waiver of these codes of ethics will be disclosed on our Web site.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of our Common Stock to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of Common Stock. Based solely on a review of the copies of such reports furnished to us and representations that no other reports were required, we believe that all our directors and executive officers complied on a timely basis with all applicable filing requirements under Section 16(a) of the Exchange Act during 2007.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Oceaneering International, Inc.'s Board of Directors is comprised of the three directors named below. Each member of the Audit Committee is an independent director as defined by applicable Securities and Exchange Commission rules and New York Stock Exchange listing standards. The Committee met 13 times during the year ended December 31, 2007. The Committee reviewed with management and Ernst & Young LLP, Oceaneering's independent registered public accounting firm, the interim financial information included in Oceaneering's quarterly reports on Form 10-Q for the periods ended March 31, 2007, June 30, 2007 and September 30, 2007, prior to their being filed with the Securities and Exchange Commission. In addition, the Committee reviewed all of Oceaneering's earnings releases in 2007 with management and Ernst & Young prior to the public release of those earnings releases.

The Committee reviewed and discussed with management and Ernst & Young Oceaneering's consolidated financial statements for the year ended December 31, 2007. Members of management represented to the Committee that Oceaneering's consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Committee discussed with Ernst & Young matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended. The Committee also reviewed and discussed with management and Ernst & Young management's report and Ernst & Young's report on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Ernst & Young provided to the Committee the written disclosures required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as amended, and the Committee discussed with Ernst & Young their independence. The Committee concluded that Ernst & Young's provision of non-audit services to Oceaneering and its affiliates is compatible with Ernst & Young's independence.

Based on the Committee's discussion with management and the independent auditors and the Committee's review of the representations of management and the report of the independent auditors, the Committee recommended to Oceaneering's Board of Directors that Oceaneering's audited consolidated financial statements as of and for the year ended December 31, 2007 be included in the Form 10-K for the year ended December 31, 2007 filed with the SEC.

Audit Committee

David S. Hooker, Chairman

D. Michael Hughes

Harris J. Pappas

## COMPENSATION DISCUSSION AND ANALYSIS

*The following discussion and analysis contains statements regarding future individual and company performance goals and measures. These goals and measures are disclosed in the limited context of Oceaneering's compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. Oceaneering specifically cautions investors not to apply these statements to other contexts.*

The following Compensation Discussion and Analysis, or CD&A, provides information regarding the compensation programs in place for our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers during 2007. We refer to these five individuals in this CD&A as the Named Executive Officers. This CD&A includes information regarding, among other things, the objectives of our compensation program, the achievements that the compensation program is designed to reward, the elements of the compensation program (including the reasons why we employ each element and how we determine amounts paid) and how each element fits into our overall compensation objectives.

### **Compensation Philosophy and Objectives**

Our executive compensation program is designed to attract and retain key executives, motivate them to achieve our short-term and long-term objectives, and reward them for superior performance. We use several different compensation elements in the executive compensation program which are geared to both our short-term and long-term performance. The following principles influence the design and administration of our executive compensation program.

#### *Compensation Should Be Related to Performance*

The Compensation Committee of our Board of Directors (the Committee), and our Board of Directors believe that a significant portion of a Named Executive Officer's direct compensation should be tied to overall company performance, measured against financial goals and objectives.

Under the performance-based portions of our compensation arrangements, our basic philosophy is that, in years when performance is better than the objectives established for the relevant performance period, Named Executive Officers should be paid more than the target awards and, when our performance does not meet planned objectives, incentive award payments should be less than such targets, in the absence of unusual circumstances.

#### *Compensation Programs Should Motivate Executives to Remain With Us*

We believe that there is significant value to our shareholders for Named Executive Officers to remain with our company over time. Our business is built significantly by executives who can develop and maintain customer relationships over time. Also, value is built by executives who understand the unique business and technical aspects of our industry. For these reasons, a significant element of our historical executive compensation arrangements has been long-term incentive compensation arrangements, with awards that have provided for vesting over several years. In addition, we provide several of our executive officers with some financial security in the event of a change of control, to promote long-term retention. We also provide for long-term benefits through retirement plans (see Post-Employment Compensation Programs below).

#### *Incentive Compensation Should Represent a Significant Part of an Executive's Total Direct Compensation*

We believe that the portion of a Named Executive Officer's total compensation that varies with our overall performance objectives should increase as the scope and level of the individual's business responsibilities and role in the organization increase. We believe that more than one-half of the total direct compensation (the sum of salary, annual incentive bonus, and long-term incentive compensation) of the Named Executive Officers should be at risk against short- and long-term performance goals and the Chief Executive Officer should be subject to a greater amount of such risk than other Named Executive Officers.

### *Incentive Compensation Should Balance Short-Term and Long-Term Performance*

We strive to maintain an executive compensation program that balances short-term, or annual, results and long-term success. To reinforce the importance of this balancing we regularly provide the Named Executive Officers both annual and long-term incentives. The value for participants in our long-term incentive plans generally increases at higher levels of responsibility, as executives in these leadership roles have the greatest influence on our strategic direction and results over time.

Beginning in 2006, the Committee adopted our current approach to long-term incentives, in which awards of service-based restricted stock units and performance units are made to our executive officers and other key employees. Assuming restricted stock value based on grant date value established by the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), and performance units notionally valued at \$100 per unit for achievement of performance goals at target level, the Committee believes that the performance units should account for more than one-half of the total annual long-term incentive compensation of the Named Executive Officers and the service-based restricted stock units should account for the balance. The Committee believes that this approach promotes our philosophy of rewarding executives for growing shareholder value over time. Upon vesting, settlement of the restricted stock units will be made in shares of our common stock. Upon vesting, the value of the performance units will be paid in cash.

### *Compensation Levels Should Be Competitive*

The Committee reviews competitive compensation information as part of its process in establishing total direct compensation and retirement plan values that are competitive. In making compensation decisions, the Committee considers all elements of compensation when setting each element of compensation. The Committee assesses each element of base salary, annual incentive bonus, long-term incentive compensation and retirement plan values against a combination of available information from the most recent proxy statements of a peer-group of publicly traded companies and survey data from the energy and general industries.

### **The Role of the Compensation Committee**

The Committee has the primary authority to establish compensation for the Named Executive Officers and other key employees and administers all our executive compensation plans and agreements. The Committee annually reviews corporate goals and objectives and sets the compensation levels for Named Executive Officers based on the Committee's evaluation. Our Chief Executive Officer assists the Committee by providing annual recommendations regarding the compensation of the Named Executive Officers and other key employees, excluding himself. The Committee can exercise its discretion in modifying or accepting these recommendations. The Chief Executive Officer attends Committee meetings. However, the Committee also meets in executive session without the Chief Executive Officer (or other members of management) present when discussing the Chief Executive Officer's compensation.

The Committee reviews comparative compensation information compiled by a compensation consultant as described in *Role of the Compensation Consultant* below; however, the Committee does not base its decisions on targeting compensation to specific benchmarks. Comparative compensation is one factor used by the Committee in making its compensation decisions. Overall, however, our compensation program for Named Executive Officers is intended to create a total compensation opportunity that, on average, is equal to approximately the 50<sup>th</sup> percentile in the aggregate of appropriate competitive comparative compensation for a Named Executive Officer. For additional information regarding the role and responsibility of the Committee, see *Proposal 1 Election of Directors The Compensation Committee* above.

### **The Role of the Compensation Consultant**

In 2007, the Committee retained Mercer (the *Compensation Consultant*) to: (1) conduct a review of our total direct compensation (the sum of base salary, annual incentives bonus and long-term incentive compensation) and retirement plan programs for the Named Executive Officers and other key employees; (2) identify and evaluate a peer group of companies and survey data for compensation comparison purposes; (3) conduct a pay-for-performance analysis to assess the correlation of executive pay and company performance for Oceaneering and the peer group of companies identified; and (4) assist in our assessment of whether payments made pursuant to change of control agreements could result in excise taxes pursuant to Section 4995 of the Internal Revenue Code, assuming a change of control occurred on December 31, 2007 (see *Post-Employment Compensation Programs Change of Control Agreements* and



Potential Payments on Termination or Change of Control (below). The Compensation Consultant's only work for  
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Oceaneering in 2007 was at the direction of the Committee, except for some accounting-related assistance and non-executive compensation advice provided in 2007, for which the Compensation Consultant was paid approximately \$3,200.

The Compensation Consultant assessed the continuing validity of the peer group of companies used for comparison purposes in the review it conducted for the Committee in 2006 and recommended a list of 23 publicly traded companies as the peer group for comparison purposes (collectively the Compensation Peer Group). The Compensation Peer Group is comprised of the same companies identified as the peer group in 2006, except that one company that was acquired by another was deleted and the successor by merger of a company in the peer group was substituted.

The companies included in the Compensation Peer Group were approved for inclusion by the Committee, primarily due to their operational focus broadly within the oilfield service industry and the belief that we compete with these companies for talent and for stockholder investment. The Committee reviews the companies comprising the Compensation Peer Group at least every two years. The companies comprising the Compensation Peer Group used for 2007 comparison purposes were:

BJ Services Company	GlobalSantaFe Corporation	Pride International, Inc.
Bristow Group Inc.	Grant Prideco, Inc.	Rowan Companies, Inc.
Cameron International Corporation	Helix Energy Solutions Group, Inc.	Smith International Inc.
Diamond Offshore Drilling, Inc.	Key Energy Services, Inc.	Superior Energy Services, Inc.
ENSCO International Incorporated	McDermott International, Inc.	Tidewater Inc.
Exterran Holdings, Inc.	National Oilwell Varco, Inc.	Transocean Inc.
FMC Technologies, Inc.	Noble Corporation	Weatherford International Ltd.
Global Industries, Ltd.	Oil States International, Inc.	

The sources of the survey data used by the Compensation Consultant were (1) the 2007 U.S. Energy Compensation Survey and 2007 U.S. Americas-Executive Remuneration Database, which combines all of the Compensation Consultant's survey data as well as client data submissions for approximately 570 executive-level positions in which approximately 2,200 organizations participated and which were prepared by the Compensation Consultant, and (2) a 2007 Survey Report on Top Management Compensation prepared by Watson Wyatt Data Services, which features data across multiple industries and geographies in which approximately 2,300 organizations participate (collectively, the Compensation Surveys).

The Compensation Consultant identified the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile for base salary, annual bonus incentive, long-term incentive compensation and retirement plan value, individually and in the aggregate for the comparable position of each of our Named Executive Officers from a blend of compensation information identified for the Compensation Peer Group from the most recent proxy statements filed with the SEC by the companies comprising the Compensation Peer Group (weighted at 50%) and from the Compensation Surveys (weighted at 50% with each component weighted equally), except that the Compensation Peer Group information was used exclusively for evaluating retirement plan value, as retirement plan value information was not available in the Compensation Surveys.

#### **2007 Executive Compensation Components**

For 2007, the primary components of our compensation program for Named Executive Officers were:

base salary;

annual incentive award paid in cash;

long-term incentive programs comprised of restricted stock units and performance units; and

retirement plan.

### **Base Salary**

The Committee considers salary levels annually in November, for changes to be effective the first day of the following year, as well as upon a promotion or significant change in job responsibility. Each year, our Chief Executive Officer recommends base salaries for the other Named Executive Officers based on historical levels of base salaries, with adjustments he subjectively deems appropriate based on the overall performance of the Named Executive Officer, including a review of contributions and performance, over the past year. In reviewing the Chief Executive Officer's recommendations and in deciding base salaries for all Named Executive Officers, the Committee considers each officer's level of responsibility, experience, tenure, performance and the comparative compensation information provided by the Compensation Consultant. The Committee's evaluation of each Named Executive Officer also takes into account an evaluation of Oceaneering's overall performance. In November 2006, the Committee approved a salary increase of 10% for Mr. Collins and, as recommended by Mr. Collins, salary increases ranging from 7% to 12% for the other Named Executive Officers.

### **Annual Incentive Awards Paid in Cash**

In March of each year, the Committee approves a performance-based annual cash bonus award program under a shareholder approved Incentive Plan for the persons listed as named executive officers in the summary compensation table of our proxy statement for that year. These cash bonus award opportunities have been based on a comparison of our net income for the year to target net income for that year. For each other participating employee in the program, the cash bonuses are based upon the level of achievement of a combination of our net income, financial and non-financial goals of our applicable profit center for that employee and individual goals. For each participant, the maximum award achievable is a percentage of the participant's annual salary as of March 1st of the year of the program. In March of each year, the Committee also approves the final bonus amounts under the cash bonus award program for the previous year.

In March 2007, the Committee approved a cash bonus award program for 2007. For the Named Executive Officers, bonuses were determined by a comparison of our net income in calendar year 2007 to target net income for that year. The maximum cash pay-out under the program for each Named Executive Officer is a specified percentage of that executive's base salary as of March 1, 2007. As recommended by our Chief Executive Officer and approved by the Committee (1) the target amount for our net income in 2007 was \$155 million, an amount 25% higher than the net income we achieved in 2006 (which was almost twice the amount of net income achieved in 2005) and equated to the mid-point of our then-published earnings per share guidance range for 2007 and (2) the net income amount in 2007 necessary to achieve the maximum bonuses under the program was 110% of the target amount or \$170.5 million. Under the program, attainment of the target amount would have resulted in a payout of 90% of the maximum amount payable to the Named Executive Officer. For any award in the program to be payable, more than 70% of the target net income for 2007 had to be achieved. The Named Executive Officers in the program for 2007 and their respective maximum payouts as a percentage of base salary were: Mr. Collins 150%; Messrs. McEvoy, Migura and Haubenreich 100%; and Mr. Gardner 80%, which reflects no change in the maximum percentage of base salary from 2006.

The following table notes the percentage of maximum payout to a Named Executive Officer under the program for the percentage of target net income achieved. The Committee has the discretion to award an amount less than that calculated.

In March 2008, the Committee approved the final bonuses under the 2007 Cash Bonus Award Program. Due to our achieving a record level of net income in 2007, which was in excess of 110% of the performance goal for 2007, the Committee awarded maximum bonuses payable to Messrs. Collins, McEvoy, Migura and Haubenreich under the program. The Committee also approved additional merit bonuses to those Named Executive Officers based on Oceaneering's performance (the fourth consecutive year of record net income, a 45% increase in the amount of net income achieved in 2006) and the outstanding contributions to Oceaneering's performance by these officers. The Committee exercised its discretion to award an amount to Mr. Gardner less than the maximum award payable under the program, as a result of the failure of the Oceaneering Multiflex division of Subsea Products to achieve planned financial results in 2007.

Awards made to the Named Executive Officers for performance in 2007 are reflected in the Bonus and Non-Equity Incentive Plan Compensation columns of the Summary Compensation Table below.

**Long-Term Incentive Compensation**

Historically, we granted stock options annually and restricted stock or stock unit awards every three years to our executive officers and other key employees. However, the Committee decided that, in light of the expense recognition requirements established by SFAS 123R and effective beginning in 2006, to refrain from using stock options as an employee compensation element for our executive officers and other employees for the foreseeable future and to instead use annual grants of service-based restricted stock unit awards and performance unit awards. Accordingly, no stock options were awarded in 2007.

In deciding upon a methodology for determining changes to our long-term incentive program, we established the following objectives:

deliver competitive economic value;

reduce annual share utilization;

preserve the alignment of the executive's financial and shareholding interest with those of our shareholders, generally;

attract and retain executives and other key employees;

focus management attention on specific performance measures that have a strong correlation with the creation of shareholder value; and

provide that a majority of an executive's total direct compensation is performance-based.

In order to achieve these objectives, the Committee decided upon a long-term incentive program to deliver value would be through two vehicles, restricted stock unit awards and performance unit awards. The Committee expects to consider these long-term incentive awards in late February of each year. Such awards to new employees or in connection with other events such as promotions will be considered at the next scheduled Committee meeting after the hire date or after the event occasioning the consideration of the award.

In February 2007, performance units and service-based restricted stock unit awards, each com