

OCEANEERING INTERNATIONAL INC

Form DEF 14A

March 24, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**OCEANEERING INTERNATIONAL, INC.**

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

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

Title of each class of securities to which transaction applies:

Aggregate number of securities to which transaction applies:

Price per unit 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):

Proposed maximum aggregate value of transaction:

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Amount previously paid:

Form, Schedule or Registration Statement No.:

Filing party:

Date filed:

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**OCEANEERING INTERNATIONAL, INC.  
11911 FM 529, Houston, Texas 77041-3011**

March 24, 2006

Dear Shareholder:

You are cordially invited to attend the 2006 Annual Meeting of Shareholders of Oceaneering International, Inc. The meeting will be held on Friday, May 12, 2006, at 8:30 a.m., local time, in the Atrium of our corporate offices at 11911 FM 529, Houston, Texas 77041-3011.

On the following pages, you will find the Notice of Annual Meeting of Shareholders and Proxy Statement giving information concerning the matters to be acted on at the meeting. Our Annual Report to Shareholders describing Oceaneering's operations during the year ended December 31, 2005 is enclosed.

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

Thank you for your interest in Oceaneering.

Sincerely,

John R. Huff

Chairman of the Board and  
Chief Executive Officer

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**OCEANEERING INTERNATIONAL, INC.  
11911 FM 529, Houston, Texas 77041-3011**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held May 12, 2006**

To the Shareholders of Oceaneering International, Inc.:

The Annual Meeting of Shareholders of Oceaneering International, Inc., a Delaware corporation ( "Oceaneering" ), will be held on Friday, May 12, 2006, at 8:30 a.m., local time, in the Atrium of our corporate offices at 11911 FM 529, Houston, Texas 77041-3011, to consider and take action on the following:

election of two Class II directors as members of the Board of Directors of Oceaneering to serve until the 2009 Annual Meeting of Shareholders or until a successor has been duly elected and qualified (Proposal 1);

ratification of the appointment of Ernst & Young LLP as independent auditors of Oceaneering for the year ending December 31, 2006 (Proposal 2); and

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

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

The close of business on March 20, 2006 is the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting or any adjournment thereof.

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

By Order of the Board of Directors,

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

March 24, 2006

**YOUR VOTE IS IMPORTANT**

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

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**OCEANEERING INTERNATIONAL, INC.**

**PROXY STATEMENT**

**PROXIES AND VOTING AT THE MEETING**

Only shareholders of record at the close of business on March 20, 2006 will be entitled to notice of, and to vote at, the meeting. As of that date, 26,838,519 shares of our Common Stock, \$.25 par value per share ( Common Stock ), were outstanding. Each of those outstanding shares is entitled to one vote at the meeting. We are initially sending this Proxy Statement and the accompanying proxy to our shareholders on or about March 24, 2006. The requirement for a quorum at the meeting is the presence in person or by proxy of holders of a majority of the outstanding shares of Common Stock. There is no provision for cumulative voting.

**Solicitation of Proxies**

The accompanying proxy is solicited on behalf of our Board of Directors for use at our annual meeting of shareholders to be held at the time and place set forth in the accompanying notice. We will pay all costs of soliciting proxies. We will solicit proxies primarily by mail. In addition to solicitation by mail, our officers, directors and employees may solicit proxies in person or by telephone, facsimile and electronic transmissions, for which such persons will receive no additional compensation. We have retained Georgeson Shareholder Communications, Inc. to solicit proxies at a fee estimated at \$7,000, plus out-of-pocket expenses. We will reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding proxy material to beneficial owners of Common Stock.

The persons named as proxies were designated by our Board and are officers of Oceaneering. All properly executed proxies will be voted (except to the extent that authority to vote has been withheld), and where a choice has been specified by the shareholder as provided in the proxy, the proxy will be voted in accordance with the specification so made. Proxies submitted without specified choices will be voted **FOR Proposal 1** to elect the director nominees proposed by our Board, and **FOR Proposal 2** to ratify the appointment of Ernst & Young LLP as independent auditors of Oceaneering for the year ending December 31, 2006.

**Methods of Voting**

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

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

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

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

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**Revocability of Proxies**

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

    sending a written statement to that effect to our Corporate Secretary at P. O. Box 40494, Houston, Texas 72240-0494, the mailing address for the executive offices of Oceaneering;

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

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

    voting in person at the Annual Meeting.

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

**PROPOSAL 1**

**Election of Directors**

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

Two Class II directors are to be elected at the 2006 Annual Meeting. In accordance with our bylaws, directors are elected by a plurality of the votes cast. Accordingly, abstentions and broker non-votes marked on proxy cards will not be counted in the election. The Class II directors will serve until the 2009 Annual Meeting of Shareholders or until a successor has been duly elected and qualified. The directors of Classes I and III will continue to serve their terms of office, which will expire at the Annual Meetings of Shareholders to be held in 2008 and 2007, respectively.

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

Set forth below is information (ages are as of May 12, 2006) with respect to the nominees for election as directors of Oceaneering.

**Nominees 2006 Class II Directors:**

|                    | <b>Name and Business Experience</b> | <b>Age</b> | <b>Director Since</b> |
|--------------------|-------------------------------------|------------|-----------------------|
| Jerold J. DesRoche |                                     | 69         | 2003                  |

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

|              |  |    |      |
|--------------|--|----|------|
| John R. Huff |  | 60 | 1986 |
|--------------|--|----|------|

Mr. Huff has been Chairman of Oceaneering's Board of Directors since August 1990. He has been a director and Chief Executive Officer of Oceaneering since joining Oceaneering in 1986. He is also a director of BJ Services Company and Suncor Energy, Inc.





**Table of Contents****Continuing Directors**

Set forth below is information (ages are as of May 12, 2006) for those directors whose terms will expire in 2007 and 2008.

**2007 Class III Directors:**

| <b>Name and Business Experience</b>   | <b>Age</b> | <b>Director Since</b> |
|---|------------|-----------------------|
| David S. Hooker   | 63         | 1973                  |
| <p>Mr. Hooker has been Chairman of Ocean Hover Limited, an oilfield hovercraft marketing organization, since January 2004. Previously, he served as Chairman of Goshawk Insurance Holdings PLC, an insurance company, from January 1996 to October 2003. He is also a director of Aminex plc, an oil and gas exploration and production company. He is Chairman of the Audit Committee of Oceaneering's Board and a member of the Nominating and Corporate Governance Committee of Oceaneering's Board.</p> |            |                       |

|                  |    |      |
|------------------|----|------|
| Harris J. Pappas | 61 | 1996 |
|------------------|----|------|

Mr. Pappas has been President of Pappas Restaurants, Inc., a privately owned and operated multi-state restaurant group, since 1983 and Chief Operating Officer and director of Luby's, Inc., a publicly owned restaurant company, since March 2001. He is Chairman of the Compensation Committee of Oceaneering's Board and a member of the Audit Committee of Oceaneering's Board.

**2008 Class I Directors:**

| <b>Name and Business Experience</b>  | <b>Age</b> | <b>Director Since</b> |
|--|------------|-----------------------|
| T. Jay Collins   | 59         | 2002                  |
| <p>Mr. Collins has been President and Chief Operating Officer of Oceaneering since 1998. He served as Executive Vice President - Oilfield Marine Services of Oceaneering from 1995 to 1998 and as Senior Vice President and Chief Financial Officer of Oceaneering from 1993 until 1995.</p> |            |                       |

|                   |    |      |
|-------------------|----|------|
| D. Michael Hughes | 67 | 1970 |
|-------------------|----|------|

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

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

The following table sets forth the number of shares of Common Stock beneficially owned as of March 15, 2006 by each director and nominee for director, each of the executive officers named in the Summary Compensation Table in this Proxy Statement and all directors and officers as a group. Except as otherwise indicated, each individual named has sole voting and dispositive power with respect to the shares shown.

| <b>Name</b>  | <b>Number<br/>of<br/>Shares (1)</b> | <b>Shares<br/>Underlying</b>          |  | <b>Total</b> |
|--|-------------------------------------|---------------------------------------|--|--------------|
|  |                                     | <b>Restricted Stock<br/>Units (2)</b> |  |              |
| T. Jay Collins                                     | 67,750                              | 86,000                                |  | 153,750      |
| Jerold J. DesRoche                                 | 24,000                              | 0                                     |  | 24,000       |
| George R. Haubenreich, Jr.                         | 34,110                              | 38,900                                |  | 73,010       |
| David S. Hooker                                    | 58,000                              | 0                                     |  | 58,000       |
| John R. Huff                                       | 153,336                             | 110,000                               |  | 263,336      |
| D. Michael Hughes                                  | 78,458                              | 0                                     |  | 78,458       |
| M. Kevin McEvoy                                    | 49,191                              | 42,000                                |  | 91,191       |
| Marvin J. Migura                                   | 33,810                              | 38,900                                |  | 72,710       |
| Harris J. Pappas                                   | 54,000                              | 0                                     |  | 54,000       |
| All directors and officers as a group (21 persons) | 667,688                             | 428,100                               |  | 1,095,788    |

(1) Includes the following shares subject to stock options exercisable within 60 days of March 15, 2006: Mr. Collins 7,500; Mr. DesRoche 20,000; Mr. Haubenreich 5,000; Mr. Hooker 54,000; Mr. Huff 12,500; Mr. Hughes 42,000; Mr. McEvoy 15,000; Mr. Migura 5,000; Mr. Pappas 40,000; and all directors and officers as a group 234,500. Also includes the

following shares  
granted pursuant  
to restricted stock  
award  
agreements, as to  
which the  
recipient has sole  
voting power and  
no dispositive  
power:

Mr. Collins

6,000;

Mr. DesRoche

4,000;

Mr. Haubenreich

3,000;

Mr. Hooker

4,000; Mr. Huff

12,500;

Mr. Hughes

4,000; Mr.

McEvoy 3,000;

Mr. Migura

3,000;

Mr. Pappas

4,000 and all

directors and

officers as a

group 50,000.

Also includes the

following share

equivalents,

which are fully

vested but are

held in trust

pursuant to the

Oceaneering

Retirement

Investment Plan

(the 401(k) Plan ),

for which the

individual has no

voting rights until

the shares are

withdrawn from

the 401(k) Plan:

Mr. Hughes

18,852;

Mr. McEvoy

5,191; and all

directors and

officers as a group 34,346. At withdrawal, the share equivalents are settled in shares of Common Stock. Each officer and director owns less than 1% of the outstanding Common Stock; all directors and officers as a group own 2.5% of the outstanding Common Stock.

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

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Listed below are the only persons who, to our knowledge, may be deemed to be a beneficial owner as of March 15, 2006 of more than 5% of the outstanding shares of Common Stock. This information is based on a statement filed with the Securities and Exchange Commission (the SEC).

| <b>Name and Address of Beneficial Owner</b>                                    | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class (1)</b> |
|--|--|-----------------------------|
| EARNEST Partners, LLC<br>75 Fourteenth Street, Suite 2300<br>Atlanta, GA 30309 | 3,127,450 (2)                                    | 11.7                        |
| Neuberger Berman, Inc.<br>605 Third Avenue<br>New York, NY 10158               | 1,348,538 (3)                                    | 5.0                         |

(1) The percentages are based on the total number of issued and outstanding shares of Common Stock at March 15, 2006.

(2) According to a Schedule 13G, dated February 8, 2006, filed with the SEC by EARNEST Partners, LLC, EARNEST Partners, LLC beneficially owned 3,127,450 shares of Common Stock, as of December 31, 2005, of which it had sole voting power over 978,415 shares, shared voting power over 1,215,935 shares and sole

dispositive  
power over  
3,127,450  
shares.

- (3) According to a Schedule 13G, dated February 14, 2006, filed with the SEC by Neuberger Berman, Inc., Neuberger Berman, LLC beneficially owned 1,348,538 shares of Common Stock as of December 31, 2005. That filing states that Neuberger Berman, Inc. makes the filings since it owns 100% of Neuberger Berman, LLC and Neuberger Management Inc. That filing also states that of the 1,348,538 shares of Common Stock beneficially owned, Neuberger Berman, LLC had sole voting power over 31,450 shares, shared voting power with Neuberger Berman Management Inc. over

872,500 shares  
and shared  
dispositive  
power over  
1,348,538  
shares. To the  
extent voting  
power or  
dispositive  
power is shared,  
the filing  
indicates it is  
shared with  
Neuberger  
Berman's mutual  
fund clients.



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**Additional Information Relating to Our Board of Directors, Committees of the Board and Corporate Governance**

During 2005, our Board of Directors held six meetings of the full Board and 20 meetings of the committees of the Board. Each director attended at least 75% of the aggregate number of meetings of the Board and meetings of the committees of the Board on which he served. In addition, we have a policy that directors are encouraged to attend the annual meeting. Last year, all of the individuals now serving as directors attended our annual meeting. In 2005, the nonemployee directors met in regularly scheduled executive sessions without management present, and similar sessions are scheduled for 2006. The chairmen of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee chair these executive sessions on a rotating basis. Interested parties may communicate directly with the nonemployee directors by sending a letter to the Board of Directors (independent members), c/o Corporate Secretary, Oceaneering International, Inc., 11911 FM 529, Houston, Texas 77041-3011.

We pay our nonemployee directors, on a quarterly basis, an annual retainer of \$30,000. We also pay an annual retainer of \$10,000 to the chairman of the Audit Committee and an annual retainer of \$8,000 to the chairmen of the Compensation Committee and Nominating and Corporate Governance Committee. We pay our nonemployee directors \$1,000 for each Board meeting attended, \$1,000 for each committee meeting attended (if the meeting is on a day other than the date of a Board meeting) and a fee of \$125 per hour, up to a maximum of \$1,000 per day, for any other services directly related to activities of the Board or a committee of the Board. Nonemployee directors may elect to participate in our medical plans without payment of any monthly premium. All directors are provided a group personal excess liability insurance policy and are reimbursed for their travel and other expenses involved in attendance at Board and committee meetings and activities.

In 2005, nonemployee directors participated in our shareholder-approved 2002 Incentive Plan. Under this plan in 2005, each nonemployee director was automatically granted an option to purchase 10,000 shares of Common Stock at an exercise price per share equal to the fair market value of a share of Common Stock on the date the option was granted. These options became fully exercisable six months following the date of grant. No further awards can be made under the 2002 Incentive Plan.

Under our shareholder-approved 2005 Incentive Plan, there is no automatic grant to nonemployee directors of options to purchase shares of Common Stock. Under this plan, the Board may grant nonemployee directors the same types of awards for which our employees are eligible. There were no awards made to nonemployee directors under this plan in 2005.

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

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

The Audit Committee, which is comprised of Messrs. Hooker (Chairman), Hughes and Pappas, held 12 meetings during 2005. The Board of Directors determined that Mr. Hooker is an audit committee financial expert as defined in the applicable rules of the SEC. For information relating to Mr. Hooker's background, see his biographical

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information under Election of Directors. The Audit Committee is appointed by our Board of Directors, on the recommendation of the Nominating and Corporate Governance Committee, to assist the Board in its oversight of: the integrity of our financial statements;

our compliance with legal and regulatory requirements;

the independence, qualifications and performance of our independent auditors;

the performance of our internal audit functions; and

the adequacy of our internal control over financial reporting.

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

In discharging its duties, the Audit Committee reviews and approves the scope of the annual audit, non-audit services to be performed by the independent auditors and the independent auditors' audit and non-audit fees; reviews and discusses with management (including the senior internal auditor) and the independent auditors the annual report of management regarding our internal control over financial reporting and the independent auditors' attestation of that report; recommends to our Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for filing with the SEC; meets independently with our internal auditors, independent auditors and management; and reviews the general scope of our accounting, financial reporting, annual audit and internal audit programs and matters relating to internal control systems, as well as the results of the annual audit and interim financial statements, auditor independence issues and the adequacy of the Audit Committee charter. A copy of the Audit Committee charter is available on the Corporate Governance page of our Web site ([www.oceaneering.com](http://www.oceaneering.com)). The report of the Audit Committee is included in this Proxy Statement at page 10.

The Compensation Committee, which is comprised of Messrs. Pappas (Chairman) and DesRoche, held five meetings during 2005. The Compensation Committee is appointed by our Board of Directors to:

assist the Board in discharging its responsibilities relating to compensation of our executives and other key employees, including our Chief Executive Officer; and

produce an annual report on executive compensation for inclusion in our proxy statement.

Specific duties and responsibilities of the Compensation Committee include: general oversight of our executive compensation plans and benefit programs; reviewing and approving objectives relevant to the compensation of executives and key employees, including administration of annual bonus plans, long-term incentive plans and supplemental executive retirement plan; approving employment agreements for key executives; evaluating the performance of executives and key employees, including our Chief Executive Officer; recommending to the Board the compensation for the Board and committees of the Board; and annually evaluating its performance and its charter. A copy of the Compensation Committee charter is available on the Corporate Governance page of our Web site ([www.oceaneering.com](http://www.oceaneering.com)). Any shareholder who so requests may obtain a written copy of the charter from us. The report of the Compensation Committee is included in this Proxy Statement beginning on page 17.

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The Nominating and Corporate Governance Committee, which is comprised of Messrs. Hughes (Chairman), DesRoche and Hooker, held three meetings during 2005. The Nominating and Corporate Governance Committee is appointed by our Board of Directors to:

identify individuals qualified to become directors of Oceaneering;

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

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

recommend to our Board committee assignments for directors;

periodically assess the performance of our Board and its committees; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To be timely for consideration at our 2007 Annual Meeting, a shareholder's nomination notice must be received at our principal executive offices, 11911 FM 529, Houston, Texas 77041-3011, addressed to our Corporate Secretary, no earlier than November 13, 2006 and no later than the close of business on January 12, 2007.

**Code of Ethics**

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

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

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of our Common Stock to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of Common Stock. Based solely on a review of the copies of such reports furnished to us and representations that no other reports were required, we believe that all our directors and executive officers complied on a timely basis with all applicable filing requirements under Section 16(a) of the Exchange Act during 2005.

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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee of Oceaneering International, Inc. s Board of Directors is comprised of the three directors named below. Each member of the Audit Committee is an independent director as defined by applicable Securities and Exchange Commission rules and New York Stock Exchange listing standards. The Committee met 12 times during the year ended December 31, 2005. The Committee reviewed with management and Ernst & Young LLP, Oceaneering s independent auditors, the interim financial information included in Oceaneering s quarterly reports on Form 10-Q for the periods ended March 31, 2005, June 30, 2005 and September 30, 2005, prior to their being filed with the Securities and Exchange Commission. In addition, the Committee reviewed all of Oceaneering s earnings releases in 2005 with management and Ernst & Young prior to the public release of those earnings releases.

The Committee reviewed and discussed with management and Ernst & Young Oceaneering s consolidated financial statements for the year ended December 31, 2005. Members of management represented to the Committee that Oceaneering s consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Committee discussed with Ernst & Young matters required to be discussed by Statement on Auditing Standard No. 61, Communication with Audit Committees, as amended. The Committee also reviewed and discussed with management and Ernst & Young management s report and Ernst & Young s report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

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

Based on the Committee s discussion with management and the independent auditors and the Committee s review of the representations of management and the report of the independent auditors, the Committee recommended to Oceaneering s Board of Directors that Oceaneering s audited consolidated financial statements as of and for the year ended December 31, 2005 be included in the Form 10-K for the year ended December 31, 2005 filed with the SEC.

Audit Committee

David S. Hooker, Chairman

D. Michael Hughes

Harris J. Pappas

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The following table sets forth compensation information for the years ended December 31, 2005, 2004 and 2003, with respect to our Chief Executive Officer and our four other most highly compensated executive officers who served as such during the year ended December 31, 2005.

**Summary Compensation Table**

| Name and Principal Position    | Year | Annual Compensation |            | Long-Term Compensation |            |           |              |
|--------------------------------|------|---------------------|------------|------------------------|------------|-----------|--------------|
|                                |      | (1)                 | (1)        | Awards                 | Securities | Payouts   | All Other    |
|                                |      | Salary              | Bonus (\$) | Restricted             | Underlying | LTIP      | Compensation |
|                                |      | (\$)                | (\$)       | Stock                  | Options    | Payouts   | (\$)(4)      |
|                                |      |                     |            | Awards                 | (#)        | (\$)(3)   |              |
| John R. Huff                   | 2005 | 700,000             | 1,000,000  | 0                      | 0          | 2,605,161 | 420,000      |
| Chairman and                   | 2004 | 650,000             | 500,000    | 0                      | 12,500     | 2,477,978 | 390,000      |
| Chief Executive Officer        | 2003 | 577,500             | 0          | 0                      | 50,000     | 1,840,480 | 346,500      |
| T. Jay Collins                 | 2005 | 330,000             | 475,000    | 0                      | 0          | 1,524,972 | 165,000      |
| President and                  | 2004 | 310,000             | 250,000    | 0                      | 7,500      | 1,307,065 | 155,000      |
| Chief Operating Officer        | 2003 | 292,500             | 0          | 0                      | 30,000     | 879,308   | 146,250      |
| Marvin J. Migura               | 2005 | 255,000             | 290,000    | 0                      | 0          | 737,070   | 102,000      |
| Senior Vice President and      | 2004 | 238,330             | 230,000    | 0                      | 5,000      | 642,640   | 95,330       |
| Chief Financial Officer        | 2003 | 225,000             | 0          | 0                      | 20,000     | 439,654   | 90,000       |
| M. Kevin McEvoy                | 2005 | 260,000             | 315,000    | 0                      | 0          | 762,486   | 104,000      |
| Senior Vice President          | 2004 | 243,330             | 220,000    | 0                      | 5,000      | 653,533   | 97,330       |
|                                | 2003 | 227,500             | 0          | 0                      | 20,000     | 449,961   | 91,000       |
| George R. Haubenreich, Jr.     | 2005 | 250,000             | 290,000    | 0                      | 0          | 737,070   | 100,000      |
| Senior Vice President, General | 2004 | 233,330             | 200,000    | 0                      | 5,000      | 642,640   | 93,330       |
| Counsel and Secretary          | 2003 | 220,000             | 0          | 0                      | 20,000     | 439,654   | 88,000       |

(1) Includes salary earned in a fiscal period, whether or not deferred. Excludes the value of perquisites and other personal benefits for each of the named executive officers because the aggregate amounts thereof

did not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus reported for any named executive officer.

- (2) No restricted stock or stock unit awards were made in 2005, 2004 or 2003. The following table sets forth, as of December 31, 2005, the total number and value (based on the closing market price of our Common Stock on December 31, 2005 of \$49.78 per share) of the long-term incentive restricted stock and stock unit holdings that have not vested under restricted stock and stock unit awards granted in 2002 and earlier, as well as the scheduled vesting of these shares and units as of December 31 of the years indicated:

**Value of**

|                 | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>Total<br/>Number of<br/>Shares/Units</b> | <b>Unvested<br/>Shares/Units at<br/>December 31,<br/>2005 (\$)</b> |
|-----------------|-------------|-------------|-------------|-------------|-------------|---|--|
| Mr. Huff        | 36,500      | 24,000      | 24,000      | 16,000      | 8,000       | 108,500                                     | 5,401,130  |
| Mr. Collins     | 24,000      | 18,000      | 18,000      | 12,000      | 6,000       | 78,000                                      | 3,922,664  |
| Mr. Migura      | 11,400      | 8,400       | 8,400       | 5,600       | 2,800       | 36,600                                      | 1,821,948  |
| Mr. McEvoy      | 12,000      | 9,000       | 9,000       | 6,000       | 3,000       | 39,000                                      | 1,941,420  |
| Mr. Haubenreich | 11,400      | 8,400       | 8,400       | 5,600       | 2,800       | 36,600                                      | 1,821,948  |

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No shares are issued or outstanding and no dividends (if declared) would be paid with respect to the stock units granted in 2002, until a vesting of a restricted stock unit occurs, at which time we will issue a share of Common Stock for each stock unit that is vested. The shares of restricted stock granted prior to 2002 are issued and outstanding and dividends, if any, are earned on the restricted shares. The value of such stock for which restrictions were lifted and the related tax-assistance payments in 2005, 2004 and 2003 are included in the LTIP payout columns in the Summary Compensation Table above.

- (3) Amounts represent the aggregate value of long-term

incentive  
restricted stock  
for which  
restrictions were  
lifted and the  
related  
tax-assistance  
payments.

- (4) Amounts  
represent  
accruals made  
for each  
executive under  
a nonqualified  
supplemental  
executive  
retirement plan,  
which are  
subject to  
vesting over a  
three-year  
period.

The following table provides information concerning each stock option exercised during the year ended December 31, 2005 by each of the named executive officers and the value of unexercised options held by those officers at December 31, 2005.

**Aggregated Option Exercises in the Last Fiscal Year  
and FY-End Option Values**

|               |              | <b>Number of<br/>Securities</b> | <b>Value of<br/>Unexercised</b> |
|---------------|--------------|---------------------------------|---------------------------------|
| <b>Shares</b> | <b>Value</b> |                                 |                                 |