

ATWOOD OCEANICS INC
Form DEF 14A
January 14, 2008

DEFINITIVE 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 Rule 14a-12.

ATWOOD OCEANICS, INC.
(Name of Registrant as Specified in Its Charter)

ATWOOD OCEANICS, INC.
(Name of Person(s) Filing Proxy Statement)

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 transactions applies: N/A
- (2) Aggregate number of securities to which transaction applies: N/A
- (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: N/A
- (4) Proposed maximum aggregate value of transaction: N/A
- (5) Total fee paid: None

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identified the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- (1) Amount previously paid: N/A
 - (2) Form, schedule or registration statement no.: N/A
 - (3) Filing party: N/A
 - (4) Date filed: N/A
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ATWOOD OCEANICS, INC.

**15835 PARK TEN PLACE DRIVE
HOUSTON, TEXAS 77084**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Houston, Texas

January 15, 2008

**To the Shareholders of
ATWOOD OCEANICS, INC.:**

Notice is hereby given that, pursuant to the provisions of the Second Amended and Restated By-laws, as amended, of Atwood Oceanics, Inc., the Annual Meeting of the Shareholders of Atwood Oceanics, Inc. will be held at the principal executive offices of Atwood Oceanics, Inc., 15835 Park Ten Place Drive, in the City of Houston, Texas 77084, at 10:00 o'clock A.M., Houston Time, on Thursday, February 14, 2008, for the following purposes:

- 1. To elect six (6) members of the Board of Directors for the term of office specified in the accompanying Proxy Statement.**
- 2. To approve Amendment No. 1 to the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan as described in the accompanying Proxy Statement.**
- 3. To approve Amendment No. 1 to our Amended and Restated Certificate of Formation to increase the authorized shares of Common Stock of the Company from 50,000,000 shares to 90,000,000 shares as described in the accompanying Proxy Statement.**
- 4. To ratify our early election to be governed by the Texas Business Organizations Code.**
- 5. To transact such other business as may properly come before the meeting or any adjournments thereof.**

Shareholders of record at the close of business on December 31, 2007 will be entitled to notice of and to vote at the Annual Meeting.

Shareholders are cordially invited to attend the meeting in person. Those who will not attend are requested to sign and promptly mail the enclosed proxy for which a stamped return envelope is provided.

By Order of the Board of Directors

/s/ James M. Holland

JAMES M. HOLLAND, Secretary

**ANNUAL MEETING OF SHAREHOLDERS
ATWOOD OCEANICS, INC.**

PROXY STATEMENT

January 15, 2008
SECURITY HOLDERS ENTITLED TO VOTE

Holders of shares of common stock, par value \$1.00 per share ("Common Stock") of Atwood Oceanics, Inc., (hereinafter sometimes referred to as "we", "us", "our" or the "Company") of record at the close of business on December 31, 2007 will be entitled to vote at the Annual Meeting of Shareholders to be held February 14, 2008 at 10:00 o'clock A.M., Houston Time, at our principal executive offices, 15835 Park Ten Place Drive, Houston, Texas, 77084 and at any and all adjournments thereof.

Shareholders who execute proxies retain the right to revoke them at any time before they are voted. A proxy, when executed and not so revoked, will be voted in accordance therewith. This proxy material is first being mailed to shareholders on or about January 15, 2008.

PERSONS MAKING THE SOLICITATION

This proxy is solicited on behalf of the Board of Directors of the Company. In addition to solicitation by mail, for which we will bear the cost, we may request banks, brokers and other custodians, nominees and fiduciaries who hold our Common Stock in street name to send proxy material to the beneficial owners of stock and to secure their voting instructions, if necessary. Further solicitation of proxies may be made by telephone, mail, facsimile, or oral communication with some of our shareholders, following the original solicitation. All such further solicitation will be made by our regular employees and we will bear the cost for such solicitation.

VOTING SECURITIES

At the close of business on December 31, 2007, the time which has been fixed by the Board of Directors as the record date for determination of shareholders entitled to notice of and to vote at the meeting, we had 31,702,399 shares of Common Stock outstanding.

The election as directors of the persons nominated in this Proxy Statement will require the vote of the holders of a plurality of the shares entitled to vote and represented in person or by proxy at a meeting at which a quorum is present. The approval of Amendment No. 1 to the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan, referred to herein as Amendment No. 1 to the 2007 Plan, will require the vote of the holders of a majority of the shares entitled to vote and represented in person or by proxy at a meeting at which a quorum is present. The approval of Amendment No. 1 to our Amended and Restated Certificate of Formation to increase the authorized shares of Common Stock of the Company from 50,000,000 shares to 90,000,000 shares and the ratification of our early election to be governed by the Texas Business Organizations Code will each require the vote of the holders of two-thirds (2/3) of the shares entitled to vote and represented in person or by proxy at a meeting at which a quorum is present. Abstentions and broker non-votes (which result when a broker holding shares for a beneficial owner has not received timely voting instructions on certain matters from such beneficial owner) are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will operate to prevent the election of the directors nominated in this Proxy Statement or the approval of such other matters as may properly come before the meeting to the same extent as a vote withholding authority to vote for the election of directors so nominated or a vote against such other matters as may properly come before the meeting.

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Each share of Common Stock entitles its owner to one vote except with respect to the election of directors. With respect to the election of directors, each shareholder has the right to vote in person or by proxy the number of shares registered in his name for as many persons as there are directors to be elected, or to cumulate such votes and give one candidate as many votes as shall equal the number of directors to be elected multiplied by the number of his shares, or to distribute the votes so cumulated among as many candidates as he may desire. In the event of cumulative voting, the candidates for directors receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

If a shareholder desires to exercise his right to cumulate votes for directors, the laws of the State of Texas, the State in which we are incorporated, require the shareholder to give our Secretary written notice of such intention on or before the day preceding the meeting. Such notice should be sent to: Atwood Oceanics, Inc., P. O. Box 218350, Houston, Texas 77218, Attn: James M. Holland. If any shareholder gives such notice, all shareholders have the right to use cumulative voting at the meeting. The persons appointed by the enclosed form of proxy are not expected to exercise the right to cumulate votes for election of the directors named elsewhere in this Proxy Statement, although such persons shall have discretionary authority to do so.

PRINCIPAL SHAREHOLDERS

The following table reflects certain information known to us concerning persons beneficially owning more than 5% of our outstanding Common Stock as of close of business on December 31, 2007 based on information (other than with respect to Helmerich & Payne International Drilling Co. ("H&PIDC")) provided by a third party service provider in reports prepared for us. Unless otherwise noted, each shareholder listed below has sole voting and disposition power with respect to the shares listed.

<u>Name and Address</u>	<u>Shares of Common Stock Beneficially Owned</u>	<u>Percent of Class</u>
H&PIDC ⁽¹⁾ 1437 South Boulder Avenue Tulsa, Oklahoma 74119	4,000,000	12.63%
Columbia Wanger Asset Management, L.P. ⁽²⁾ 227 West Monroe Street, Suite 3000 Chicago, IL 60606	3,688,000	11.64%
FMR LLC ⁽³⁾	2,943,450	9.29%
Edward C. Johnson 3d ⁽³⁾ 82 Devonshire Street Boston, Massachusetts 02109		

(1) Mr. Helmerich, a current Director of the Company and Director Nominee, is President, Chief Executive Officer and a director of Helmerich & Payne, Inc. ("H&P"). Mr. Helmerich, together with other family members and the estate of W.H. Helmerich, deceased, are controlling shareholders of H&P, which has one hundred percent (100%) ownership of H&PIDC, and which currently owns of record and beneficially 4,000,000 shares of our Common Stock. Mr. Helmerich has disclaimed beneficial ownership of the Common Stock owned by H&PIDC. Mr. Dotson, a current Director of the Company and Director Nominee, served as Vice President Drilling of H&P and President of H&PIDC until his retirement in 2006.

(2)

The information set forth above concerning shares of Common Stock beneficially owned by Columbia Wanger Asset Management, L.P. ("Columbia") was obtained from a report prepared by a third party service provider for us and the Schedule 13G dated January 9, 2007 filed with the SEC by Columbia. According to the Schedule 13G, Columbia had sole voting power with respect to 3,502,950 shares, shared voting power with respect to 142,000 shares, and sole dispositive power with respect to 3,644,950 shares of our Common Stock or 11.64% of our Common Stock as of the record date. We do not have any information with respect to 44,950 shares of our Common Stock acquired by Columbia subsequently to the filing of Schedule 13G on January 9, 2007. The information set forth above includes the shares of our Common Stock held by Columbia Acorn Trust, a Massachusetts business trust to which Columbia is an advisor.

- (3) The information set forth above concerning shares of Common Stock beneficially owned by FMR LLC ("FMR") and Edward C. Johnson 3d ("Johnson") were obtained from a report prepared by a third party service provider for us and from the Schedule 13G dated October 9, 2007 filed with the SEC by FMR and Johnson. This Schedule 13G indicated that FMR and Johnson had sole voting power with respect to 586,450 shares and sole dispositive power with respect to all of the shares reported as beneficially owned.
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APPROVAL OF RELATED PERSON TRANSACTIONS

In accordance with the directive of the Board of Directors, our Audit Committee is responsible for reviewing and approving the terms and conditions of all proposed transactions between us, any of our officers or directors, or relatives or affiliates of any such officers or directors, to ensure that such “related-party” transactions are fair and are in our overall best interest. No transactions requiring approval occurred in fiscal year 2007.

COMMON STOCK OWNED BY DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the amount of Common Stock beneficially owned as of the close of business on December 31, 2007, by each of our directors, by each of our executive officers, and by all of our directors and executive officers as a group. Unless otherwise indicated below, each of the named persons and members of the group has sole voting and investment power with respect to the shares shown.

Name of Director, <u>Executive Officer or Group</u>	Shares of Common Stock <u>Beneficially Owned</u>	Percent of Class
Deborah A. Beck	11,244 ⁽²⁾	(1)
Robert W. Burgess	22,644 ⁽³⁾	(1)
George S. Dotson	18,644 ⁽³⁾	(1)
Hans Helmerich	18,644 ⁽³⁾⁽⁴⁾	(1)
James R. Montague	2,231	(1)
William J. Morrissey	19,444 ⁽³⁾	(1)
John R. Irwin	96,650 ⁽⁵⁾	(1)
James M. Holland	40,843 ⁽⁶⁾	(1)
Glen P. Kelley	97,175 ⁽⁷⁾	(1)
Alan Quintero	48,000 ⁽⁸⁾	(1)
Darryl Smith	9,500 ⁽⁹⁾	(1)
All directors and executive officers as a group (11 persons)	385,019 ⁽¹⁰⁾	% ⁽¹⁾

(1) Less than 1%.

(2) Includes 9,000 shares which may be acquired upon exercise of options.

(3) Includes 17,000 shares which may be acquired upon the exercise of options.

(4) See Note (1) on page 3 under “Principal Shareholders” for more information.

(5) Includes 96,250 shares which may be acquired upon the exercise of options.

(6) Includes 36,575 shares which may be acquired upon the exercise of options.

(7) Includes 96,575 shares which may be acquired upon the exercise of options.

(8) Includes 48,000 shares which may be acquired upon the exercise of options.

(9) Includes 9,500 shares which may be acquired upon the exercise of options.

(10) Includes 363,900 shares which may be acquired upon the exercise of options.

EXECUTIVE OFFICERS

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The persons indicated below are our executive officers. The office held, date of first election to that office and the age of each officer as of the close of business on December 31, 2007 are indicated opposite his name.

**Date of
First**

Name

Offices Held

Election

Age

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John R. Irwin	President and Chief	March	62
	Executive Officer	1993	
James M. Holland	Chief Financial Officer	October	62
	Senior Vice President and Secretary	1988	
Glen P. Kelley	Senior Vice President -	October	59
	Marketing and	1988	
	Administration		
Alan Quintero	Vice President - Engineering	April 2007	44
Darryl R. Smith	Vice President - Operations	April 2007	62

No family relationship exists between any of the above executive officers or the nominated directors listed below. All of our officers serve at the pleasure of the Board of Directors and may be removed at any time with or without cause. Messrs. Irwin, Holland and Kelly have served as our executive officers during the past five (5) years. Messrs. Quintero and Smith have served as executive officers since April 2007.

Mr. Irwin joined us in July 1979, serving as Operations Manager - Technical Services. He was elected Vice President - Operations in November 1980, Executive Vice President in October 1988, President and Chief Operating Officer in November 1992, and President and Chief Executive Officer in March 1993.

Mr. Holland joined us as Accounting Manager in April 1977. He was elected Vice President - Finance in May 1981 and Senior Vice President, Chief Financial Officer and Secretary in October 1988.

Mr. Kelley rejoined us in January 1983 as Manager of Operations Administration. He was elected Vice President - Contracts and Administration in October 1988 and Senior Vice President – Marketing and Administration in December 2004.

Mr. Quintero joined us in July 1993 as Senior Project Engineer. He was promoted to Manager of Engineering in August 1994 and to General Manager of Engineering in January 2005. In April 2007, he was elected as Vice President - Engineering.

Mr. Smith joined us in October 1999 as Operations Support Manager. He was promoted to General Manager of Operations in October 2000 and elected as Vice President – Operations in April 2007.

ITEM 1 - ELECTION OF DIRECTORS

At the meeting, six (6) directors (leaving one position vacant in February 2008 with Mr. Morrissey's not standing for re-election to our Board of Directors) are to be elected for terms of one year each. All six (6) director nominees are currently serving as directors and are standing for re-election. Although our Second Amended and Restated Bylaws, as amended, provide that the Board of Directors consist of seven (7) persons, at this time, the Company has not yet identified a suitable nominee to replace Mr. Morrissey on our Board of Directors. Accordingly, only six (6) persons

are nominated for election as directors, and shares may not be voted for a greater number of persons than the number of nominees named.

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The persons named in the enclosed form of proxy (James M. Holland and Glen P. Kelley) have advised that they will vote all shares represented by proxies for the election of the six (6) nominees for director listed below, unless authority to so vote is withheld by the shareholder. Such persons will have the discretion to cumulate the votes of the shares represented by proxy, although the exercise of such discretion is not expected. If any of the nominees listed below becomes unavailable for any reason, the shares represented by the proxies will be voted for the election of such person, if any, as may be designated by the Board of Directors.

Mr. William J. Morrissey, who has served as a director continuously since 1969, has advised of his intended retirement from our Board of Directors in February 2008 prior to the February 14, 2008, annual shareholder meeting and will, therefore, not stand for re-election to our Board of Directors at that meeting. Mr. Morrissey has provided over thirty-five years of outstanding leadership as our director. In recognition of Mr. Morrissey's long-term service as a director, the Board of Directors in December 2007 awarded Mr. Morrissey a \$35,000 bonus plus restricted stock equivalent to the number of shares of the Company's Common Stock valued at \$60,000 on the date of grant. The restricted stock award vests thirteen months from date of grant.

<u>Nominees</u>	<u>Present Position with the Company</u>	<u>Served as a Director Continuously Since</u>	<u>Served as a Director Continuously Since</u>	<u>Term to Extend to</u>	<u>Age</u>
Deborah A. Beck	Director	February 2003	February 2009	60	
Robert W. Burgess	Director	September 1990	February 2009	66	
George S. Dotson	Director	February 1988	February 2009	67	
Hans Helmerich	Director	February 1989	February 2009	49	
John R. Irwin	Director, President and Chief Executive Officer	November 1992	February 2009	62	
James R. Montague	Director	June 2006	February 2009	60	

Until her retirement in 2006, Ms. Beck was employed by the Northern Mutual Life Insurance Company for over five (5) years where she served in various executive capacities including Executive Vice President Planning and Technology, Senior Vice President-Insurance Operations, Vice President – New Business, and Vice-President of Policy Benefits. Northwestern Mutual is a leading direct provider of individual life insurance and offers insurance products, investment products and advisory services.

Until his retirement in 1999, Mr. Burgess served for over five (5) years as Chief Financial Officer (Senior Vice President) for CIGNA Investment Division, CIGNA Companies. CIGNA is a diversified financial services company with major businesses in insurance, health care, pensions and investments.

Until his retirement in 2006, Mr. Dotson served for over five (5) years as Vice President Drilling of H&P and President of H&PIDC. H&P is an energy-oriented company engaged in contract drilling.

At all times during the previous five (5) years, Mr. Helmerich has served as the Chief Executive Officer as well as a director of H&P.

Mr. Irwin has been employed by us in various executive capacities for the last twenty-nine (29) years; of which, the last fourteen (14) years he has been President and Chief Executive Officer.

Mr. Montague has been retired at all times during the previous five (5) years. From December 2001 to October 2002, Mr. Montague served as President of Encana Gulf of Mexico, Inc., a subsidiary of Encana Corporation, which is involved in oil and gas exploration and production. From 1996 to June 2001, he served as President of two subsidiaries of International Paper Company, IP Petroleum Company, an exploration and production oil and gas company, and GCO Minerals Company, a company that manages International Paper Company's mineral holdings. Mr. Montague is a director of Penn Virginia Resource Partners (NYSE:PVR), Magellan Midstream Partners (NYSE:MMP), and the non-executive Chairman of the Board of Davis Petroleum Company, a private company.

Board of Director Meetings and Committees

We have standing Audit, Compensation and Human Resources, Executive, and Nominating & Corporate Governance Committees. The following chart shows the current Committee membership and positions of each director:

Director	Audit Committee	Compensation and Human Resources Committee	Executive Committee	Nominating & Corporate Governance Committee
Deborah A. Beck	X	X		X
Robert W. Burgess	X (Financial Expert)	X		X
George S. Dotson	X	X (Chairperson)	X	X
Hans Helmerich			X	X (Chairperson)
John R. Irwin			X	
James R. Montague		X		X
William J. Morrissey ⁽¹⁾	X (Chairperson)			X

(1) Mr. Morrissey has advised he will retire from the Company's Board of Directors in February 2008.

The Audit Committee members are Ms. Beck and Messrs. Burgess, Dotson and Morrissey. The Board of Directors has determined that Mr. Burgess is our "Audit Committee Financial Expert" as that term is defined under the relevant federal securities laws and regulations. The Audit Committee functions to review, in general terms, the Company's accounting policies and audit procedures and to supervise internal accounting controls. Our Board of Directors has adopted a written charter for the Audit Committee, a copy of which is accessible on our website, www.atwd.com, and available in print to any shareholder who requests it. The Audit Committee held six (6) meetings during fiscal year 2007, of which four (4) were telephone conferences. Upon Mr. Morrissey's retirement, a new chairperson for the Audit Committee will be appointed.

The Executive Committee composed of Messrs. Dotson, Helmerich and Irwin, meets frequently, generally by telephone conference, for review of major decisions and to act as delegated by the Board of Directors. Our Board of Directors has adopted a written charter for the Executive Committee, a copy of which is accessible on our website, www.atwd.com

The Compensation and Human Resources Committee members, Ms. Beck, Messrs. Burgess, Dotson and Montague, are responsible for administration of our stock incentive plans, and for review and approval of all salary and bonus arrangements. During fiscal year 2007, there were eleven (11) meetings of the Compensation and Human Resources Committee, of which six (6) were telephone conferences. Our Board of Directors has adopted a written charter for the Compensation and Human Resources Committee, a copy of which is attached hereto as Appendix A and which is also accessible on our website, www.atwd.com, and available in print to any shareholder who requests it.

The Nominating & Corporate Governance Committee, composed of Ms. Beck and Messrs. Burgess, Dotson, Helmerich, Montague and Morrissey, is to assist the Board of Directors regarding the appropriate size and composition of the Board of Directors, as well as monitor and make recommendations regarding the Board of Directors' performance. The Nominating & Corporate Governance Committee held two (2) meetings during fiscal year 2007. The Nominating & Corporate Governance Committee will consider all director nominees recommended to it, including those recommended by third parties, such as shareholders. Such nominations should be directed to any member of the Nominating & Corporate Governance Committee. A specific process for communication between shareholders and the Nominating & Corporate Governance Committee is accessible on our website, www.atwd.com, under "Investor Information" – "Corporate Governance" – "Contact the Atwood Oceanics, Inc. Board of Directors". The Nominating & Corporate Governance Committee will evaluate all nominees, including those recommended by third parties such as shareholders, for the following: personal qualities such as leadership, statesmanship and responsiveness; general management qualities such as a global perspective on the business, short term results, strategic thinking and planning, knowledge of the business and preparedness; financial expertise such as value creation, capital planning, and communications with the financial investment communities; and qualities relating to the use of human resources such as developing management talent and creating an effective organization. Our Board of Directors has adopted a written charter for the Nominating & Corporate Governance Committee, a copy of which is accessible on our website, www.atwd.com, and available in print to any shareholder who requests it.

Each of the Audit Committee charter, the Compensation and Human Resources Committee charter and the Nominating & Corporate Governance Committee charter state that each member must be independent as required by the New York Stock Exchange Listing Standards and as determined by the Board of Directors in its business judgment. No member of the Audit Committee, the Compensation and Human Resources Committee or the Nominating & Corporate Governance Committee shall have a relationship to the Company that may interfere with the exercise of his or her independent judgment and all members of such committees shall be non-employee directors. The Board of Directors has made a determination that each member of the Audit Committee, Compensation and Human Resources Committee and the Nominating & Corporate Governance Committee is independent and meets the requirements of the committee on which he or she serves. The Board of Directors specifically considered the relationship of H&P and H&PIDC to the Company and determined that they are not our affiliates. Based on that fact and other considerations, Mr. Helmerich is also not our affiliate. Prior to his retirement from H&P, the Board of Directors determined that Mr. Dotson was not our affiliate and after his retirement, the Board of Directors determined that Mr. Dotson continues not to be our affiliate.

Our Board of Directors has determined that our President, John R. Irwin, is not an independent director. Our current independent directors are Deborah A. Beck, Robert W. Burgess, George S. Dotson, Hans Helmerich, James R. Montague and William J. Morrissey. As discussed above, Mr. Morrissey is not standing for re-election. We have a specific process for communications between interested parties and either the Board of Directors as a whole or the non-management members of the Board of Directors, accessible on our website, www.atwd.com, under "Investor Information" – "Corporate Governance" – "Contact the Atwood Oceanics, Inc. Board of Directors". The interested party may also submit such communications in care of our Secretary, James M. Holland, at the mailing address of our headquarters, which is P.O. Box 218350, Houston, Texas 77218. Each written communication intended for the Board of Directors as a whole or the non-management members of the Board of Directors and received by the Secretary, will be promptly forwarded to the specified party. The interested party may alternatively submit such communications through the MySafeWorkplace system. The MySafeWorkplace system can be contacted via telephone at 1-800-461-9330 or on the internet at www.MySafeWorkplace.com. The interested party should click "Go" on "Make A

Report”, choose Atwood Oceanics Management LP as the organization, and then select “Communicate with Non-Management Directors” as the “Incident Type”. The communication process is also further detailed on our website, www.atwd.com, along with other of our corporate governance guidelines, and is available in print to any shareholder who requests it.

Four (4) meetings of the Board of Directors were held during fiscal year 2007, all of which were regularly scheduled meetings. Each director attended, during the time of his or her membership, at least seventy-five (75%) percent of Board of Director and Committee meetings to which he or she was assigned. Additionally, the non-employee members of the Board of Directors held four (4) meetings, of which all were in person. Mr. Helmerich presided over the meetings of the non-employee members of the Board of Directors as our “Lead Independent Director.” The Company does not have a policy with regard to Board of Directors’ attendance at the annual meeting. Last year, one member of the Board of Directors, Mr. Irwin, attended the annual meeting.

Code of Ethics

Included in our corporate governance guidelines detailed on our website, www.atwd.com, and available in print to any shareholder who requests it, is the business conduct and code of ethics we have adopted which is applicable to our chief executive officer and our chief financial officer, Mr. Irwin and Mr. Holland, respectively. We intend to satisfy the disclosure requirement regarding any changes in our code of ethics we have adopted and/or any waiver therefrom by posting such information on our website or by filing a Form 8-K for such event.

Required Vote for Election of Directors

Election as directors of the persons nominated in this Proxy Statement will require the vote of the holders of a plurality of the shares of Common Stock present or represented by proxy and entitled to vote at a meeting at which a quorum is present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ELECTION AS DIRECTORS OF THE PERSONS NOMINATED HEREIN.

ITEM 2 - PROPOSAL TO ADOPT AMENDMENT NO. 1 TO THE ATWOOD OCEANICS, INC. 2007 LONG-TERM INCENTIVE PLAN

General

At our annual meeting of shareholders on February 8, 2007, our shareholders approved the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan, which is referred to herein as the “2007 Plan.” Upon shareholder approval, the 2007 Plan was effective as of December 7, 2006. Awards may be made under the 2007 Plan through December 6, 2017, which is 10 years from the effective date of the 2007 Plan.

The principal features of the 2007 Plan and Amendment No. 1 to the 2007 Plan are summarized below. The summary does not purport to be a complete statement of the 2007 Plan or Amendment No. 1 to the 2007 Plan and is qualified in its entirety by reference to the 2007 Plan, a copy of which was attached as Appendix B to this Proxy Statement for the annual meeting held February 8, 2007 and to Amendment No. 1 to the 2007 Plan, a copy of which is attached as Appendix C to this Proxy Statement. Defined terms not defined herein have the meaning set forth in the 2007 Plan.

Purpose of the 2007 Plan

The 2007 Plan was established to create incentives to motivate participants to put forth maximum effort toward our success and growth and to enable us to attract and retain experienced individuals who, by their position, ability and diligence, are able to make important contributions to our success. Participants include our non-employee directors, our officers and employees, as well as those of our subsidiaries and affiliates. There are currently approximately 900 potential participants in the 2007 Plan.

Purpose of Amendment No. 1 to the 2007 Plan

Amendment No. 1 to the 2007 Plan makes the following changes to the 2007 Plan:

1. The restriction period for shares of Common Stock included in a restricted stock award to eligible directors will be reduced from three years to a minimum of thirteen months.
2. Instead of vesting immediately, shares of Common Stock included in a restricted stock award to eligible directors will be subject to a vesting period of a minimum of thirteen months.

3. A provision providing for acceleration of vesting of shares of Common Stock included in restricted stock awards to eligible directors in the case of death, retirement, or resignation will be added to reflect that the shares included in such awards will no longer immediately vest.

4. A provision will be added relating to the ability of participants to defer delivery of shares of Common Stock included in awards, at the Compensation Committee's discretion, pursuant to a separate deferred compensation plan, if any. If delivery is deferred under such a plan, at the Compensation Committee's discretion, the participant may further elect to receive payment in the form of either shares of Common Stock or a cash amount equal to the value of the shares of Common Stock at the deferred delivery date.

The first three changes are discussed further below under "Restricted Stock" and "Termination of Employment; Termination of Service." Those changes relate to the vesting and restriction periods solely with regard to restricted stock awards made to eligible directors.

The fourth change is not intended to increase the value of or number of shares of Common Stock included in an award; rather this change is intended to give the Compensation Committee further flexibility in establishing the components of our compensation program. We have adopted a deferred compensation plan for non-employee directors, who are the eligible directors under the 2007 Plan, and while we have no plans to adopt additional plans for other participants at this time, we expect that such plans will be considered by the Compensation Committee in the future as part of our overall compensation program.

Shares Available

Under the 2007 Plan, the Compensation Committee may award restricted stock awards, stock options, stock appreciations rights (SARs), or performance units. The total number of shares reserved and currently available for distribution pursuant to the 2007 Plan is 1,769,304 shares of our Common Stock (approximately 6% of our outstanding Common Stock as of December 31, 2007, the record date for shareholders entitled to vote on this proposal), subject to adjustment in the event of a future stock dividend, stock split, merger, consolidation, recapitalization, reclassification, spin off, combination of shares or other similar events. Any shares of Common Stock granted as restricted stock awards or as SARs or performance units settled in shares of Common Stock shall be counted as 1.6 shares for each share granted, while any shares issuable pursuant to an Option shall be counted as one share for each issuable share. We have registered with the SEC the shares available for distribution pursuant to the 2007 Plan on Form S-8, File No. 333-140781. As of January 2, 2008, the closing price on the New York Stock Exchange of our Common Stock was \$102 per share.

Pursuant to the 2007 Plan, shares of Common Stock underlying awards which terminate, expire, are forfeited or are cancelled without the issuance of such shares shall be available for distribution in connection with future awards pursuant to the 2007 Plan.

Administration

The 2007 Plan is administered by the Compensation Committee of the Board of Directors, who are appointed or removed as set forth in the Committee's Charter, which is available on our website at www.atwd.com. As described in its Charter, all members of the Compensation Committee are "independent" as required by the rules and regulations of the SEC and the New York Stock Exchange Listing Standards. They are also "non-employee directors" as defined under SEC Rule 16b-3 and "outside directors" as defined in the Internal Revenue Code, section 162(m). The Compensation Committee has the power and authority to grant awards to participants as provided in the 2007 Plan, and to determine the form, terms and conditions, not inconsistent with the terms of the 2007 Plan, of any award granted, based on such factors and criteria as the Compensation Committee shall determine. The Compensation Committee has the authority to establish, adopt, or revise such rules and regulations governing the 2007 Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the 2007 Plan and any award granted and any agreements relating

thereto; and to otherwise take any and all action it deems necessary or advisable for the operation or administration of the 2007 Plan.

Eligibility

All participants may be awarded Nonqualified Stock Options, restricted stock awards, SARs or performance units. Eligible employees may also receive Incentive Stock Options.

Stock Options

The 2007 Plan permits the granting of two types of options: (i) those that qualify as incentive stock options, or ISOs, under Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, or (ii) those that do not so qualify, or Nonqualified Stock Options. Stock options granted under the 2007 Plan shall be subject to the terms and conditions set forth in the 2007 Plan and may contain such additional terms and conditions not inconsistent with the terms of the 2007 Plan as the Compensation Committee deems appropriate. The option exercise price for each share of Common Stock covered by an option shall be determined by the Compensation Committee, but shall be not less than the Fair Market Value of a share of Common Stock on the date of grant.

The term of each stock option will be fixed by the Compensation Committee, but may not exceed 10 years from the date of grant in the case of an ISO or 10 years and one day after the date of grant in the case of a Nonqualified Stock Option. Stock options shall become exercisable at such time or times and subject to such terms and conditions (including, without limitation, installment exercise provisions) as shall be determined by the Compensation Committee.

The option exercise may be paid (i) in cash or by check, bank draft or money order payable to the order of the Company, (ii) with certain requirements, by delivering shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of the exercise price, or (iii) by a combination of the foregoing.

The Compensation Committee may, in its discretion, authorize all or a portion of any Nonqualified Stock Options to be granted on terms which permit transfer by the participant to (i) the ex-spouse of the participant pursuant to the terms of a domestic relations order, (ii) the spouse, children or grandchildren of the participant, (iii) a trust or trusts for the exclusive benefit of the spouse, children or grandchildren of the participant, or (iv) a partnership or limited liability company in which the spouse, children or grandchildren of the participant are the only partners or members; provided in each case that (x) there may be no consideration for any such transfer, (y) the Option agreement pursuant to which such stock options are granted must expressly provide for transferability in a manner consistent with the foregoing, and (z) subsequent transfers of transferred stock options shall be prohibited except those made in accordance with the transferability provisions of the 2007 Plan or by will or by the laws of descent and distribution. Following transfer, any such stock options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Except as set forth in the 2007 Plan and in the applicable Option agreement, no Option shall be transferable by the participant otherwise than by will or by laws of descent and distribution.

Restricted Stock

Restricted stock may be issued to participants either alone or in addition to other awards granted under the 2007 Plan. The Compensation Committee determines participants to whom, and the time or times at which, such grants will be made, the number of shares of Common Stock to be awarded, the price (if any) to be paid by the recipient of an award, and other conditions of the awards. The Compensation Committee may condition grants of restricted stock upon the attainment of specified performance goals or such other factors or criteria as the Compensation Committee may determine.

Under the 2007 Plan as currently in effect, with respect to eligible directors, restricted stock vests immediately subject to a three-year restriction period. Pursuant to Amendment No. 1 to the 2007 Plan, the restriction period and the vesting period for eligible directors shall both be a minimum of thirteen months. This change is intended to better align the

restriction and vesting periods for such awards, while still requiring a minimum period for both.

In general, restricted stock awarded to eligible employees vests over a minimum three-year period, with all such shares vesting on or after the third anniversary, with the restriction period set out in the award.

During the restriction period, the Compensation Committee may grant to the participant, with respect to the shares of restricted stock covered by any award, all or any of the rights of a shareholder of the Company, including the right to vote the shares of Common Stock included in the award, the right to receive any dividends, and the right to purchase securities pursuant to the Rights Agreement between the Company and Continental Stock Transfer and Trust Company dated October 18, 2002. During the restriction period established by the Compensation Committee, the participant shall not be permitted to sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the shares of restricted stock awarded under the 2007 Plan.

Stock Appreciation Rights

A Stock Appreciation Right, or SAR, permits the participant to receive an amount (in cash, Common Stock or a combination thereof) equal to the number of SARs exercised by the participant multiplied by the excess of the Fair Market Value of a share of Common Stock on the exercise date over the exercise price of the SAR. SARs may or may not be granted in connection with the grant of an Option. The exercise price of SARs granted under the 2007 Plan shall not be less than the Fair Market Value of a share of Common Stock on the date of grant. A SAR may be exercised in whole or in such installments and at such times as determined by the Compensation Committee.

Performance Units

Performance units may be awarded to the participant subject to the provisions of the 2007 Plan and such other terms and conditions as the Compensation Committee may determine. Performance units give the participant the right to receive cash or Common Stock based upon the achievement of performance goals established by the Compensation Committee. These goals must exceed one year and are subject to the fulfillment of conditions that may be established by the Compensation Committee including, without limitation, the achievement of operational, financial or stock performance criteria.

Change in Control Provisions

In the event of a Change in Control, any awards granted under the 2007 Plan to any participant shall be immediately fully vested, fully earned and exercisable, and any Restriction Period shall terminate immediately.

Termination of Employment; Termination of Service

Stock Options and SARs. If an eligible employee's employment with the Company, a Subsidiary or an Affiliated Entity terminates as a result of death, disability or retirement, the eligible employee (or personal representative in the case of death) shall be entitled to exercise all or any part of any (a) vested Incentive Stock Option for a period of up to three months from such date of termination (one year in the case of death or Disability (as defined above) in lieu of the three-month period), or (b) vested Nonqualified Stock Option or SAR during the remaining term. If an eligible employee's employment terminates for any other reason, the eligible employee shall be entitled to exercise all or any part of any vested Option or SAR for a period of up to three months from such date of termination.

If an eligible director's service with the Company, a Subsidiary or an Affiliated Entity terminates, the eligible director (or personal representative in the case of death) shall be entitled to exercise all or any part of any Nonqualified Stock Options or SARs which are otherwise exercisable on his date of termination of service during the remaining term of such award.

The Committee may, in its discretion, accelerate the vesting of any stock option or SAR in the case of termination of employment or service of a participant for any reason, including death, retirement, disability, or resignation, as the case may be. In no event shall any stock option or SAR be exercisable past the term established in the award agreement. Any vested stock option or SAR which is not exercised before the earlier of the dates provided above or its term, shall expire.

Restricted Stock Awards. Under the current Plan, the Committee may, in its discretion, (i) accelerate the vesting of a restricted stock award in the case of death or disability of an eligible employee or (ii) provide for early termination of any restriction period in the case of death, retirement, or resignation of an eligible director. Amendment No. 1 to the 2007 Plan provides that the Committee may also, in its discretion, accelerate the vesting of a restricted stock award in the case of death, retirement, or resignation of an eligible director. This change was made to account for the fact that pursuant to Amendment No. 1 to the 2007 Plan, restricted stock awards to eligible directors will no longer immediately vest.

In the case of retirement of an eligible employee, the vesting of a restricted stock award shall be accelerated as follows:

- § no acceleration in the case of retirement within a period less than one year subsequent to the date of grant,
- § acceleration of vesting of one-third (1/3) of the shares included in the restricted stock award in the case of retirement within a period greater than one year, but less than two years subsequent to the date of grant, and
- § acceleration of vesting of two-thirds (2/3) of the shares included in the restricted stock award in the case of retirement within a period greater than two years, but less than three years subsequent to the date of grant.

Unless otherwise accelerated pursuant to the terms of the relevant award agreement or by the Committee as set forth herein, all unvested restricted stock awards shall be forfeited upon termination of employment of the eligible employee or termination of service of the eligible director.

Amendments and Termination

The Board of Directors may alter, suspend or terminate the 2007 Plan at any time. The Board may amend the 2007 Plan, but may not, without shareholder approval, adopt any amendment which would (i) increase the total number of shares of Common Stock reserved for purposes of the 2007 Plan, except as specifically provided for in the 2007 Plan, (ii) materially modify the eligibility requirement for participation in the 2007 Plan, or (iii) materially increase the benefit or rights of any participant provided by the 2007 Plan. With the exception of repricing awards, the Compensation Committee may amend the terms of any award agreement, but no such amendment shall be allowed which is adverse to the rights of any participant without his or her consent.

Federal Income Tax Consequences

In the 2007 Plan, the following summary is a description of the federal income tax consequences to the participant and to us of the issuance and exercise of stock options, SARs, performance units, and restricted stock granted pursuant to the 2007 Plan. The summary does not purport to be complete, does not attempt to be a comprehensive description of all possible tax effects, and does not discuss state, local or non-U.S. tax consequences except as set forth below.

ISO's. The grant of an ISO will not be treated as taxable income to the eligible employee for federal tax purposes, and will not result in a deduction for us for tax purposes, provided that no disposition is made by the eligible employee of the shares of Common Stock acquired pursuant to the ISO within two years after the date of grant of the ISO nor within one year after the date of issuance of shares of Common Stock to the eligible employee pursuant to the ISO. In general, on exercise of an ISO, the eligible employee will not recognize any taxable income, and we will not be entitled to a deduction for tax purposes, although exercise of an ISO may give rise to liability under the alternative minimum tax provisions of the Code. Upon the sale or exchange of the shares of Common Stock at least two years

after the grant date of the ISO and one year after the exercise date of the ISO, the eligible employee will recognize long-term capital gain or loss based on the difference between (i) the amount realized upon the sale or other disposition of the purchased shares of Common Stock and (ii) the exercise price paid for such shares. If these holding periods are not satisfied, the eligible employee will recognize ordinary income (and we will be entitled to a deduction for tax purposes) in an amount equal to the difference between the exercise price and the lower of (i) the fair market value of the shares of Common Stock on the date the ISO was exercised or (ii) the sale price of such shares. A different rule for measuring ordinary income upon such a premature disposition may apply if the eligible employee is also our officer, director or 10% shareholder. Any gain recognized by the eligible employee on such a premature disposition of the shares of Common Stock in excess of the amount treated as ordinary income will be characterized as capital gain.

Nonqualified Stock Options and Stock Appreciation Rights. No taxable income is reportable by the participant at the time a Nonqualified Stock Option or SAR is granted. Upon exercise, the amount by which the Fair Market Value of the purchased shares of Common Stock on the exercise date exceeds the exercise price of the option or SAR will generally be taxable to the participant as ordinary income and deductible by us for tax purposes. Upon disposition of the shares of Common Stock, appreciation or depreciation after the exercise date is treated as a short-term or long-term capital gain or loss to the participant and will not result in any deduction by us.

Restricted Stock. In general, a participant who receives a restricted stock award will recognize ordinary compensation income on the difference between the fair market value of the shares of Common Stock on the date when the shares are no longer subject to a substantial risk of forfeiture (as such term is defined in the Code) and any amount paid for the shares, and the Company will be entitled to a deduction for tax purposes in the same amount. Any gain or loss on the participant's subsequent disposition of the shares will receive long or short-term capital gain or loss treatment depending on how long the stock has been held since the restrictions lapsed.

If a participant receiving a stock award makes a timely election under Section 83(b) of the Code to have the tax liability determined at the date of grant rather than when the restrictions lapse, the participant will recognize ordinary compensation income in an amount equal to the difference between the fair market value of the stock on the date of issuance of the stock and any amount paid for such stock, and we shall be entitled to a deduction at that time of the same amount treated as ordinary compensation income to the participant. If such an election is made, the participant recognizes no further amounts of compensation income upon the lapse of any restrictions, and any gain or loss on subsequent disposition will be long or short-term capital gain or loss to the participant. The Section 83(b) election must be made within thirty days from the time the restricted stock is issued to a participant.

Performance Units. The federal income tax consequences of performance units will vary depending upon the individual structure of the award. Generally, the performance unit will be taxable upon payment.

Deductibility of Compensation. The 2007 Plan has been designed to permit the Compensation Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m) of the Code, and accordingly, we anticipate that any compensation deemed paid by us to our executive officers as a result of stock options or restricted stock will remain deductible by us and will either (a) not have to be taken into account for purposes of the \$1,000,000 limitation per covered individual on the deductibility of the compensation paid to certain of our executive officers or (b) will not cause such limit to be exceeded.

Withholding. No later than the date as of which an amount first becomes includible in the gross income of the participant for federal income tax purposes with respect to any stock option or other award under the 2007 Plan, the participant shall pay to us, or make any arrangements satisfactory to the Compensation Committee regarding the payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by us, withholding obligations may be settled with Common Stock, including Common Stock that is part of the award that gives rise to the withholding requirement. Generally, we will not withhold any amount from awards made to directors in such capacity, as those awards are treated as self-employment income, and, as such, are not subject to withholding.

Awards Pursuant to the 2007 Plan

All future awards under the 2007 Plan will be at the discretion of the Compensation Committee. Therefore should Amendment No. 1 to the 2007 Plan receive shareholder approval, no executive officers or directors, nor any other participant, would be guaranteed an award.

Required Vote to Adopt Amendment No. 1 to the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan

Approval to adopt Amendment No. 1 to the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan requires the affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy and entitled to vote at a meeting at which a quorum is present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “**FOR**” ADOPTION OF Amendment No. 1 to THE ATWOOD OCEANICS, INC. 2007 LONG-TERM INCENTIVE PLAN.

ITEM 3 - PROPOSAL TO ADOPT AMENDMENT NO. 1 TO THE AMENDED AND RESTATED CERTIFICATE OF FORMATION

General

Our Amended and Restated Certificate of Formation authorizes the issuance of a total of fifty-one million (51,000,000) shares of capital stock, consisting of fifty million (50,000,000) shares of Common Stock, each with a par value of \$1.00 per share, and one million (1,000,000) shares of Preferred Stock, each with no par value. As of the date of this Proxy Statement, 31,704,740 shares of Common Stock were outstanding and no shares of Preferred Stock were outstanding. In addition, as of the date of this Proxy Statement, we had 941,901 shares of Common Stock subject to outstanding stock options and 1,769,304 shares of Common Stock reserved for issuance pursuant to future grants under the 2007 Plan. Our total Common Stock share requirement as of the date of this Proxy Statement is approximately 34,415,950 shares, or the Share Requirement.

General

On December 7, 2007, our Board of Directors approved, subject to approval of our shareholders, proposed Amendment No. 1 to the Amended and Restated Certificate of Formation in order to increase the total number of authorized shares of our Common Stock from fifty million (50,000,000) to ninety million (90,000,000). Proposed Amendment No. 1 to the Amended and Restated Certificate of Formation is set forth in full in Appendix D.

Proposed Amendment No. 1 to the Amended and Restated Certificate of Formation, will become effective upon filing with the Texas Secretary of State. The authorized but unissued shares of Common Stock would be available for issuance from time to time for such purposes and for such consideration as our Board of Directors may determine to be appropriate without further action by the shareholders, except for those instances in which approval is required by Texas law or the rules of any national securities exchange or automated quotation system on which shares of our Common Stock are then listed or traded. Our shares of Common Stock are currently listed on the New York Stock Exchange.

Purpose

The Board of Directors believes that it is in our best interest to increase the total number of authorized shares of Common Stock so that it may have greater flexibility in issuance of shares of Common Stock. In particular, the Board of Directors would like to have a sufficient number of shares of Common Stock available to effect a two-for-one stock split in the form of a stock dividend of one share of Common Stock for each share of Common Stock outstanding on the record date for such stock split, which has not yet been determined. The Board of Directors believes that a stock split would be in our best interest and that of our shareholders because it would be expected to place the market price of our Common Stock in a range that is more attractive to investors and may result in improved liquidity and enhanced trading volume for our Common Stock. The record date of any future stock split would be based in part on market factors, and therefore, no definite record date has been determined and no stock split declared.

Based on our Share Requirement, we do not have a sufficient number of authorized shares of Common Stock to effect a two-for-one stock split. Therefore, the Board of Directors approved, subject to shareholder approval, the increase of the total number of authorized shares of Common Stock from fifty million (50,000,000) to ninety million (90,000,000). The Board of Directors believes that a total of ninety million (90,000,000) authorized shares of Common Stock would be sufficient to effect a two-for-one stock split and to meet our business needs as they arise without the expense or delay of a special meeting of shareholders to approve additional increases in authorized shares of Common Stock at such time. Such business needs may include other future stock dividends or splits, equity financings, acquisitions, new or current stock incentive plans and other proper corporate purposes identified by the Board of Directors in the future. No increase in the total number of authorized shares of Preferred Stock is proposed.

Effect on Rights of Shareholders

The additional shares of authorized Common Stock, when issued, would have the same rights and privileges as the shares of Common Stock currently issued and outstanding. Any future issuance of Common Stock would remain subject to shareholder approval if required by Texas law or the rules of any national securities exchange or automated quotation system on which shares of our Common Stock are then listed or traded. Our shares of Common Stock are currently listed on the New York Stock Exchange.

Other than as permitted or required under the Company's existing stock incentive plans and outstanding securities, the Board of Directors has no immediate plans, understandings, agreements or commitments to issue additional shares of Common Stock for any purposes other than the two-for-one stock split discussed above. The Company reserves the right to seek a further increase in the total number of authorized shares of Common Stock from time to time in the future as considered appropriate by the Board of Directors.

Required Vote for Approval of Amendment No. 1 to the Amended and Restated Certificate of Formation

Approval of the increase in the total number of authorized shares of Common Stock from fifty million (50,000,000) to ninety million (90,000,000) pursuant to Amendment No. 1 to the Amended and Restated Certificate of Formation requires the affirmative vote of the holders of two-thirds (2/3) of the shares of Common Stock present or represented by proxy and entitled to vote at a meeting at which a quorum is present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “**FOR**” Approval of AMENDMENT NO. 1 TO THE AMENDED AND RESTATED CERTIFICATE OF FORMATION.

ITEM 4 - PROPOSAL TO RATIFY THE COMPANY'S EARLY ELECTION TO BE GOVERNED BY THE TEXAS BUSINESS ORGANIZATIONS CODE

General

At our annual shareholder meeting on February 8, 2006, our shareholders approved the adoption of our Amended and Restated Certificate of Formation. The Board of Directors believed it to be in our best interest to early elect to be governed by the Texas Business Organization Code, or TBOC, which went into effect January 1, 2006, and which would apply to the Company on January 1, 2010 without regard to early election. In connection with the early election to be governed by the TBOC, the Board of Directors had approved, subject to shareholder approval, the adoption of the Amended and Restated Certificate of Formation to, among other things, conform to changes in law effected by the TBOC. The Texas legislature has since clarified that they intended to require shareholder approval to early elect to be governed by the TBOC. While we believe the early election to be governed by TBOC was properly made at the time of such election and that our shareholders did in fact approve such early election by approving the adoption of our Amended and Restated Certificate of Formation, we are seeking shareholder ratification of the early election to be governed by the TBOC. Failure of the shareholders to ratify the early election to be governed by the TBOC will have no effect as the Company has already made the election and there is no stated procedure to reverse the election, and even if the Company undertook to reverse the early election, the TBOC will apply to the Company on January 1, 2010

in any event.

Required Vote for Ratification of the Company's Early Election to be Governed by the TBOC

Ratification of the Company's early election to be governed by the TBOC requires the affirmative vote of the holders of a two-thirds (2/3) of the shares of Common Stock present or requested by proxy and certified to vote of a meeting at which a quorum is present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **"FOR"** RATIFICATION OF THE COMPANY'S EARLY ELECTION TO BE GOVERNED BY THE TBOC.

Compensation Discussion and Analysis

Compensation Policies for Executive Officers

Philosophy

Our executive compensation policies are designed by the members of our Compensation and Human Resources Committee of our Board of Directors (the "Committee") to provide competitive levels of compensation commensurate with performance, recognize individual initiative and achievements, and assist us in attracting and retaining qualified executives. Our policies seek to align executive compensation with our objectives, business strategy and financial performance. In applying these policies, we seek to:

- reward executives for long-term strategic management and the enhancement of shareholder value;
- support an environment that rewards performance with respect to our goals, as well as our performance relative to our competitor companies;
- integrate compensation programs with our short and long-term strategic plans;
- attract and retain key executives critical to our long-term success; and
- align the interests of executives with the long-term interests of shareholders through equity awards.

Business Context and Peer Group

We are engaged in international offshore drilling and the completion of exploratory and developmental oil and gas wells.

The international offshore drilling services business is highly competitive with numerous participants and the competition for hiring talented individuals in the international offshore drilling industry has been steadily growing, making it increasingly difficult to attract and retain employees on our rigs and in our offices. Therefore, it is more imperative than ever that each element of our compensation be competitive, while still demanding of our employees the extra effort that returns value to our shareholders.

Our primary competitive market for talent includes other companies in the energy industry (oil and gas companies, offshore drilling companies, and other energy services companies) of similar market value, size, operating complexity and growth potential (our "peer group"). With assistance from our professional consultants, we have determined that our peer group for compensation purposes in fiscal year 2007 was: Bronco Drilling Company Inc., Dril-Quip Inc., GulfMark Offshore, Inc., Hercules Offshore Inc., Parker Drilling Co., Petroleum Development Corp., RPC Inc., Swift Energy Co. and Todco. The composition of the peer group is periodically reviewed and updated by the Committee with assistance from our professional consultant. As further discussed below, we received studies from our professional consultants, including salary and bonus compensation data, as well as the nature and amount of stock awards given, based on our peer group. This data is used by our Committee in determining the salary, bonus and amount of stock incentives to award our executives.

Administration and Oversight of the Executive Compensation Program

Our executive compensation program is administered by the members of our Committee. The Board of Directors who are members on our Committee are independent as required by the New York Stock Exchange Listing Standards and as determined by the Board in its business judgment. No member of the Committee has a relationship to the Company that may interfere with the exercise of his or her independent judgment, as such independence is defined by New York Stock Exchange Listing Standards, and all of the Committee members are "non-employee directors" as that term is defined under the Securities and Exchange Commission Rule 16b-3 and "outside directors" as that term is defined for the purposes of the Internal Revenue Code, section 162(m). The Committee currently consists of four members: George S. Dotson, who is the chairman, Deborah A. Beck, Robert W. Burgess and James R. Montague. The Committee's responsibilities include, but are not limited to, the following:

- making recommendations to the Board regarding both long and short term incentive compensation and equity-based plans for all employees of the Company;
- recommending to the Board the compensation of non-employee directors of the Company;
- reviewing and approving Company goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and, either as a Committee or together with the other independent directors (as directed by the Board), determining and approving the Chief Executive Officer's compensation level based on this evaluation;
- producing a Committee report on executive compensation as required by the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC; and
- performing such general oversight and investigation functions related to Company compensation inherent to the responsibilities designated herein or set forth in future resolutions of the Board.

For fiscal year 2007, the Committee engaged Longnecker & Associates ("L&A") as its professional consultant. The Committee felt it was beneficial to have independent third party analysis and L&A has extensive experience in providing executive compensation advice, including specific experience in the oil and gas industry. The Committee took into consideration the discussions and guidance from L&A, as well as the compensation studies created and assembled by L&A, in the analysis it used in making its competitive compensation decisions.

Overall Targets

In creating its report to the Committee, L&A first determined our peer group, as discussed above, based upon market studies and information provided by the Company, and the Committee agreed with the selection of our peer group. L&A then reviewed the total direct compensation (base salary, annual incentives, and long-term incentives) for our executive officers and assessed the competitiveness of our executive compensation based on size and performance as compared to our peer group and as compared to published survey data on companies in the oil and gas wells drilling and services industry with annual revenue levels similar to our projected fiscal year 2007 revenues. Historically, we have aimed to pay our executives at a level that generally approximates the 50th percentile of overall total compensation for similarly situated executives at the reviewed companies. We believe that this level of compensation has enabled us to attract and retain quality executives while allowing us to keep compensation costs manageable, producing a good return for our shareholders.

The L&A report concluded that, overall, base salaries and direct total compensation for our executive officers are closely aligned with the 50th percentile of the surveyed companies, and that our process for determining executive compensation is well aligned with shareholder interests. Based upon our analysis of the L&A report, we believe that our total compensation package remains within our target levels.

Compensation Program Components

In order to implement our compensation philosophy, as described above, we have developed a straightforward compensation package consisting of:

- base salary;
- discretionary annual bonus;
- long-term stock incentive awards;
- severance and change-in-control arrangements;
- perquisites; and
- benefits

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Each element of our compensation package serves a particular purpose and the balance of these components is established annually by the Committee and is designed to recognize past performance, retain key employees and encourage future performance. We also used the L&A report in our analysis of the balance of these components as compared to our peer group. Based upon our review of the L&A report, while our annual discretionary bonuses are higher than our peer group and our long-term stock incentives are smaller in value than our peer group, we believe that the elements of our compensation package are in line with those offered by our peers, continuing to provide competitive compensation to our executives.

Base Salary

We provide our executive officers and other employees with base salaries to compensate them for services rendered during the fiscal year. Base salaries are conservatively set to recognize individual performance while attempting to compensate for market movement of salaries in our peer group, which is why our target position for salary is the 50th percentile of our peer group, although individual circumstances can allow for certain positions to be above or below this percentile. Generally, we review salary levels for our executive officers annually after the end of each fiscal year based on a variety of factors, including individual performance, general levels of market salary increases, our company's overall financial condition and industry conditions.

Discretionary Annual Bonus

We provide incentive compensation to our executive officers and other key employees in the form of a discretionary annual bonus relating to financial and operational achievements during the prior fiscal year for the purpose of retaining and motivating them. The amounts of the bonuses are determined by the Committee and are primarily based upon our analysis of the person's job performance and his or her specific accomplishments during the preceding fiscal year. The bonus amounts are linked to the achievement of Company-wide goals and are designed to put a significant portion of total compensation at risk, especially for our top executive officers, with a greater portion of total compensation at risk the more senior the executive. The Committee seeks input from the CEO on executive officer performance and internal equity. The Committee also takes into consideration the results of key strategic metrics related to safety, health, environment and security, financial performance and operational excellence. See the Analysis section below for a further discussion of these metrics.

Individual named executive officers may be awarded a discretionary annual bonus with a minimum multiple of 0.5 to a maximum multiple of 2.0 times a fixed percentage of their base salary, which in calendar year 2007 ranged from 40% to 65% for our named executive officers.

Long-Term Stock Incentive Awards

Pursuant to our shareholder-approved Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan (the "2007 Plan"), the Committee has the ability to grant options, restricted stock awards, stock appreciation rights and performance units to eligible employees and grant nonqualified stock options, restricted stock awards, stock appreciation rights and performance units to eligible directors. The 2007 Plan is designed to motivate participants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who, by their position, ability and diligence, are able to make important contributions to the Company's success. The determination of the size and type of award granted is based on the level and contribution of the intended recipient, as well as the results of the key strategic metrics related to safety, health, environment and security, financial performance and operational excellence. For fiscal year 2007, the Committee awarded restricted stock and stock options to our named executive officers, which was primarily designed to tie a portion of each executive's compensation to long-term future performance of the Company. As we believe that stock ownership by management through stock-based compensation arrangements is beneficial in aligning management's and shareholders' interest, the value of these awards will increase or decrease based upon the future price of our Common Stock.

Severance and Change-In-Control Arrangements

The Company has established the Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees (the "Retention Plan"), which has a one-year term and is adopted annually, as well as Executive Agreements with Messrs. Irwin, Holland and Kelley (the "Executive Agreements") in order to secure the interests of our shareholders in the event of a change-in-control of the Company by encouraging certain valued employees to remain employed with the Company during that period of financial uncertainty preceding and following the change-in-control. We feel that this protection helps minimize turnover of our executive talent and ensures that our executive's attention remains focused on the Company's and our shareholders' interests. Other than the Retention Plan and Executive Agreements, there are

no severance agreements with executive officers.

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In the event of a change-in-control, any outstanding awards granted to any participant under the 2007 Plan or any prior stock incentive plans are immediately fully vested, fully earned and exercisable, if an option, and any restriction period terminates immediately.

For further information regarding our change-in-control arrangements see “Potential Payments upon Termination or Change-In-Control” on page 22 of this proxy.

Perquisites

The Company provides each of our named executive officers a membership to a luncheon and exercise facility.

Benefits

The named executive officers participate in the Company’s other benefit plans on the same terms as other employees, except for an increase in medical and life insurance benefits and the participation in the Rabbi Trust. The increased medical and life insurance benefits to our named executive officers is due to competitive considerations and the importance of each of them to our long term success. Other benefits include a defined contribution plan, or 401(k) plan, for which the Company matches up to 10% of the first 5% of salary contributed by the employee. The Chief Executive Officer and his direct reports, including all of our named executive officers, are able to participate in an additional plan (the “Rabbi Trust”) which allows contribution of amounts in excess of the allowable amount under our 401(k) plan. All amounts paid to the Rabbi Trust must be withdrawn within five years of the participant’s retirement.

Analysis

In determining executive compensation for fiscal year 2007, as noted above, the Committee first relied upon the L&A report to determine our peer group, overall compensation levels, and the elements of our compensation package. Then the Committee turned to the determination of the individual levels of compensation for each executive for each element of our compensation package. In making this analysis, the Committee next considered our overall historical performance and our future objectives. The Committee has established a number of key strategic metrics related to financial and operational performance. The measures for financial performance included:

- gross revenue,
- earnings before income tax, depreciation and amortization,
- return on equity,
- income tax,
- stock price performance, and
- operating margin.

For benchmark comparison purposes in fiscal year 2007 the Committee evaluated the Company’s above measures for financial performance against the following “metrics peer group”: Diamond Offshore Drilling, Inc., ENSCO International, Inc., GlobalSantaFe Corporation, Noble Corporation, Pride International, Inc., Rowan Companies, Inc. and Transocean, Inc.

The measures for operational performance included:

- the number and severity of safety, operational and/or security incidents,
- superior results for environmental impact,
- rig utilization, and
- rig downtime.

Rig downtime is assessed based upon whether the downtime is due to repairs, operational incidents, or lack of contract, and whether the downtime is at a repair rate or at zero rate. Most of these measures are compared to both Company targets and performance in prior fiscal years as well as to industry benchmarks. With these key strategic metrics in mind, the Committee set goals such as 100% rig utilization, no zero rate downtime and zero operational incidents for fiscal year 2007, which goals were communicated to the named executive officers at the beginning of fiscal year 2007. As we pride ourselves on our safety record, although operational incidents during fiscal year 2007 were below our peer group average we had a greater number of incidents than in prior years, which factor was taken into consideration by the Committee when determining the discretionary annual bonus.

In addition to these objective measures, the Committee included a more subjective analysis of actions taken by the executive officers to benefit the long term goals of the Company. Such matters as succession planning, executive development, employee satisfaction, and reputation among customers were included in this part of the analysis, particularly for Mr. Irwin, our Chief Executive Officer.

When setting base salary and bonus targets for fiscal year 2007, the Committee recognized that our performance in fiscal year 2006 and the market environment as a whole supported continued improvements in cash flows which were expected to, and did, lead to earnings at historic levels for fiscal year 2007. Nevertheless, the Committee recognized that superior individual performance in fiscal 2007 would be necessary to achieve the Company's desired financial results. The Committee established the percentage of base salary which determines the annual discretionary bonus target for each executive officer based upon a review of the competitive data for that position, level of responsibility and ability to impact our success, with the multiplier determined by the individual and Company performance.

At the end of fiscal 2007, the Committee reviewed the results of the strategic metrics discussed above, considering both historical and benchmark results. The Committee also reviewed the competitive information provided by L&A and again obtained input from L&A on the process used to determine compensation and on the specific compensation actions. After further consultation with L&A, we believe that the results of the compensation actions were well aligned with performance, with the marketplace midpoint, and with shareholder interests, although the fiscal year 2007 bonuses awarded were slightly higher than in our peer group. The Committee also sought input from the CEO on individual named executive officer performance and internal equity.

Based on the Committee's analysis of its goal and objectives described above, the Committee set fiscal year 2007 base salaries as follows:

Name	Title	Fiscal Year	Percent Increase from
		2007 Base Salary	Fiscal Year 2006 Base Salary
John R. Irwin	President and Chief Executive Officer	\$438,040	5%
James M. Holland	Chief Financial Officer, Senior Vice President and Secretary	\$255,960	5%
Glen P. Kelley	Senior Vice President – Marketing and Administration	\$249,920	5%
Alan Quintero	Vice President – Engineering	\$211,730	13%
Darryl Smith	Vice President – Operations	\$209,190	14%

The larger increases in salary for Messrs. Quintero and Smith from fiscal year 2006 to 2007 reflect their promotions to senior management to align their compensation with similarly situated executives within our peer group.

Based upon fiscal year 2007 performance, the Committee awarded stock options and restricted stock awards to our named executive officers as follows:

Name	Restricted Stock		Total
	Stock Options Awarded in December 2007	Awarded in December 2007	
John R. Irwin	18,280	5,364	23,644
James M. Holland	5,476	2,684	8,160
Glen P. Kelley	5,476	2,236	7,712
Alan Quintero	3,664	7,108	10,772
Darryl Smith	2,284	896	3,180
TOTAL	35,180	18,288	53,468

A total of 53,468 stock options and shares of restricted stock were awarded to our named executive officers in December 2007, all of which except for 5,320 shares of restricted stock awarded to Mr. Quintero, relates to fiscal year 2007 performance. The Committee believes the awards are reasonable in relation to our peer group and also support a goal of tying a portion of each executive's compensation to long-term future performance of the Company. The Committee sets the size of the awards based upon the fair market value of our Common Stock on the date of grant, based in part upon Company and individual performance for fiscal year 2007 as well as our long term goals. The Committee determined a ratio of allocation between stock options and shares of restricted stock, ranging from approximately 2 to 3.4 stock options to each share of restricted stock.

As part of succession planning, the Committee granted a group of upper management special one-time awards of restricted stock in order to encourage retention. These awards have four year vesting and may not be accelerated for any reason other than change-in-control. Mr. Quintero was the only named executive officer included in the group, which accounts for 5,320 shares of restricted stock awarded to him.

Based on the Committee's analysis of its goals and objectives, the Committee set fiscal year 2008 base salaries and awarded bonuses in December 2007 as follows:

Name	Bonus Awarded in December 2007	Percent Increase from Fiscal Year	
		2008 Base Salary	2007 Base Salary
John Irwin	\$520,000	\$470,930	8%
James Holland	225,000	274,820	7%
Glen Kelley	194,000	268,060	7%
Alan Quintero	123,000	233,370	10%
Darryl Smith	109,000	233,370	12%

For fiscal year 2007 the fixed percentage of calendar year base salary for purposes of determining discretionary bonuses were 65% for Mr. Irwin, 48% for Messrs. Holland and Kelley and 40% for Messrs. Quintero and Smith. As previously discussed, the Committee believes that the more senior an executive, the greater percentage of compensation should be at risk, which accounts for the difference among percentages.

No named executive officer received the entire multiple of 2 times their percentage base salary for fiscal year 2007 as Messrs. Irwin and Holland received a multiple of 1.8, Mr. Kelley a multiple of 1.6, Mr. Quintero a multiple of 1.4 and Mr. Smith a multiple of 1.25. The multiple is based upon both Company and individual performance, with individual performance based upon the named executive officer's primary area of responsibility, except in the case of Mr. Irwin. For Mr. Irwin, the Committee considered both his individual performance as well as the individual performance of each of his direct reports, including the other named executive officers. As Chief Executive Officer, the Committee believes that it is appropriate to hold him accountable for the performance of his direct reports in addition to his own performance.

The fiscal year 2008 base salary increases were based on both fiscal year 2007 performance of the Company as a whole and peer group competitiveness.

Chief Executive Officer Compensation

Mr. Irwin's compensation is determined in the same manner as the other executive officers except that the Committee looks not only at his performance but also takes into account the performance of each person who directly reports to him as discussed above. The Committee also placed a higher emphasis on succession planning and executive development when determining Mr. Irwin's compensation package. In establishing Mr. Irwin's base salary for fiscal year 2008, the Committee assessed his then current base salary compared to the Company's performance in fiscal year 2007, market information and his fiscal year 2007 performance. The Committee considered that Mr. Irwin's base salary, based on the L&A report, was below the market median. Mr. Irwin was granted a salary increase to be effective on January 1, 2008 of approximately 8%, and was awarded a bonus at 119% of his fiscal year 2007 base salary based on his individual performance, the performance of those who report directly to him, the Company's performance in fiscal year 2007 and the market environment as a whole, which supported continued improvements in cash flows and which experienced earnings at historic levels. The Committee in December 2007 also awarded Mr. Irwin stock options to purchase 18,280 shares of Common Stock plus a restricted stock award of 5,364 shares of Common Stock. The Committee based this award assessment on Mr. Irwin's leadership in achieving operating results and major strategic accomplishments.

Based on the Company's performance in fiscal year 2006 coupled with an improving market environment supporting continuing improvements in cash flows and earnings at historic levels, Mr. Irwin was awarded a bonus of \$370,000 relating to fiscal year 2006 performance in December 2006, which fell into fiscal year 2007. Similarly, Mr. Irwin was also granted a salary increase effective on January 1, 2007 of approximately 5%. The Committee in December 2006 also awarded Mr. Irwin stock options to purchase 23,000 shares of Common Stock plus a restricted stock award of 13,000 shares of Common Stock. The Committee based this award on its subjective assessment of Mr. Irwin's performance as Chief Executive Officer and President as well as his service as a Company director.

The Committee reviewed similar considerations for each of the other named executives, keeping in mind the targeted compensation levels in our compensation philosophy and using the analysis described above.

Tax Considerations

Section 162(m) of the Internal Revenue Code provides that certain compensation to certain executive officers in excess of \$1 million annually will not be deductible for federal income purposes. Due to exercising stock options during fiscal year 2007, the compensation levels for Messrs. Irwin and Kelley were above the \$1 million threshold. Messrs. Irwin and Kelly's total compensation relating to fiscal year 2007 performance exceeded \$1 million by approximately \$4.2 million and \$3.0 million, respectively.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with Company management the Compensation Discussion and Analysis included in its proxy statement. Based on that review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement.

Submitted by the Compensation Committee of the Board of Directors:

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George S. Dotson - Chairman of the Compensation Committee

Deborah A. Beck - Compensation Committee Member

Robert W. Burgess - Compensation Committee Member

James R. Montague - Compensation Committee Member

COMPENSATION OF MANAGEMENT

Name and Principal Position	Year	Summary Compensation Table					Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
		Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)			
John R. Irwin	2007	438,040	370,000	353,810	632,700	---	187,200	98,100	2,079,850
President and Chief Executive Officer									
James M. Holland	2007	255,960	155,000	160,360	215,600	---	54,000	47,290	888,210
Senior Vice President, Chief Financial Officer and Secretary									
Glen P. Kelley	2007	249,920	150,000	160,360	215,600	---	16,300	45,580	837,760
Senior Vice President Marketing and Administration									
Alan Quintero	2007	211,730	70,000	117,740	97,000	---	5,060	29,880	531,410
Vice President Engineering									
Darryl R. Smith	2007	209,190	70,000	78,790	92,150	---	23,040	36,770	509,940
Vice President Operations									

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated future payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			All other stock awards: number of shares of stock or units (#) (A)	All other option awards: number of securities underlying options (#) (B)	Exercise or base price of option awards (\$/Sh)	Grant Date Value Stock Awards (\$)(C)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)				
John R. Irwin	12/7/2006	---	---	---	---	---	---	13,000	23,000	49.97	649,6
James M. Holland	12/7/2006	---	---	---	---	---	---	6,200	4,300	49.97	309,8
Glen P. Kelley	12/7/2006	---	---	---	---	---	---	6,200	4,300	49.97	309,8
Alan Quintero	12/7/2006	---	---	---	---	---	---	4,200	3,000	49.97	209,8
Darryl R. Smith	12/7/2006	---	---	---	---	---	---	3,000	1,000	49.97	149,9

(A) The awards were made pursuant to our Amended and Restated 2001 Plan (the "2001 Plan"), which is no longer active, and end of three years from the date of grant, based on the passage of time and the continued employment of the named executive, acceleration of vesting upon the occurrence of certain events related to termination of employment or change of control of the C

(B) The options were granted for a term of ten (10) years (pursuant to our 2001 Plan), subject to earlier termination in certain e related to termination of employment. Each option entitles the option holder to purchase one share of Common Stock at an exer equal to the fair market value of a share of Common Stock on the date of grant. Twenty-five percent (25%) of such options bec exercisable at each of one (1) year, two (2) years, three (3) years and four (4) years, respectively, from the date of grant. Subjec conditions, the exercise price may be paid by delivery of shares of Common Stock owned by the option holder prior to the opti and tax withholding obligations related to exercise may be paid by offset of underlying shares of Common Stock.

(C) The amounts disclosed in this column represents the aggregate FAS 123 (R) grant date fair value of the restricted stock awa to each named executive officer.

(D) The amount disclosed in this column represents the aggregate FAS 123 (R) grant date fair value of non-qualified stock opti to each named executive officer.

OUTSTANDING EQUITY AWARDS AT SEPTEMBER 30, 2007

Name	Option awards					Stock awards				
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards number of securities underlying unexercised unearned options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive awards: market or payout value of unearned shares, units or other rights that have not vested (\$)	
John R. Irwin	0	20,000	---	13.50	12/ 3/2013	---	---	---	---	
	40,000	40,000	---	24.62	12/ 1/2014	---	---	---	---	
	5,250	15,750	---	37.15	1 1/30/2015	---	---	---	---	
	---	23,000	---	49.97	12/ 6/2016	---	---	---	---	
	45,250	98,750	---	---	--	27,000	2,067,120	---	---	
James M. Holland	0	10,000	---	13.50	12/ 3/2013	---	---	---	---	
	15,000	15,000	---	24.62	12/ 1/2014	---	---	---	---	
	1,500	4,500	---	37.15	1 1/30/2015	---	---	---	---	
	---	4,300	---	49.97	12/ 6/2016	---	---	---	---	
	16,500	33,800	---	---	---	12,200	934,032	---	---	
Glen P. Kelley	30,000	---	---	15.38	9/1 1/2012	---	---	---	---	
	30,000	10,000	---	13.50	12/ 3/2013	---	---	---	---	
	15,000	15,000	---	24.62	12/ 1/2014	---	---	---	---	
	1,500	4,500	---	37.15	1 1/30/2015	---	---	---	---	
	---	4,300	---	49.97	12/ 6/2016	---	---	---	---	
76,500	33,800	---	---	---	12,200	934,032	---	---		
Alan Quintero	8,750	---	---	18.88	12/ 1/2009	---	---	---	---	
	1,250	---	---	15.35	12/ 6/2010	---	---	---	---	
	2,000	---	---	16.08	9/ 5/2011	---	---	---	---	
	8,000	---	---	15.38	9/1 1/2012	---	---	---	---	
	11,250	3,750	---	13.50	12/ 3/2013	---	---	---	---	
	7,500	7,500	---	24.62	12/ 1/2014	---	---	---	---	

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	500	1,500	---	37.15	1 1/30	---	---	---	---
					/2015				
		---	---	49.97	12/ 6/2016	---	---	---	---
						9,000	689 ,040	---	---
	39,250	15,750	---			9, 000	689 ,040	---	---
Darryl R. Smith	0	5,00 0	---	13.50	12/ 3/2013	---	---	---	---
	0	6,500	---	24.62	12/2 12014	---	---	---	---
	500	1,500	---	37.15	1 1/ 30	---	---	---	---
					/2015				
		---	---	49.97	12/ 6/2016	---	---	---	---
						6,000	459,360	---	---
	500	14 ,000	---			6,000	459,360	---	---

OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of shares acquired on exercise (#)	Value realized on exercise (\$)	Number of shares acquired on vesting (#)	Value realized on vesting (\$)
John R. Irwin	240,000	11,060,763	---	---
James M. Holland	99,800	4,559,027	---	---
Glen P. Kelley	76,000	3,587,858	---	---
Alan Quintero	23,250	676,135	---	---
Darryl R. Smith	16,750	570,890	---	---

NONQUALIFIED DEFERRED COMPENSATION

Name

Name	Executive contributions in Fiscal Year 2007 (\$) (A)	Registrant contributions in Fiscal Year 2007 (\$) (A)	Aggregate earnings in Fiscal Year 2007 (\$)	Aggregate withdrawals/distributions (\$)	Aggregate balance at September 30, 2007 (\$) (A)
John R. Irwin	411,120	67,370	187,200	---	1,838,430
James M. Holland	170,650	26,020	54,000	---	711,100
Glen P. Kelley	7,000	14,000	16,300	---	107,160
Alan Quintero	26,760	17,460	5,060	---	60,250
Darryl R. Smith	14,130	9,496	23,045	---	162,190

(A) Contributions were made to the Rabbi Trust.

Non-Employee Director S Compensation

Name	Fees earned or paid in cash (\$)	Stock awards (\$ (A))	Option awards (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and nonqualified deferred compensation earnings	All other compensation (\$)	Total (\$)
Deborah Beck	48,500	60,000	---	---	---	---	108,500
Robert Burgess	48,500	60,000	---	---	---	---	108,500
George Dotson	53,500	60,000	---	---	---	---	113,500
Hans Helmerich	37,000	60,000	---	---	---	---	97,000
James Montague	44,500	60,000	---	---	---	---	104,500
William Morrissey	51,000	60,000	---	---	---	---	111,000
Total	283,000	360,000					643,000

(A) Pursuant to our existing 2007 Plan, each of our non employee directors was awarded restricted stock during fiscal year 2007 equivalent to the number of shares of Common Stock valued at \$60,000 on the dates of grant. Of these awards, \$40,000 vest immediately to each eligible Director but have a three-year restriction period on ownership transfer. The remaining \$20,000 does not vest until the end of three years.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

The Company entered into Executive Agreements on September 18, 2002, with Messrs. Irwin, Holland and Kelley. The Executive Agreements address the terms of executive employment and compensation in the event of a termination of employment due to a change of control in our ownership. The Executive Agreements state that a change in control occurs in the event of (a) an acquisition or formal tender offer by any individual, entity or group of beneficial ownership of twenty percent (20%) of (i) the then outstanding shares of our Common Stock or (ii) the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors (certain exceptions apply); (b) a sale of substantially all of our assets; or (c) a change of the majority of the members of our Board of Directors. In the event of a change of control, Messrs. Holland and Kelley shall remain in the employ of the Company following such change of control for one year and six months and Mr. Irwin shall remain in the employ of the Company for two years and six months following such change in control. During such employment terms, the executive shall receive his base salary, annual bonus, incentive, savings and retirement plan benefits, welfare plan benefits, executive life insurance benefits, indemnification, expense reimbursement, and vacation commensurate with those benefits that the executive enjoyed prior to the change in control. In the event their employment is terminated within such time period, depending upon the circumstances of termination, they may be entitled to a severance payment generally equal to the salary and bonus for the remainder of such period. The Executive Agreements each have three (3) year "evergreen" terms in that they automatically extend so as to cover a three (3) year period from any date then in effect unless we give notice to the executive that the term will no longer be so extended.

Compensation AND HUMAN RESOURCES Committee Interlocks and Insider Participation

Ms. Beck and Messrs. Burgess, Dotson and Montague, the current members of the Compensation and Human Resources Committee, were the only persons who served on this Committee during the 2007 fiscal year.

No member of our Compensation and Human Resources Committee of the Board of Directors was, during the 2007 fiscal year, an officer or employee of the Company or any of its subsidiaries, or was formerly an officer of the Company or any of its subsidiaries or had any relationships requiring disclosure by us under Item 404 of Regulation S-K, except for the current relationship of Mr. Helmerich and prior relationship of Mr. Dotson with H&P and H&PIDC.

During the Company's 2007 fiscal year, no executive officer of the Company served as (i) a member of the Compensation and Human Resources Committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served on our Compensation and Human Resources Committee, (ii) a director of another entity, one of whose executive officers served on our Compensation and Human Resources Committee, or (iii) a member of the Compensation and Human Resources Committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served as our director.

CONTRIBUTIONS TO TAX EXEMPT ORGANIZATIONS

We have made no contributions to any tax exempt organization in which any independent director serves as an executive officer.

AUDIT COMMITTEE CHARTER

The Audit Committee is composed of four (4) non-employee independent Directors and is established in accordance with section 3(a)(58)(A) of the Exchange Act. The Board of Directors has determined that Mr. Burgess is the Audit Committee's financial expert. The members of the Audit Committee are governed by a written Charter duly adopted by the Board of Directors, which requires their independence from management of the Company and their freedom from any other relationship which would interfere with their independent judgment as required by the New York Stock Exchange Listing Standards and as determined by the Board in its business judgment. The members of the Audit Committee are also required to be "non-employee directors" as that term is defined under the SEC Rule 16b-3. The Board of Directors has made a determination that all of the members of the Audit Committee meet the Audit Committee Charter membership requirements, including that of independence. The Board of Directors specifically considered the relationship of H&P and H&PIDC to the Company and determined that they are not our affiliates. Mr. Dotson retired from H&P during fiscal year 2006. Prior to his retirement from H&P, the Board of Directors determined that Mr. Dotson was not our affiliate and after his retirement, the Board of Directors determined that Mr. Dotson continues not to be our affiliate. Further, the Board of Directors believes that Mr. Dotson's membership on the Audit Committee is in the best interests in the Company due to his expertise, experience, and tenure as a director of the Company. The Audit Committee Charter is posted on our website, www.atwd.com

Report of the Audit Committee of the Board of Directors of Atwood Oceanics, Inc. The Board of Directors

Management is primarily responsible for the Company's financial statements and the reporting process, including the systems of internal controls. PricewaterhouseCoopers LLP ("PwC"), the Company's independent Registered Public Accounting Firm, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and for issuing a report on those statements. As the Audit Committee, we oversee the financial reporting process and internal control system on behalf of the Board of Directors. The Audit Committee met in person two (2) times, with an additional four (4) conference call meetings, during fiscal year 2007. At various times during the 2007 fiscal year, the Audit Committee met with PwC and the internal auditors, with and without management present.

In the course of fulfilling our oversight responsibilities, we reviewed and discussed the audited financial statements, as well as Management's Discussion and Analysis, included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007, with management and PwC.

This review included a discussion of, among others:

- All critical accounting policies followed by the Company;
- The reasonableness of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the quality of the Company's accounting principles;
- The clarity and completeness of financial disclosures;
- The adequacy of internal controls that could significantly affect the Company's financial statements;
- Items that could be accounted for using alternative treatments within GAAP and the treatment preferred by PwC;
-

Any internal control points raised by PwC during its audit of the Company's financial statements;
and

- The potential effects of regulatory and accounting initiatives, as well as any off balance sheet structures, on the Company's financial statements.

We have discussed with the independent Registered Public Accounting Firm the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications With Audit Committees*, as modified or supplemented, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from the independent Registered Public Accounting Firm required by Standard No. 1, *Independence Discussions with Audit Committees*, as modified or supplemented, by the Independence Standards Board, and have discussed with the auditors their independence. We reviewed the independence of PwC from the Company and its management and reviewed and approved the Company's policies regarding the provision of non-audit services by PwC to the Company and the hiring of employees of PwC by the Company.

As the Audit Committee, we recommended to the Board of Directors the selection of PwC as the Company's independent Registered Public Accounting Firm. Additionally, we

- reviewed the scope of an overall plan for the annual audit and the internal audit program;
- approved fees for all services provided by PwC;
- reviewed the adequacy of certain financial policies;
- considered PwC's quality control procedures;
- on a quarterly basis, reviewed the Company's financial results prior to their public issuance; and
- reviewed significant legal developments.

Based on the review and discussions referred to above, we recommend to the Board of Directors that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007 to be filed with the Securities and Exchange Commission.

Audit Committee

William J. Morrissey, Chairman
Robert W. Burgess, Member (Financial Expert)
Deborah A. Beck, Member
George S. Dotson, Member

November 28, 2007

Notwithstanding SEC filings by the Company that have incorporated or may incorporate by reference other SEC filings (including this Proxy Statement) in their entirety, the Report of the Audit Committee shall not be incorporated by reference into such filings and shall not be deemed to be "filed" with the SEC except as specifically provided otherwise or to the extent required by Item 306 of Regulation S-K.

FISCAL YEAR 2007 AUDIT FIRM FEE SUMMARY

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During fiscal years 2007 and 2006, PwC was our independent registered public accounting firm, and it provided services in the following categories and amounts.

	Fiscal Year	
	2007	2006
Audit Fees	\$ 960,471	\$ 1,273,132
	\$ --	\$ 20,200
Audit-Related Fees (A)	\$ --	\$ ----
Tax Fees		
All Other Fees (B)	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Total	<u>\$ 962,471</u>	<u>\$ 1,295,332</u>

(A) For fiscal year 2006, these fees related to statutory audit services provided in one of our foreign locations.

(B) Software licensing fees.

The Audit Committee approves the engagement of an independent registered public accounting firm to render audit or non-audit services prior to the engagement based upon a proposal by such firm and an estimate of fees and expected scope of engagement. The Audit Committee has adopted a pre-approval policy which allows management to engage PwC to provide certain services not to exceed \$25,000. Our pre-approval policy requires that the Audit Committee be informed of each service and does not include delegation of Audit Committee responsibilities to management. In fiscal year 2007, there were no fees for services provided pursuant to the Audit Committee's pre-approval policy.

EQUITY COMPENSATION PLANS

The table below provides information relating to our equity compensation plans as of September 30, 2007, all of which have been approved by our shareholders:

Number of shares of Common Stock to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of shares of Common Stock available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options)
881,388	\$24.54	1,997,636

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent (10%) of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten-percent (10%) shareholders are required to furnish us with copies of all Section 16(a) reports or forms they file.

Based solely on our review of the copies of such forms we have received, and written representations from certain reporting persons that no reports on Form 5 were required for those persons, we believe that, during the period from October 1, 2006 through September 30, 2007, all filing requirements applicable to our officers, directors and greater than ten-percent (10%) beneficial owners were complied with.

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PwC audited our financial statements for the years ended September 30, 2007, 2006 and 2005, and has been selected to audit our financial statements for the year ended September 30, 2008. PwC will have representatives present at the shareholders' meeting who will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

SHAREHOLDER PROPOSALS

Proposals of our shareholders intended to be presented for consideration at the Annual Meeting of our Shareholders to be held in February 2009 must be received by us no later than September 17, 2008 and must comply with the requirements of the proxy rules promulgated by the SEC in order to be included in the proxy statement and form of proxy related to that meeting. If notice of any shareholder proposal not eligible for inclusion in our proxy statement and form of proxy is given to us after December 1, 2008, then proxy holders will be allowed to use their discretionary

voting authority on such shareholder proposal when the matter is raised at such meeting.

OTHER MATTERS

Management does not intend to bring any other matters before the meeting and has not been informed that any matters are to be presented by others. In the event any other matters properly come before the meeting, the persons named in the enclosed form of proxy will vote the proxies under discretionary authority therein in accordance with their judgment on such matters.

If you do not contemplate attending the meeting in person, you are respectfully requested to sign, date and return the accompanying proxy in the enclosed, stamped envelope at your earliest convenience.

We will provide, without charge, upon written request of any shareholder, a copy of our Annual Report on Form 10-K including financial statements and financial statement schedules for the fiscal year ended September 30, 2007 as filed with the SEC. Please direct such request to James M. Holland, Secretary, Atwood Oceanics, Inc., P.O. Box 218350, Houston, Texas 77218, 281-749-7800.

Only one proxy statement and annual report are being delivered to multiple shareholders sharing an address who have previously consented to such delivery unless we have received contrary instructions from one or more such shareholders. If a shareholder desires to receive a separate copy of the proxy statement, or annual report or future proxy statements or annual reports, the shareholder should provide oral or written notification to James M. Holland, our Secretary, at the above address and provide instructions for delivery of the separate copy. If shareholders who share an address and are receiving multiple copies of the proxy statement or annual report desire to receive only one copy of the proxy statement or annual report they should also notify Mr. Holland at the above address and provide delivery instructions.

By order of the Board of Directors

/s/ John R. Irwin

John R. Irwin, President

Houston, Texas
January 15, 2008

PROXY

ATWOOD OCEANICS, INC.

ANNUAL MEETING OF SHAREHOLDERS

FEBRUARY 14, 2008

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints James M. Holland and Glen P. Kelley, or either of them as Proxy Holders, each with the power to appoint a substitute, and hereby authorizes them to represent and to vote, as designated below, all the shares of common stock, par value \$1.00 per share, held of record by the undersigned as of the close of business on December 31, 2007, at the Annual Meeting of Shareholders to be held on February 14, 2008 or any adjournment thereof:

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY IN THE ENVELOPE PROVIDED

1. ELECTION OF DIRECTORS:

FOR all nominees listed

(except as marked to the contrary) WITHHOLD authority to vote for all nominees listed

Nominees:

DEBORAH A. BECK GEORGE S. DOTSON JOHN R. IRWIN
ROBERT W. BURGESS HANS HELMERICH JAMES R. MONTAGUE

(INSTRUCTION: To withhold authority to vote for one or more individual nominees, write the nominee's name(s) in the line provided below or strike through their name above.)

2. To approve Amendment No. 1 to the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan as described in the accompanying Proxy Statement:

FOR AGAINST ABSTAIN

3. To approve Amendment No. 1 to our Amended and Restated Certificate of Formation to increase the authorized shares of Common Stock of the Company from 50,000,000 shares to 90,000,000 shares as described in the accompanying Proxy Statement:

FOR AGAINST ABSTAIN

4. To ratify our early election to be governed by the Texas Business Organizations Code:

FOR AGAINST ABSTAIN

4. In their discretion, the Proxy Holders are authorized to vote upon such other business as may properly come before the meeting.

(see reverse side)

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This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder.

If no direction is made, the Proxy will be voted FOR the election of all Directors, FOR approval of Amendment No. 1 to the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan, FOR approval to the increase of authorized shares of Common Stock of the Company from 50,000,000 shares to 90,000,000 shares and FOR ratification of our early election to be governed by the Texas Business Organizations Code.

Please sign exactly as name appears hereon.

_____, 2008 _____

DATED

SIGNATURE

SIGNATURE IF JOINTLY HELD

NOTE: When shares are held by joint tenants, both should sign. When signing as attorney, as executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person. Please note any change in your address alongside the address as it appears in the proxy.

PLEASE MARK IN BLUE OR BLACK INK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

COMPENSATION AND HUMAN RESOURCES COMMITTEE CHARTER

1. Purpose and General Responsibilities

The function of the Compensation and Human Resources Committee ("Committee") is to assist the Board of Directors ("Board") of Atwood Oceanics, Inc. in fulfilling its oversight responsibilities regarding the compensation of directors, officers, and employees of Atwood Oceanics, Inc. and its subsidiaries (collectively, the "Company").

To perform this function, the Committee shall have the authority to perform the specific duties enumerated in this Charter and, upon the direction or approval of the Board, to undertake other activities on behalf of the Board. The Committee is authorized to request reports on matters related to its authority, its duties as described in this Charter and on any subject that it deems related to its responsibilities. All employees of the Company shall cooperate as requested by the Chairman of the Committee. The Committee shall recommend to the Board any extensions or changes in the authority or duties of the Committee that it deems appropriate.

The Committee's primary responsibilities include:

- Making recommendations to the Board regarding both long and short term incentive compensation and equity-based plans that are subject to Board approval for all employees of the Company;
- Recommending to the Board the compensation of directors who are not employees of the Company;
- Reviewing and approving Company goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and, either as a Committee or together with the other independent directors (as directed by the Board), determining and approving the Chief Executive Officer's compensation level based on this evaluation; and