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ATWOOD OCEANICS INC
Form DEF 14A
January 13, 2006

ATWOOD OCEANICS, INC.

15835 PARK TEN PLACE DRIVE
HOUSTON, TEXAS 77084

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Houston, Texas
January 13, 2006

To the Shareholders of

ATWOOD OCEANICS, INC.:

Notice is hereby given that, pursuant to the provisions of the Amended and Restated By-laws 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 9, 2006, 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 the proposed adoption of the Amended and Restated Certificate of Formation to reflect changes in Texas law as described in the accompanying Proxy Statement.
3. To approve the proposed increase in authorized shares of Common Stock of the Company from 20,000,000 shares to 50,000,000 shares as described in the accompanying Proxy Statement.
4. To approve the proposed adoption of the Amended and Restated 2001 Stock Incentive Plan as described in the accompanying Proxy Statement.
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 30, 2005 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

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ANNUAL MEETING OF SHAREHOLDERS
ATWOOD OCEANICS, INC.

PROXY STATEMENT

January 13, 2006

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 30, 2005 will be entitled to vote at the Annual Meeting of Shareholders to be held February 9, 2006 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 13, 2006.

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 30, 2005, 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 15,401,926 shares of Common Stock outstanding.

The election as directors of the persons nominated in this proxy statement and approval of adoption of the Amended and Restated 2001 Stock Incentive 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. Approval of the Amended and Restated Certificate of Formation and the increase of the authorized shares of Common Stock of the Company from 20,000,000 share to 50,000,000 shares will 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

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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.

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.

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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 30, 2005 based on information provided by a third party service provider in reports prepared for us.

Name and Address	Shares of Common Stock Beneficially Owned	Percent of Class
----- H&PIDC (1) 1437 South Boulder Avenue Tulsa, Oklahoma 74119 -----	2,000,000	12.99%

- (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, which currently owns of record and beneficially 2,000,000 shares of our Common Stock. Mr. Helmerich has disclaimed beneficial ownership of the Common Stock owned by H&PIDC.

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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 30, 2005 by each of the directors,

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by each of the executive officers, and by all 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, Executive Officer or Group -----	Shares of Common Stock Beneficially Owned -----	Percent of Class -----
Deborah A. Beck	1,800 (2)	(1)
Robert W. Burgess	6,000 (3)	(1)
George S. Dotson	4,000 (3)	(1)
Hans Helmerich	4,000 (3) (4)	(1)
William J. Morrissey	4,400 (3)	(1)
John R. Irwin	135,200 (5)	(1)
James M. Holland	55,284 (6)	(1)
Glen P. Kelley	69,550 (7)	(1)
All directors and executive officers as a group (8 persons) -----	268,234 (8)	1.74%

(1) Less than 1%.

(2) Includes 1,500 shares which may be acquired upon exercise of options.

(3) Includes 4,000 shares which may be acquired upon the exercise of options.

(4) See Note (1) on page 3 for more information.

(5) Includes 135,000 shares which may be acquired upon the exercise of options.

(6) Includes 53,150 shares which may be acquired upon the exercise of options.

(7) Includes 69,250 shares which may be acquired upon the exercise of options.

(8) Includes 263,200 shares which may be acquired upon the exercise of options.

EXECUTIVE OFFICERS

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 30, 2005 are indicated opposite his name.

Name ----	Offices Held -----	Date of First Election -----	Age ---
John R. Irwin	President and Chief Executive Officer	March 1993	60
James M. Holland	Senior Vice President and Secretary	October 1988	60
Glen P. Kelley	Senior Vice President - Marketing and Administration	December 2004	57

No family relationship exists between any of the above executive officers. All of our officers serve at the pleasure of the Board of Directors and may be removed at any time with or without cause. Each of our executive officers has served as our executive officer during the past five (5) years.

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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 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.

ITEM 1 - PROPOSAL FOR THE ELECTION OF DIRECTORS

At the meeting, six (6) directors (leaving one position vacant) are to be elected for terms of one year each. Although our Amended and Restated By-laws provide that the Board of Directors consists of seven (7) persons, we have not yet identified a suitable nominee to fill the vacancy. 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. All six (6) director nominees are currently serving as directors and are standing for re-election.

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.

Nominees -----	Present Position with the Company -----	Served as a Director Continuously Since -----	Term to Extend to -----	Age ---
Deborah A. Beck	Director	February 2003	February 2007	58
Robert W. Burgess	Director	September 1990	February 2007	64
George S. Dotson	Director	February 1988	February 2007	65
Hans Helmerich	Director	February 1989	February 2007	47
John R. Irwin	Director, President and Chief Executive Officer	November 1992	February 2007	60
William J. Morrissey	Director	November 1969	February 2007	78

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At all times during the previous five (5) years, Ms. Beck has been employed by the Northwestern Mutual Life Insurance Company 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. Ms. Beck served in the legal department for six

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(6) years, three (3) of which she served as Assistant General Counsel. Northwestern Mutual is a leading direct provider of individual life insurance and offers insurance products, investment products and advisory services. Ms. Beck's current role as Executive Vice President - Planning and Technology of Northwestern Mutual entails responsibility for strategic planning, merger and acquisition activity, information technology and project management. Ms. Beck's division has a budget of \$290 million per year and she oversees the direction of 750 employees.

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.

At all times during the previous five (5) years, Mr. Dotson has served as Vice President - Drilling of H&P and President of H&PIDC. H&P is an energy-oriented company engaged in contract drilling. He serves as a director of H&P.

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-seven (27) years; of which, the last thirteen years he has been President and Chief Executive Officer.

Mr. Morrissey served as director and Vice Chairman of the Board of Directors of Marine Corporation until the end of 1987 when Marine Corporation was acquired by Banc One Corporation, Columbus, Ohio. Mr. Morrissey is currently retired.

Board of Director Meetings and Committees

The Company has standing Audit, Compensation, Executive and Nominating & Corporate Governance Committees. The following chart shows the Committee membership and positions of each director:

Director	Audit Committee	Compensation Committee	Executive Committee	Nominating and 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	
William J. Morrissey	X (Chairperson)			X

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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 attached hereto as Appendix A and which is also accessible on our website, www.atwd.com. The Audit Committee held six (6) meetings during fiscal year 2005, of which four (4) were telephone conferences.

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.

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The Compensation Committee members, Ms. Beck, Messrs. Burgess and Dotson, are responsible for administration of the Company's stock incentive plans, and for review and approval of all salary and bonus arrangements. During fiscal year 2005, there were four (4) meetings of the Compensation Committee, of which one (1) was a telephone conference. Our Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is accessible on our website, www.atwd.com.

The Nominating & Corporate Governance Committee composed of Ms. Beck and Messrs. Burgess, Dotson, Helmerich and Morrissey is to assist the Board of Directors ("Board") regarding the appropriate size and composition of the Board, as well as monitoring and making recommendations regarding the Board's performance. The Nominating & Corporate Governance Committee held two (2) meetings during fiscal year 2005. 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.

Each of the Audit Committee charter, the Compensation 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 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

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committees shall be non-employee directors. The Board of Directors has made a determination that each member of the Audit Committee, Compensation 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, and, based on that fact and other considerations, Messrs. Dotson and Helmerich are also not our affiliates.

Five (5) meetings of the Board of Directors were held during fiscal year 2005, four of which were regularly scheduled meetings, with one (1) being a conference call. 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-management 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. We have a specific process at the election of the communicating shareholder, for communications between shareholders and either the Board of Directors as a whole or the non-management members of the Board of Directors as detailed on our website, www.atwd.com, along with other of our corporate governance guidelines.

Code of Ethics

Included in our corporate governance guidelines detailed on our website, www.atwd.com, is the code of ethics we have adopted and which is applicable to our chief executive officer and our senior 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 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" ELECTION AS DIRECTORS OF THE PERSONS NOMINATED HEREIN.

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ITEM 2 PROPOSAL TO ADOPT AN AMENDED AND RESTATED CERTIFICATE OF FORMATION TO REFLECT CHANGES IN TEXAS LAW

General

On December 1, 2005, our Board of Directors approved the Amended and Restated Certificate of Formation in the form attached hereto as Appendix B, subject to shareholder approval. The current Restated Articles of Incorporation were filed with the Texas Secretary of State on January 25, 1972 and have been amended or supplemented by designation with filings made on March 28, 1975, March 20, 1992, November 7, 1997, and October 17, 2002. The Restated Articles of Incorporation and all amendments or supplements thereto are referred to in this Proxy Statement as the "Current Articles." Since the original date of adoption of the Current Articles, the laws of Texas governing corporations have been amended numerous times, most recently by the adoption of the new Texas Business

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Organizations Code, or TBOC.

The TBOC will become effective on January 1, 2006 for entities formed in Texas on or after that date. Unless existing entities elect early adoption to be governed by the TBOC, the TBOC will not apply to them until January 1, 2010. After January 1, 2010, all entities formed in Texas will be governed by the TBOC. The TBOC was promulgated to modernize the provisions governing Texas entities and to consolidate existing provisions governing Texas entities into one set of statutory provisions. The Board of Directors believes it to be in our best interest to elect early adoption of the TBOC to take advantage of these changes in Texas law. Additionally, the Board of Directors believes it to be an opportune time to consolidate the provisions of the Current Articles into one document for easier reference of our governing documents.

Purpose

This proposal is primarily intended to modernize the Current Articles by conforming them to reflect the TBOC and by deleting provisions that are unnecessary, ineffective or otherwise inappropriate as a result of the adoption of the TBOC. Further, as the ability of shareholders to cumulate their votes for directors will no longer be the default rule for Texas corporations under the TBOC, our Board of Directors believes it to be in our best interest to specifically provide for cumulative voting for directors in the Amended and Restated Certificate of Formation, so as to ensure that there will be no change in the substantive rights of our shareholders. Therefore, this proposal is additionally intended to protect the current rights of our shareholders once we are governed by the TBOC. If this proposal is approved, the Amended and Restated Certificate of Formation will become effective upon filing with the Texas Secretary of State. If this proposal is not approved the TBOC will apply to us on January 1, 2010 at the latest.

Description of Amended and Restated Certificate of Formation

The following table sets forth a general description of the changes to our Current Articles effected by the proposed Amended and Restated Certificate of Formation. The full text of the proposed Amended and Restated Certificate of Formation is set forth in Appendix B.

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Current Articles

Change Effected by Amended and Restated Certificate of Formation

ARTICLE I:
Name. None.

ARTICLE II.
Duration. The TBOC provides that perpetual existence is the default rule for corporations. Therefore, under the TBOC the current language is redacted and has been deleted.

ARTICLE III.
Purpose. Current drafting practice is to provide that a corporation may engage in "any lawful activity for which a corporation may be incorporated" rather than to enumerate permitted activities, and the language has been amended appropriately.

ARTICLE IV.
Capital Stock. The language has been revised to consolidate the terms of the amendments and certificate of designations comprising our Current Certificate of Formation. The draft proposed Amended and Restated Certificate of Formation included in Appendix B assumes the approval of the proposal in Item 3 to increase the total number of authorized shares of Common Stock. If the proposal is not approved, then the draft language will be amended to reflect the

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current total number of authorized shares of Common Stock.

ARTICLE V. Minimum Capital. The TBOC does not require this language to be included and it has been deleted.

ARTICLE VI. Registered Agent. (New Article V) This language has been updated to reflect our registered agent.

ARTICLE VII. Board of Directors. (New Article VI) This language has been updated to reflect our members of the Board of Directors.

ARTICLE VIII. Names and Addresses of Incorporators. The TBOC does not require this language to be included and it has been deleted.

ARTICLE IX. Preemptive Rights. The TBOC changes current law so that preemptive rights are no longer the default rule. As we do not have preemptive rights and would not be required to specifically deny them if governed by the TBOC, that language has been deleted.

ARTICLE X. Director's Liability. (New Article VI) This language has been modified to incorporate references to the TBOC.

N/A CUMULATIVE VOTING (New Article VIII). Under the TBOC, corporations must include a statement in their Certificate of Formation authorizing the right of shareholders to cumulate their votes in the election of directors. As we currently have this right, we want to ensure that there is no change to the rights of our shareholders once we are governed by the TBOC.

Impact of Item 3 Proposal

The proposal set forth in Item 3 relates to the increase in the number of authorized shares of our Common Stock. If the proposal set forth in Item 3 is not approved, and this Item 2 proposal is, then the Amended and Restated Certificate of Formation will be adopted in the form set forth in Appendix B, except that the total number of authorized shares of Common Stock will be twenty million (20,000,000) as authorized by our Current Articles.

Required Vote for Approval of the Amended and Restated Certificate of Formation

Approval of 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 THE AMENDED AND RESTATED CERTIFICATE OF FORMATION.

ITEM 3 PROPOSAL TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK OF THE COMPANY

General

Our Current Articles authorize the issuance of a total of twenty-one million (21,000,000) shares of capital stock, consisting of twenty million (20,000,000) 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 close of business on December 30, 2005, 15,401,926 shares of Common Stock were outstanding and no shares of Preferred Stock were outstanding. In

addition, as of the close of business on December 30, 2005, we had 888,075 shares of Common Stock subject to outstanding stock options and 444,250 shares of Common Stock reserved for issuance pursuant to future grants under the Company's current stock incentive plans. Our total Common Stock share requirement as of the close of business on December 30, 2005, was approximately 16,734,251 shares, or the Share Requirement.

On December 1, 2005, our Board of Directors approved, subject to approval of our shareholders, the increase in the total number of authorized shares of Common Stock from twenty million (20,000,000) to fifty million (50,000,000). The Board of Directors proposes to effect the increase in the total number of authorized shares of Common Stock either through the adoption of the proposed Amended and Restated Certificate of Formation as discussed Item 2 or through the adoption of an amendment to the Current Articles. The proposed Amended and Restated Certificate of Formation is set forth in full in Appendix B and the proposed Amendment to the Current Articles is set forth in Appendix C.

The proposed Amended and Restated Certificate of Formation or the Amendment to the Current Articles, whichever is appropriate, will become effective upon the filing of 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 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 twenty million (20,000,000) to fifty million (50,000,000). The Board of Directors believes that a total of fifty million (50,000,000) 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

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future. No increase in the total number of authorized shares of Preferred Stock is proposed.

The overall effect of an issuance of additional shares of Common Stock and the existence of the Rights Agreement between the Company and Continental Stock Transfer and Trust Company dated October 18, 2002, or Rights Plan, may be to render more difficult the accomplishment of any attempted merger, takeover or other change in control affecting the Company and/or the removal of our incumbent Board of Directors and management. However, this proposal is not made in response to any effort of which we are aware to accumulate our Common Stock or to obtain control of the Company, nor do we intend to use the additional authorized shares of Common Stock to oppose a hostile takeover attempt or to delay or prevent changes in control of management.

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

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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.

Impact of Item 2 Proposal

The proposal set forth in Item 2 relates to the approval of an Amended and Restated Certificate of Formation. If the Amended and Restated Certificate of Formation is approved pursuant to the proposal set forth in Item 2 and this Item 3 proposal is also approved, then the increase in the total number of authorized shares of Common Stock will be effected by adoption of the Amended and Restated Certificate of Formation. If the Amended and Restated Certificate of Formation is not approved pursuant to the proposal set forth in Item 2, but this Item 3 proposal is approved, then the increase in the total number of authorized shares of Common Stock will be effected by adoption of an Amendment to the Current Articles. A draft of the proposed Amendment to the Current Articles is set forth in Appendix C.

Required Vote for Approval of the Increase in the Total Number of Authorized Shares of Common Stock

Approval of the increase in the total number of authorized shares of Common Stock from twenty million (20,000,000) to fifty million (50,000,000) requires the affirmative vote of the holders of a 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 THE INCREASE IN THE TOTAL NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM TWENTY MILLION (20,000,000) TO FIFTY MILLION (50,000,000)

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ITEM 4 PROPOSAL TO ADOPT THE AMENDED AND RESTATED ATWOOD OCEANICS, INC. 2001 STOCK INCENTIVE PLAN

General

On December 1, 2005, our Board of Directors adopted, subject to approval of our shareholders, the Atwood Oceanics, Inc. Amended and Restated 2001 Stock Incentive Plan which amends and restates in its entirety the Atwood Oceanics, Inc. 2001 Stock Incentive Plan. The Atwood Oceanics, Inc. 2001 Stock Incentive Plan as originally adopted is referred to herein as the "Original Plan" or the "2001 Stock Incentive Plan." The Atwood Oceanics, Inc. 2001 Stock Incentive Plan as amended and restated is referred to herein as the "Amended Plan." The Original Plan became effective on September 6, 2001, subject to shareholder approval, which was subsequently obtained. The Amended Plan will become effective on March 1, 2006 if approved by the shareholders. Awards may be made under the Amended Plan through September 5, 2011, which is 10 years from the effective date of the Original Plan.

The principal features of the Amended Plan are summarized below. The summary does not purport to be a complete statement of the Amended Plan and is qualified in its entirety by reference to the Amended Plan, a copy of which is attached as Appendix D to this Proxy Statement. Defined terms not defined herein have the meaning set forth in the Amended Plan.

Purpose

The Amended Plan is designed 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 1,100

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potential participants in the Amended Plan. The Amended Plan would amend and restate the Original Plan in its entirety. The principal purpose in amending and restating the Original Plan is to change the form of stock incentive automatically granted to non-employee directors and to conform the language in the Amended Plan accordingly. Upon shareholder approval, the Amended Plan will automatically award to non-employee directors restricted stock awards of Common Stock valued at \$40,000 once per fiscal year and eliminate the automatic grant of 2,000 stock options to non-employee directors once per fiscal year provided for under the Original Plan. With recent changes in accounting pronouncements relating to stock incentives, the Board of Directors believe it to be in our best interest to make restricted stock awards to our non-employee directors rather than grant stock options. Additionally, the Amended Plan includes amendments to reflect changes in law and the existence of our Rights Plan, entered into subsequent to the approval of the Original Plan.

Shares Available

The total number of shares of stock reserved and available for distribution pursuant to stock options or restricted stock is unchanged under the Amended Plan at 1,000,000 shares (approximately 6.5% of our outstanding Common Stock as of the close of business on December 30, 2005), 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. As of the close of business on December 30, 2005, there were 444,250 shares remaining for distribution under the Original Plan. As of

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December 30, 2005, the closing price on the New York Stock Exchange of our Common Stock was \$78.03 per share. Pursuant to the Amended Plan, shares underlying the unexercised portion of any terminated or lapsed stock option and shares of restricted stock which have been forfeited pursuant to applicable restrictions shall no longer be available for distribution in connection with future awards pursuant to the Amended Plan. Under the Original Plan, such shares were available for reissuance. The Board of Directors believes this amendment to be in our best interest as it will be easier to ensure proper valuation of such stock incentives consistent with recent accounting pronouncements.

Administration

There is no change in the administration of the Amended Plan. The Amended Plan will continue to be administered by the Compensation Committee of the Board of Directors, which consists solely of two or more non-employee directors who are appointed by, and serve at the pleasure of, the Board of Directors. The Compensation Committee has the power and authority to grant to Eligible Employees stock options and restricted stock as provided in the Amended Plan, and to determine the terms and conditions, not inconsistent with the terms of the Amended Plan, of any award granted, based on such factors and criteria as the Compensation Committee shall determine, in its sole discretion. The Compensation Committee has the authority to establish, adopt or revise such administrative rules, guidelines and practices governing the Amended Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Amended Plan and any award granted and any agreements relating thereto; and to otherwise supervise the administration of the Amended Plan.

Eligibility

There is no change to the eligibility of our officers and key employees and those of our subsidiaries and affiliates who are responsible for or contribute to our management, growth and/or profitability of our business, subsidiaries or affiliates and who are eligible to be granted stock options and/or restricted stock awards. The Amended Plan makes each of our non-employee directors eligible to be automatically awarded shares of our Common Stock in the form of restricted stock awards valued at \$40,000 based on the fair market value of our Common Stock on the date of grant and eliminates their automatic grant of stock options provided for in the Original Plan. Non-employee directors will be ineligible for discretionary grants of stock options under the Amended Plan.

Stock Options

There is no change to the types of stock options granted under the Amended Plan. The Amended 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 Amended Plan shall be subject to the terms and conditions set forth in the Amended Plan and may contain such additional terms and conditions not inconsistent with the terms of the Amended 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

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to such terms and conditions (including, without limitation, installment exercise provisions) as shall be determined by the Compensation Committee. Vesting provisions limiting the exercisability of stock options may be waived or accelerated at any time in whole or in part based on such factors as the Compensation Committee may determine.

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. Additionally, payment of the exercise price may be made by delivery to us of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell a sufficient portion of the shares and deliver the sale proceeds directly to us in satisfaction of the exercise price.

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 Eligible Employee to (i) the ex-spouse of the Eligible Employee pursuant to the terms of a domestic relations order, (ii) the spouse, children or grandchildren of the Eligible Employee, (iii) a trust or trusts for the exclusive benefit of the spouse, children or grandchildren of the Eligible Employee, or (iv) a partnership in which the spouse, children or grandchildren of the Eligible Employee are the only partners; provided in each case that (x) there may be no consideration for any such transfer, (y) the stock option agreement pursuant to which such stock options are granted must be approved by the Compensation Committee, and 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 Amended 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 Amended Plan and in the applicable stock option agreement, no stock option shall be transferable by the Eligible Employee otherwise than by will or by laws of descent and distribution, and all stock options shall be exercisable, during the Eligible Employee's lifetime, only by the Eligible Employee.

If an Eligible Employee's employment by the Company or any subsidiary or affiliate terminates by reason of retirement, death or disability, the Eligible Employee (or his personal representative in the case of death) shall be entitled to purchase all or any part of the shares subject to any (i) vested ISO for a period of up to three months from such date of termination (one year in the case of death or disability in lieu of the three month period), and (ii) vested Nonqualified Stock Option during the remaining term of such option. If an Eligible Employee's employment terminates for any reason, the Eligible Employee shall be entitled to purchase all of any part of the shares subject to any vested stock option for a period of up to three months from such date of termination. In no event shall any stock option be exercisable past the term of the stock option. The Compensation Committee may, in its sole discretion, accelerate the vesting of unvested stock options in the event of termination of employment of any Eligible Employee.

Restricted Stock

Under the Amended Plan, there is no substantive change from the Original Plan in the terms of restricted stock which may be issued to Eligible Employees except that the restriction period is established as a minimum of six months and a maximum of ten years. Shares of restricted stock may be issued to Eligible Employees either alone or in addition to other awards granted under the Amended Plan. The Compensation Committee shall determine Eligible Employees to whom, and the time or times at which, such grants will be made, the number of shares to be

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awarded, the price (if any) to be paid by the recipient of an award, the time or times within which such awards may be subject to forfeiture, and all 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.

The Amended Plan adds an automatic restricted stock award to each non-employee director during each fiscal year of the Company. Non-employee directors were ineligible to receive restricted stock awards under the Original Plan. The number of shares of Common Stock included in the automatic restricted stock award shall be the number of shares of Common Stock equivalent to \$40,000 based on the fair market value of a share of Common Stock on the date of grant.

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The automatic restricted stock award to non-employee directors vests 100% upon grant, but has a three year restriction period. During the first fiscal year in which the Amended Plan is effective, the date of grant will be the date of the first meeting of the Board of Directors following the later of (i) shareholder approval of the Amended Plan and (ii) each such director's election, re-election, appointment or re-appointment. In subsequent fiscal years, the award of restricted stock to non-employee directors shall be the earlier of the date of the first meeting of the Board of Directors (a) during any such fiscal year and (b) each such director's election, re-election, appointment or re-appointment. No award of restricted stock shall be made to a non-employee director more than once per fiscal year.

During the restriction period, (three years for non-employee directors and a minimum of six months for Eligible Employees) the recipient shall have, with respect to the shares of restricted stock covered by any award, all of the rights of a shareholder of the Company, including the right to vote the shares, the right to receive any dividends, and the right to purchase securities pursuant to the Rights Plan. Other restrictions on restricted stock awards granted to non-employee directors shall be determined by the Compensation Committee, subject to the terms of the Amended Plan. There is no change to the restrictions on Eligible Employees under the Amended Plan. Except as otherwise provided in the Amended Plan and the applicable award agreement, during the restriction period established by the Compensation Committee, the Eligible Employee shall not be permitted to sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the shares of restricted stock awarded under the Amended Plan. Based on service, performance and/or such other factors or criteria as the Compensation Committee may determine, the Compensation Committee may, however, at or after grant provide for the lapse of such restrictions in installments and/or may accelerate or waive such restrictions in whole or in part. In addition, certain restrictions or restricted stock lapse upon death, disability of the Participant, retirement of the Participant, or Change of Control (as discussed below).

Change in Control Provisions

The Amended Plan makes no change in the Change of Control provisions set forth in the Original Plan and provides that in the event of a Change in Control, (i) any or all stock options awarded under the Amended Plan not previously exercisable and vested shall become fully exercisable and vested; (ii) the restrictions applicable to any or all restricted stock awards shall lapse and such shares and awards shall be fully vested. In addition, at any time prior to or after a Change in Control, the Compensation Committee may accelerate awards and waive conditions and restrictions on awards to the extent it may determine to be appropriate.

Amendments and Termination

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Under the Amended Plan, there is no change in the authority of the Board of Directors or Compensation Committee to amend the Amended Plan or award agreements or to terminate the Amended Plan. With the exception of repricing Options or canceling and reissuing Options at a lower exercise price, the Board of Directors may amend, suspend or terminate the Amended Plan at any time, but no amendment, suspension, or termination shall affect any restriction on or terms of any previously granted award granted under the Amended Plan, increase the total number of shares reserved for purposes of the Amended Plan except as specifically provided for in the Amended Plan, or modify any provision of the Amended Plan which would materially increase the benefit or rights of any Participant. With the exception of repricing Options or canceling and reissuing Options at a lower exercise price, the Compensation Committee may amend the terms of any stock option or other award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without his or her consent.

Federal Income Tax Consequences

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 and restricted stock granted pursuant to the Amended 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 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 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

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give rise to liability under the alternative minimum tax provisions of the Code. Upon the sale or exchange of the shares 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 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 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 in excess of the amount treated as ordinary income will be characterized as capital gain.

Nonqualified Stock Options. No taxable income is reportable by the Eligible Employee at the time a Nonqualified Stock Option is granted. Upon exercise, the amount by which the fair market value of the purchased shares on the exercise date exceeds the exercise price of the option will generally be taxable to the Eligible Employee as ordinary income and deductible by us for tax purposes. Upon disposition of the shares, appreciation or depreciation after the exercise date is treated as a short-term or long-term capital gain or loss to the Eligible

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Employee 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 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.

Deductibility of Compensation. The Amended 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. 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 unless exercises of stock options by any of our executive officers result in total compensation exceeding \$1,000,000 in any one year, which will result in the excess amount not being deductible for income tax purposes.

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 Amended 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 Amended Plan

If (i) the Amended Plan receives shareholder approval, (ii) the nominees proposed for the Board of Directors are elected at the annual shareholders meeting, and (iii) each nominee who is not currently our employee does not become our employee by the time of award, the following awards to the persons indicated below would be made at the first meeting of the Board of Directors following each such person's election or re-election to the Board of Directors:

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Name*	Value	Number of Units
-----	-----	-----

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Non-employee Directors

Deborah A. Beck	\$ 40,000	Undetermined**
Robert W. Burgess	\$ 40,000	Undetermined**
George S. Dotson	\$ 40,000	Undetermined**
Hans Helmerich	\$ 40,000	Undetermined**
William J. Morrissey	\$ 40,000	Undetermined**

Non-employee Director Group Total	\$200,000	Undetermined**
	=====	

* See the chart on p. 6 for the position and Committee memberships held by each person indicated above.

** The number of shares included in the restricted stock award will be dependent on the fair market value of our Common Stock on the date of grant, and therefore cannot be determined until that date. Based on \$78.03, the closing price of our Common Stock on December 30, 2005, each of the above persons would receive restricted stock awards in the amount of 513 shares of our Common Stock, for a total automatic grant of 2,565 shares of our Common Stock if made on that date.

As non-employee directors are not executive officers of the Company, no executive officer would be guaranteed an award pursuant to the Amended Plan, should it receive shareholder approval. As provided for under the Original Plan, awards except those made to non-employee directors under the Amended Plan are at the discretion of the Compensation Committee, and are, therefore, undeterminable at this time.

Required Vote to Adopt the Amended and Restated Atwood Oceanics, Inc. 2001 Stock Incentive Plan

Approval to adopt the Amended and Restated Atwood Oceanics, Inc. 2001 Stock 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 THE AMENDED AND RESTATED ATWOOD OCEANICS, INC. 2001 STOCK INCENTIVE PLAN.

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EXECUTIVE COMPENSATION

In accordance with the SEC executive compensation disclosure requirements under Item 402 of Regulation S-K, the compensation tables and other compensation information included in this Proxy Statement are presented to enable shareholders to better understand the compensation of our executive officers.

The Compensation Committee is composed of three (3) non-employee directors. Our compensation program is administered by the Compensation Committee of the Board of Directors. The members of the Compensation Committee are governed by a Charter duly adopted by the Board of Directors, which require that each member 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 Compensation Committee may have a relationship to the Company that would interfere with the exercise of his or her independent judgment. The Board of Directors has made a determination that each member of the Compensation Committee is independent. 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, and, based on that fact and other considerations, Messrs. Dotson

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and Helmerich are also not our affiliates. Following review and approval by the Compensation Committee, all issues pertaining to executive compensation are submitted to the full Board of Directors for approval. Our Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is accessible on our website, www.atwd.com.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF ATWOOD OCEANICS, INC.

TO: The Board of Directors

As members of the Compensation Committee, it is our duty to review compensation levels of our executive officers and to administer our stock incentive plans.

Compensation Policies for Executive Officers

Our executive compensation policies are designed to provide competitive levels of compensation that integrate pay with performance, recognize individual initiative and achievements, and assist us in attracting and retaining qualified executives. The Compensation Committee relies in large part on compensation studies for the determination of competitive compensation. These studies include salary and bonus compensation data from several competitor companies. Also, when the Compensation Committee contemplates the awarding of stock incentives to our executives, we consider the nature and amount of stock awards made by competitor companies to their executive officers. In order to implement these objectives, we have developed a straightforward compensation package consisting of salary, discretionary annual bonus, and periodic grants of stock options or awards of restricted stock pursuant to shareholder-approved stock incentive plans. Each element of the compensation package serves a particular purpose. Salary and bonus are primarily designed to reward current and past performance. Base salaries are conservatively set to recognize individual performance while attempting to be appropriate based upon peer group reviews. Annual bonuses to executive officers are awarded based upon corporate performance criteria, competitive considerations, and our determination of individual performance. Grants of stock options or awards of restricted stock are primarily designed to tie a portion of each executive's compensation to long-term future performance. 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.

In determining executive compensation for fiscal year 2005, we considered our overall historical performance and future objectives. With an improvement in the our operating performance in fiscal year 2004 coupled with an improving market environment supporting continuing improvements in cash flows and earnings, bonuses were awarded to our executive officers in December 2004 ranging from \$60,000 to \$125,000. We also granted salary increases effective on January 1, 2005 to the officers of approximately 5% and awarded stock options.

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. Except for Mr. Irwin, the compensation levels of our executive officers are below the \$1 million threshold. Due to exercising stock options during fiscal year 2005, Mr. Irwin's total compensation, for fiscal year 2005, exceeded \$1 million by approximately \$200,000.

Compensation Paid to the Chief Executive Officer

Mr. Irwin's compensation is determined in the same manner as described for the other executive officers. Based on the Company's performance in fiscal year

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2004 coupled with an improving market environment supporting continuing improvements in cash flows and earnings, Mr. Irwin was awarded a bonus of \$125,000 in December 2004. He was also granted a salary increase effective on January 1, 2005 of approximately 5%.

In addition, the Compensation Committee in December 2004 awarded Mr. Irwin stock options to purchase 40,000 shares of Common Stock. The Committee based this award on its subjective assessment of Mr. Irwin's performance as Chief Executive Officer and President.

SUBMITTED BY THE COMPENSATION COMMITTEE

George S. Dotson, Chairman Deborah A. Beck, Member Robert W. Burgess, Member
December 30, 2005

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 Compensation 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 402 of Regulation S-K.

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EXECUTIVE AGREEMENTS

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 (a) in the event of 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) 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 base salary, annual bonus; incentive, savings and retirement plan benefits, welfare plan benefits; executive life insurance benefits; indemnification' expenses and vacation commensurate with those benefits that the executives enjoyed prior to the change in control. 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 Committee Interlocks and Insider Participation

Ms. Beck and Messrs. Burgess and Dotson, the current members of the Compensation Committee, were the only persons who served on the Compensation Committee during the 2005 fiscal year.

No member of our Compensation Committee of the Board of Directors was, during the 2005 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 relationships of Messrs. Dotson and Helmerich

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with H&P and H&PIDC discussed above. We jointly conducted a public offering with H&PIDC for shares of our Common Stock as more fully described in "Related Transaction" on page 14.

During the Company's 2005 fiscal year, no executive officer of the Company served as (i) a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served on our Compensation Committee, (ii) a director of another entity, one of whose executive officers served on our Compensation Committee, and (iii) a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served as our director.

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COMPENSATION TABLES

The SEC compensation disclosure rules require that various compensation information be presented in various tables as set forth below.

SUMMARY COMPENSATION TABLE

Name and Principal Position -----	Fiscal Year -----	Salary -----	Bonus -----	Other Annual Compensation -----
John R. Irwin President and Chief Executive Officer	2005	\$396,753	\$125,000	\$---
	2004	372,150	---	---
	2003	355,251	140,000	---
James M. Holland Senior Vice President and Secretary	2005	230,358	60,000	---
	2004	214,008	---	---
	2003	203,508	60,000	---
Glen P. Kelley Senior Vice President - Marketing and Administration	2005	224,874	60,000	---
	2004	208,418	---	---
	2003	196,068	60,000	---

(A) The exercise price of each option is equal to the fair market value of a share of Common Stock on the date of grant, or \$49.23, \$27.00, and \$30.06 on such dates in fiscal years 2005, 2004, and 2003, respectively.

(B) The amounts shown in the "All Other Compensation" columns are derived from the following:

Annual Company Contribution to the defined contribution plan -----	Company paid term life and insurance premiums -----
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Mr. Irwin	2005	\$52,175	\$15,120
	2004	37,215	13,576
	2003	49,525	7,558
Mr. Holland	2005	29,036	4,517
	2004	21,401	4,517
	2003	26,351	3,637
Mr. Kelley	2005	28,487	5,278
	2004	20,841	5,936
	2003	25,607	2,866

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OPTION GRANTS TABLE

Individual Grants Made in Fiscal Year 2005

Name	Number of Shares of Common Stock Underlying Options Granted (A) (#)	Percentage of Total Options Granted To Employees in Fiscal Year 2005	Exercise Price (\$/Share)	Expiration Date	Po Ra App 5
Irwin	40,000 (B)	25%	49.23	12/01/2014	1,
Holland	15,000 (B)	10%	49.23	12/01/2014	
Kelley	15,000 (B)	10%	49.23	12/01/2014	

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

(B) These options were granted on December 4, 2003 pursuant to our 2001 Stock Incentive Plan. See Item 4 for a discussion of the proposal to adopt and Amended and Restated 2001 Stock Incentive Plan.

OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VAL

Name	Shares of Common Stock Acquired on Exercise during	Value Realized	Number of Shares of Common Stock Underlying Unexercised Options at
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	Fiscal 2005	(\$)	Sept. 30, 2005
	(#)		(#) Exercisable/ Unexercisable
Irwin	12,500	636,215	120,750/91,250
Holland	11,500	529,766	62,150/39,750
Kelley	13,000	662,601	66,250/39,750

(A) Calculated based upon the September 30, 2005 fair market value of \$84.21 per share of Common Stock, less the exercise price of each option. There is no guarantee that options will have the indicated value if and when exercised.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER OUR EQUITY COMPENSATION PLANS

The following table provides information regarding the status of securities authorized for issuance under our stock incentive plans as of September 30, 2005. All of our stock incentive plans were approved by our shareholders and provide for the issuance of shares of our Common Stock in the form of restricted stock awards or upon the exercise of stock options granted under the plans. Our stock incentive plans do not provide for the issuance of warrants or rights.

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)
851,650	\$35.28	538,250

AUDIT COMMITTEE CHARTER

The Audit Committee is composed of four (4) non-employee Directors. The members of the Audit Committee are governed by a Charter duly adopted by the Board of Directors, which requires their independence from management of the Company or their freedom from any other relationship, which would interfere with their independent judgment. Mr. Dotson, an Audit Committee member, has key employment positions with H&P and its wholly-owned subsidiary, H&PIDC; however, the Board has made a determination that under Rule 10A-3 of the Exchange Act and the New York Stock Exchange listing standards, H&P and H&PIDC do not meet the definition of affiliates, and accordingly, Mr. Dotson is not our affiliate. Further, under the current New York Stock Exchange listing standards, the Board of Directors has made a determination that all members of the Audit Committee meet the Audit Committee Charter independence requirements. The Audit Committee Charter attached hereto as Appendix A and is also accessible on our website, www.atwd.com.

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

The Board of Directors

Management is primarily responsible for our financial statements and the reporting process, including the systems of internal controls. PricewaterhouseCoopers ("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 generally accepted audit standards (GAAS) 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 2005. At various times during the 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, 2005, with management and PWC.

This review included a discussion of, among others:

- o All critical accounting policies followed by the Company;
- o 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;
- o The clarity and completeness of financial disclosures;
- o The adequacy of internal controls that could significantly affect the Company's financial statements;
- o Items that could be accounted for using alternative treatments within GAAP and the treatment preferred by PWC;
- o Any internal control points raised by PWC and any unadjusted differences noted by PWC during its audit of the Company's financial statements; and
- o 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 PWC 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 PWC required by Independence Standard No. 1, Independence Discussions with Audit Committees, as modified or supplemented, by the Independence Standards Board, and have discussed with PWC its 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

- o Reviewed the scope of an overall plan for the annual audit and the internal audit program;
- o Reviewed fees for all services provided by PWC;
- o Consulted with management and PWC regarding risk management;

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- o Reviewed the adequacy of certain financial policies;
- o Considered PWC's quality control procedures;
- o On a quarterly basis, reviewed the Company's financial results prior to their public issuance; and
- o Reviewed significant legal developments.

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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, 2005 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

December 13, 2005

FISCAL YEAR 2005 AUDIT FIRM FEE SUMMARY

During fiscal years 2005 and 2004, PWC was our independent registered public accounting firm, and it provided services in the following categories and amounts.

	Fiscal Year	
	2005	2004
Audit Fees	\$ 1,429,000	\$ 325,000
Audit-Related Fees (A)	\$ 63,000	265,000
Tax Fees	\$ ---	---
All Other Fees	\$ 2,000	---

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 not adopted a pre-approval policy at this time, and to date, no services have been provided under a pre-approval policy.

(A) These fees related to the audit of our employee benefit plan, consultation concerning internal controls and internal audit procedures, and a transfer pricing study.

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ATWOOD OCEANICS, INC. COMMON STOCK PRICE PERFORMANCE GRAPH

COMPARISON OF FIVE (5) YEAR CUMULATIVE TOTAL RETURNS* AMONG ATWOOD

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OCEANICS, INC., AND THE CENTER FOR RESEARCH IN SECURITY PRICES ("CRSP") INDEX FOR THE NYSE/AMEX/NASDAQ STOCK MARKETS, AND OUR SELF-DETERMINED PEER GROUP OF DRILLING COMPANIES.

Index Description	GRAPH				
	9/29/00	9/28/01	09/30/02	09/30/03	09/30/04
	-----	-----	-----	-----	-----
ATWOOD OCEANICS, INC.	100.0	62.4	70.2	57.5	
CRSP Index for NYSE/AMEX/NASDAQ Stock Markets (U.S. Companies)	100.0	71.0	58.8	74.4	
Self-Determined Peer Group	100.0	46.6	48.9	52.5	

Constituents of the Self-Determined Peer Group (weighted according to market capitalization):

Diamond Offshore Drilling, Inc.	GlobalSanteFe Corporation	Rowan Companies, Inc.	Tran
ENSCO International, Inc.	Noble Corporation	Pride International, Inc.	

* Assumptions: (1) \$100 invested on September 30, 2000; (2) dividends, if any, were reinvested; and (3) a September 30 fiscal year end.

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, 2004 through September 30, 2005, all filing requirements applicable to our officers, directors and greater than ten-percent (10%) beneficial owners were complied with.

RELATED TRANSACTION

We entered into a registration rights agreement with H&PIDC as of July 19, 2004, pursuant to which we registered 1,000,000 shares of our Common Stock owned by H&PIDC on Form S-3 (File No. 333-117534) with the SEC. In October of 2004, H&PIDC and we jointly conducted a public offering of a total of 2,175,000 shares of Common Stock of which 1,000,000 shares were sold by H&PIDC and 1,175,000 shares were sold by us. H&PIDC and we shared offering expenses pro rata, based on the number of shares sold by each of us. Proceeds to us, net of offering expenses, were approximately \$53.7 million. We used the net proceeds to pay off a portion of the revolving portion of our credit facility outstanding at the time of the completion of the public offering. Proceeds to H&PIDC, before offering expenses, were approximately \$45.8 million. Mr. Helmerich, together with other family members and the estate of W.H. Helmerich, deceased, are

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controlling shareholders of H&P which has one hundred percent (100%) ownership of H&PIDC.

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DIRECTORS' COMPENSATION

As compensation for services as a director of the Company, each director who is not an officer and full time employee of the Company or any of its subsidiaries, or non-employee director, was paid in fiscal year 2005 an annual retainer fee of \$25,000, plus \$2,500 per meeting for attendance in person at regular Board of Directors meetings, and \$1,000 per meeting for attendance in person at meetings of the Audit, Compensation and Nominating & Governance Committees. The Chairman of the Audit Committee received an additional \$10,000 annual retainer fee in fiscal year 2005. The Chairman of the Compensation Committee will receive an additional \$5,000 annual retainer fee commencing in fiscal year 2006. Each director receives \$500 for each conference call meeting of any committee. Each of our non-employee directors was also automatically granted 2,000 nonqualified stock options in March 2005 pursuant to our 2001 Stock Incentive Plan. These options have an exercise price of \$67.51, with a term of ten years. Twenty-five percent (25%) of such options become exercisable at the end of one (1) year, two (2) years, three (3) years, and four (4) years, respectively, from the date of grant. See the proposal in Item 4 relating to the adoption of the Amended and Restated 2001 Stock Incentive Plan for a discussion of the proposed deletion of the automatic grant of 2,000 nonqualified stock options to non-employee directors and the proposed addition of an automatic award of restricted stock equivalent to the number of shares of Common Stock valued at \$40,000 on the date of grant.

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PWC audited our financial statements for the years ended September 30, 2005, 2004 and 2003. 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 2007 must be received by us no later than September 15, 2006 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 November 29, 2006, 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

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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, 2005 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.

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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, 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 13, 2006

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Appendix A

AUDIT COMMITTEE CHARTER

1. Purpose and General Responsibilities

The function of the Audit Committee ("Committee") is to assist the Board of Directors ("Board") of Atwood Oceanics, Inc. in fulfilling its oversight responsibilities regarding the (i) reporting practices of Atwood Oceanics, Inc and its subsidiaries (collectively, ("the Company")) and the quality and integrity of financial reports of the Company; (ii) the Company's compliance with legal and regulatory requirements; (iii) review of the independent registered public accounting firm's qualifications and independence and (iv) review of the performance of the internal audit function and the independent registered public accounting firm. Further, the Committee shall assist the Board regarding its duty to accurately, completely and fairly present the Company's financial condition and operations to its shareholders and the investment community. In so doing, it is the responsibility of the Committee to maintain

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free and open means of communication between the directors, the independent registered public accounting firm, and the financial management of the Company.

The policies and procedures of the Committee in carrying out its responsibilities should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

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:

- o Selection and oversight of the independent registered public accounting firm;
- o Meeting with the independent registered public accounting firm and financial management of the Company to review the scope of the audit for the current year and the audit procedures to be utilized, and at the conclusion thereof, reviewing the results of such audit, including any comments or recommendations of the independent registered public accounting firm;
- o Reviewing with the independent registered public accounting firm and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company;
- o Reviewing reports from the independent registered public accounting firm regarding its' independence and any disagreements with management on financial, accounting, or reporting matters;
- o Monitoring the integrity and effectiveness of the Company's disclosure controls (as defined herein);
- o Discussing with the officers of the Company all relevant information with respect to the Committee's preparation of disclosure statements (as defined herein) and the Committee's evaluation of the effectiveness of the Company's disclosure controls and preparing the Audit Committee report related thereto which is required to be included in the Company's annual proxy statement;
- o Monitoring the filing of periodic reports; and
- o Investigating any matter brought to its attention within the scope of its duties.

The Committee has no authority with respect to the granting of stock incentives to directors eligible to receive stock incentives under already existing stock incentive plans. The authority of the Committee with respect to any future stock incentive plans of the Company may be limited by the provisions of such plans as adopted by the Board and approved by the shareholders of the Company.

2. Membership and Organization

The Committee shall have a Chairman appointed by the Board. The members of the Committee shall be financially literate, as that term is defined from time to time by the New York Stock Exchange Listing Standards and as determined by the Board in its business judgment. If a member is not financially literate, he or she must become financially literate within a reasonable period of time after

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his or her appointment to the Committee. At least one member of the Committee

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must have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment so as to qualify as the Audit Committee Financial Expert as defined by the SEC. The Committee shall consist of that number of directors as the Board shall determine from time to time, such number not to be less than three members. All members of the Committee shall be independent as required by the New York Stock Exchange Listing Standards and as determined by the Board in its business judgment. No members of the Committee shall have a relationship to the Company that may interfere with the exercise of their independent judgment, as such independence is defined by New York Stock Exchange Listing Standards. The members of the Committee shall be "non-employee directors" as that term is defined under the Securities and Exchange Commission ("SEC") Rule 16b-3.

The Committee may delegate its authority to a subcommittee or subcommittees.

The Committee shall promptly inform the Board of the actions taken or issues discussed at its meetings. This will generally take place at the Board meeting following a Committee meeting.

3. Meeting Attendance and Minutes

The Committee shall meet at such times (not less than four per year) as the Chairman of the Committee shall designate and notice of such meetings shall be given to Committee members in accordance with the manner set forth in the Amended and Restated By-laws (the "by-laws") of Atwood Oceanics, Inc. which notices of meetings of the Board are given. One-third of the Committee, but not less than two members, shall constitute a quorum for the transaction of business. Unless the Committee by resolution determines otherwise, any action required or permitted to be taken by the Committee may be taken without a meeting if all members of the Committee consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the Committee. As necessary or desirable, the Chairman of the Committee may require that any members of management be present at meetings of the Committee. Members of the Committee may participate in a meeting through the use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.

The Committee shall report to the Board periodically or as required by the nature of its duties on all of its activities and shall make such recommendations to the Board as the Committee decides are appropriate.

4. Responsibilities and Duties

Charter

The Committee shall review this Charter periodically for adequacy and recommend to the Board any necessary changes.

Selection of an Independent Registered Public Accounting Firm

The Committee shall be solely responsible for the selection of an independent registered public accounting firm to audit the financial statements of the Company. The Committee has the sole authority to approve all audit engagement agreements and terms.

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In connection with its continual assessment of the independence of the independent registered public accounting firm, the Committee shall pre-approve the retention of the independent registered public accounting firm for any significant non-audit service and any fee for such service.

Review of Financial Controls

The Committee shall review with the independent registered public accounting firm and financial and accounting personnel the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable. The Committee shall receive and review reports from financial management on the status of implementation of recommendations to improve internal controls. The review should include a discussion of the responsibilities, budget and staffing of the Company's internal audit function. Particular emphasis should be given to the adequacy of such internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

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Review of Financial Statements and Accounting Principles

The Committee shall review with management and the independent registered public accounting firm at the completion of the annual examination:

- o the Company's annual financial statements and related footnotes;
- o review the Company's disclosures in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's periodic reports;
- o the independent registered public accounting firm's audit of the financial statements and report thereon;
- o any major changes regarding, or significant changes in, accounting principles or financial statement presentations;
- o any special audit steps adopted in light of material control deficiencies;
- o significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- o the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;
- o any serious difficulties or disputes with management encountered during the course of the audit;
- o discuss policies with respect to risk assessment and risk management; and
- o discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

The Committee shall inquire as to whether the independent registered public accounting firm is satisfied with the disclosure and content of the financial statements to be presented to the shareholders. The Committee shall also inquire as to the independent registered public accounting firm view of the quality of the Company's accounting principles employed, including any principles employed which are deemed minority practices.

Disclosure and Periodic Reports

The Committee shall review reports (made at least annually) from the independent registered public accounting firm regarding the (i) the firm's internal quality-control procedures; (ii) independent registered public

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accounting firm's independence (setting forth all relationships between the independent registered public accounting firm and the Company); and (iii) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by such firm, and any steps taken to deal with any such issues.

The Committee shall also review any disagreements with management on financial, accounting or reporting matters, and discuss such reports with the independent registered public accounting firm, and if so determined by the Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the independent registered public accounting firm or satisfactory resolution of any disagreements on financial, accounting, or reporting matters

The Committee shall report, including any recommendations of the Committee, required by the rules of the SEC to be included in the Company's annual proxy statement.

Independence from Management

The Committee shall ensure that the independent registered public accounting firm has sufficient opportunity to meet with the members of the Committee without the members of management present. Among the items to be discussed in these meetings are the independent registered public accounting firm's evaluation of the Company's financial and accounting personnel and the cooperation that the independent registered public accounting firm received during the course of the audit.

The Committee shall also separately, periodically meet with management and internal auditors or other personnel responsible for internal audit functions.

Interim Financial Report

The Committee shall review interim financial reports before they are filed with the SEC or other regulators.

3

No Duty to Conduct Audits

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent registered public accounting firm. Nor is it the duty of the Committee to conduct investigations or to resolve disagreements, if any, between management and the independent registered public accounting firm.

Financial Human Resources

The Committee shall review accounting and financial human resources and succession planning with the Company and shall report its findings to the Nominating and Corporate Governance Committee for its review.

The Committee shall set clear hiring policies for employees or former employees of the independent registered public accounting firm.

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Code of Ethics for the Chief Executive Officer and Senior Financial Officers

The Committee shall review and revise, as necessary, the Company's Code of Ethics for the Chief Executive Officer and Senior Financial Officers.

Disclosure Controls

The Committee shall design and establish controls and other procedures (which may include procedures currently used by the Company) that are designed to ensure that (i) information required by the Company to be disclosed to the SEC and other written information that the Company will disclose to the investment community is recorded, processed, summarized and reported accurately and on a timely basis and (ii) information is accumulated and communicated to management as appropriate to allow timely decisions regarding such required disclosure ("disclosure controls").

Disclosure Statements

The Committee shall review and supervise the preparation of the Company's (i) periodic and current reports, proxy statements, information statements, registration statements and any other information filed with the SEC, (ii) press releases containing financial information, earnings information, information about material acquisitions or dispositions and other information material to the Company's shareholders, and (iii) correspondence containing financial information broadly disseminated to shareholders (collectively, the "disclosure statements") and disclosure policies for financial information displayed on the Company's corporate/investor relations Web site.

Annual and Quarterly Reports

The Committee shall evaluate the effectiveness of the Company's disclosure controls within 90 days prior to the filing of the Company's Annual Report on Form 10-K and as reasonably practical prior to each Quarterly Report on Form 10-Q (collectively, the "periodic reports"). The Committee shall provide a certification to the appropriate officers prior to filing with the SEC of each periodic report as to (i) the Committee's compliance with its policies and procedures and proper performance of the responsibilities which have been assigned to it and (ii) the Committee's conclusions resulting from its evaluation of the effectiveness of the disclosure controls.

Additional Areas of Review

The Committee may participate in other areas of review as designated by the Board, including, but not limited to, the following:

Senior Officer Expenses - At least annually (or more frequently as circumstances require), the Committee shall review the expenses of the senior officers of the Company.

4

Transactions with Management - The Committee shall review past or proposed transactions between the Company, members of management, directors and associates of directors.

Information Technology - The Committee shall receive an annual report on the adequacy of the Company's computerized information system controls and related security.

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Income Tax Matters - At least annually (or more frequently as circumstances require), the Committee shall receive a report from the Company's Chief Financial Officer regarding certain income tax matters, including the status of income tax reserves and governmental tax audits.

Derivative Securities - At least annually (or more frequently as circumstances require), the Committee shall receive a report from the Company's Chief Financial Officer on the Company's use of derivative securities, if any.

Whistleblower Program

The Committee shall review all complaints made in accordance with the Company's Policy on Reporting and Investigating Known or Suspected Improper Activities (the "Whistleblower Policy") and Policy for Protection of Whistleblowers from Retaliation and Guidelines for Reviewing Retaliation Complaints (the "Whistleblower Protection Policy"). The Committee will comply and carry out all duties assigned to it pursuant to the Whistleblower Policy and Whistleblower Protection Policy.

5. Advisors

The Committee shall have the authority, at the expense of the Company, to retain such independent consulting, legal and other advisors as it shall deem appropriate, without management approval.

6. Performance Review

The performance of the Committee shall be evaluated annually by the Board.

The Committee's responsibilities and powers as delegated by the Board of Directors are set forth in this Charter. The Committee relies to a significant extent on information and advice provided by management and independent advisors. Whenever the Committee takes an action, it exercises its independent judgment on an informed basis that the action is in the best interests of the Company and its shareholders.

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Appendix B

AMENDED AND RESTATED CERTIFICATE OF FORMATION

OF

ATWOOD OCEANICS, INC.

ARTICLE I.

The name of the corporation is Atwood Oceanics, Inc. (the "Corporation").

ARTICLE II.

The Corporation is a for-profit corporation.

ARTICLE III.

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The purpose or purposes for which the Corporation is organized are:

The transaction of any or all lawful business for which for-profit corporations may be incorporated under the Texas Business Organizations Code (the "TBOC").

To do everything necessary, proper, advisable or convenient for the accomplishment or furtherance of such purposes, provided the same not be prohibited by the laws of the State of Texas.

ARTICLE IV.

A. AUTHORIZED AMOUNT OF CAPITAL STOCK

The aggregate number of shares which the Corporation shall have authority to issue is fifty-one million (51,000,000) shares of capital stock, of which fifty million (50,000,000) shares shall be common stock (the "Common Shares") each with a par value of \$1.00 per share, and of which one million (1,000,000) shares, each without par value, shall be preferred stock (the "Preferred Shares").

B. SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

Section 1. Designation and Amount. The Corporation has designated five hundred thousand (500,000) shares of preferred stock as the "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock"). The number of shares initially constituting the Series A Preferred Stock shall be 500,000; provided, however, that if more than a total of 500,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Right") issued pursuant to the Rights Agreement dated October 18, 2002 between the Corporation and Continental Stock Transfer & Trust Company, as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, pursuant to Sections 21.155 and 21.156 of the TBOC, shall direct by resolution or resolutions that a statement be properly executed, acknowledged, filed and recorded, in accordance with the provisions of Sections 21.155 and 21.156, providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Amended and Restated Certificate of Formation then permits) to the largest number of whole shares (rounded up to the nearest whole share) issuable upon exercise of such Rights.

Section 2. Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of stock of the Corporation ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor,

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(i) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series A Preferred Stock, in the amount of \$.01 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series A Preferred Stock pursuant to the following clause (ii) since the immediately

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preceding Quarterly Dividend Payment Date or, with respect to the first
Q