

ROWAN COMPANIES INC

Form DEF 14A

March 23, 2009

Table of Contents

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

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Rowan Companies, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

March 19, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Rowan Companies, Inc. on May 5, 2009, at 9:00 a.m., local time, in the Beacon Room, Williams Tower, 2800 Post Oak Boulevard, 62nd Floor, Houston, Texas.

At the Annual Meeting, you will be asked to:

Elect four Class III Directors to serve for three years and until their successors are duly elected and qualified;

Approve the 2009 Rowan Companies, Inc. Incentive Plan;

Ratify the appointment of our independent auditors; and

Conduct other business as may properly come before the meeting or any adjournment or postponement thereof.

Please refer to the proxy statement for detailed information on each of these proposals.

It is very important that your shares are represented and voted at the meeting. Your shares may be voted electronically on the Internet, by telephone or by returning the enclosed proxy card. Your proxy will not be used if you are present and prefer to vote in person or if you revoke your proxy. We would appreciate your informing us on the proxy card if you expect to attend the meeting so that we can provide adequate seating.

We appreciate the continuing interest of our stockholders in the business of Rowan Companies, Inc., and we hope you will be able to attend the meeting.

Sincerely,

Henry E. Lentz
Chairman of the Board of Directors

Table of Contents

**Notice of Annual Meeting of Stockholders
To Be Held May 5, 2009**

Rowan Companies, Inc., a Delaware corporation, will hold its Annual Meeting of Stockholders (the Annual Meeting), on Tuesday, May 5, 2009, at 9:00 a.m., local time, in the Beacon Room, Williams Tower, 2800 Post Oak Boulevard, 62nd Floor, Houston, Texas. The Notice of Annual Meeting of Stockholders, proxy statement and proxy card from the Board of Directors are enclosed. The materials provide further information concerning the meeting.

At the Annual Meeting, you will be asked to:

- Elect four Class III Directors to serve for three years and until their successors are duly elected and qualified;
- Approve the 2009 Rowan Companies, Inc. Incentive Plan;
- Ratify the appointment of our independent auditors; and
- Conduct other business as may properly come before the meeting or any adjournment or postponement thereof.

These items are fully described in the following pages, which are made a part of this Notice. The Board of Directors has set Monday, March 9, 2009, at the close of business, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournment or postponement of the meeting.

We request that you vote your shares as promptly as possible. If you have shares registered in your own name, you may vote your shares in a number of ways:

electronically via the Internet at *www.proxyvote.com*,

by telephone, if you are in the U.S. and Canada, by calling 800-579-1639, or

by marking your votes, dating and signing the proxy card or voting instruction form enclosed and returning it in the postage-paid envelope provided.

If you hold Rowan Companies, Inc. shares with a broker or bank, you may also be eligible to vote via the Internet or by telephone if your broker or bank participates in the proxy voting program provided by Broadridge Investor Communication Services.

IF YOU PLAN TO ATTEND:

Attendance at the meeting is limited to stockholders. No guests will be admitted. Admission will be on a first-come, first-served basis. Registration will begin at 8:30 a.m., and the meeting will begin promptly at 9:00 a.m. Each stockholder holding Rowan Companies, Inc. shares in a brokerage account is required to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Please note that you may be asked to present valid picture identification, such as a driver's license or passport.

By Order of the Board of Directors,

Melanie M. Trent
Corporate Secretary

TABLE OF CONTENTS

	Page
<u>Questions and Answers About Voting</u>	1
<u>Corporate Governance</u>	4
<u>Proposal No. 1 Election of Directors</u>	9
<u>Committees of the Board of Directors</u>	11
<u>Director Compensation and Attendance</u>	12
<u>Security Ownership of Certain Beneficial Owners and Management</u>	13
<u>Compensation Committee Report</u>	15
<u>Compensation Discussion and Analysis</u>	15
<u>Executive Compensation</u>	25
<u>Proposal No. 2 Approval of 2009 Rowan Companies, Inc. Incentive Plan</u>	29
<u>Proposal No. 3 Ratification of Independent Auditors</u>	35
<u>Audit Committee Report</u>	35
<u>Additional Information</u>	36
Rowan Companies, Inc. 2009 Incentive Plan	Appendix A

Table of Contents

PROXY STATEMENT

We are providing this proxy statement and the enclosed proxy card to you in connection with the solicitation of proxies by the Board of Directors of Rowan Companies, Inc. for use at the 2009 Annual Meeting of Stockholders to be held on Tuesday, May 5, 2009, in the Beacon Room of Williams Tower, 62nd Floor, 2800 Post Oak Boulevard, Houston, Texas, at 9:00 a.m. local time, and at any adjournment or postponement thereof. In this proxy statement, we refer to Rowan Companies, Inc. as the Company, Rowan, we, our or us.

The accompanying proxy is solicited by the Board of Directors of the Company (the Board of Directors or the Board) and is revocable by the stockholder any time before it is voted. This proxy statement, the form of proxy and voting instructions are being made available to stockholders on or about March 24, 2009, at www.proxyvote.com. You may also request a printed copy of this proxy statement and the form of proxy by any of the following methods: (a) telephone at 800-579-1639 (b) internet at www.proxyvote.com; or (c) e-mail at sendmaterial@proxyvote.com. Our Annual Report, including financial statements for the fiscal year ended December 31, 2008, is being made available at the same time and by the same methods. The Annual Report is not to be considered as a part of the proxy solicitation material or as having been incorporated by reference.

Our principal executive office is located at 2800 Post Oak Boulevard, Suite 5450, Houston, Texas 77056, our telephone number is (713) 621-7800 and our website address is www.rowancompanies.com. Information contained on our website, including information referred to in this proxy statement, is not to be considered as part of the proxy solicitation material and is not incorporated into this proxy statement.

QUESTIONS AND ANSWERS ABOUT VOTING

Who is entitled to vote?

Only holders of record of the Company's common stock on March 9, 2009 are entitled to notice of, and to vote at, the meeting or any adjournment or postponement thereof. As of the record date, there were 113,116,798 shares of common stock outstanding and entitled to vote at the meeting. Each share of common stock is entitled to one vote on all matters. No other class of securities will be entitled to vote at the meeting. There are no cumulative voting rights.

A complete list of stockholders entitled to vote at the meeting will be open to the examination of any stockholder for any purpose germane to the Annual Meeting for a period of ten days prior to the meeting at the Company's principal executive offices set forth above during ordinary business hours. Such list shall also be open to the examination of any stockholder present at the meeting.

If you hold your shares indirectly in the Rowan Companies, Inc. or the LeTourneau Technologies, Inc. savings plans (the Saving Plans), you have the right to direct the trustee of your plan how to vote as described on the separate instruction card sent to you by the trustee.

Who is soliciting my proxy to vote my shares?

Our Board of Directors is soliciting your proxy, or your authorization for our representatives to vote your shares. Your proxy will be effective for the Annual Meeting and at any adjournment or postponement of that meeting.

What are the Board of Directors' Voting Recommendations regarding the election of directors and proposals?

The Board of Directors recommends that you vote as follows:

Proposal to be Voted Upon:		Board Recommendation:
Proposal No. 1	Election of four Class III nominees to the Board of Directors	FOR Each Nominee
Proposal No. 2	Approval of the 2009 Rowan Companies, Inc. Incentive Plan	FOR
Proposal No. 3	Ratification of the Company s independent auditors	FOR

Table of Contents

What constitutes a quorum?

For business to be conducted at the meeting, a quorum constituting a majority of the shares of Rowan common stock issued and outstanding and entitled to vote must be in attendance or represented by proxy.

How do I give voting instructions?

Proxies may be submitted over the Internet, by telephone or by mail. Votes submitted over the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on Monday, May 4, 2009. Giving us your proxy means you authorize the persons appointed as proxies to vote your shares at the Annual Meeting in the manner that you have indicated. If you sign and return the enclosed proxy card but do not indicate your vote, the appointed proxies will vote your shares FOR the Board's director nominees, FOR the 2009 Rowan Companies, Inc. Incentive Plan (2009 Plan) and FOR the ratification of the appointment of our independent auditors.

Can I change my vote?

A proxy may be revoked by a stockholder at any time before it is voted by giving notice of the revocation in writing to the Company's Corporate Secretary at 2800 Post Oak Blvd, Suite 5450, Houston, Texas 77056, by submitting another valid proxy by mail, telephone or over the Internet that is later dated and, if mailed, is properly signed, or by voting in person at the meeting.

What are the requirements to elect the directors and approve each of the proposals?

The standard for the election of directors at the Annual Meeting will be majority voting, and a nominee for director will be elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election.

The 2009 Plan will be approved if the votes cast for the adoption of the 2009 Plan exceed the votes cast against adoption.

The ratification of the appointment of independent auditors requires the favorable vote of a majority of the votes cast.

If my shares are held in street name by my broker, will my broker vote my shares for me?

If you are a beneficial holder and your broker holds your shares in its name, the broker is permitted to vote your shares on discretionary matters, even if the broker does not receive voting instructions from you. However, a broker may not vote your shares on non-discretionary matters unless the broker receives voting instructions from you. Broker non-votes are not votes cast and will have no effect on the outcome of any of the proposals. Broker non-votes will be counted for purposes of meeting the quorum requirement of the vote on those matters.

What happens if I am a registered holder?

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us, to give your voting instructions by telephone or over the Internet or to vote in person by ballot at the meeting.

What happens if I abstain or withhold my vote on any proposal?

Abstentions are counted as present in determining whether the quorum requirement is satisfied. Abstentions from voting are not votes cast and will not be taken into account in determining the outcome of the election of directors, the approval of the 2009 Plan or the ratification of the appointment of the independent auditors.

Does Rowan offer electronic delivery of proxy materials?

Yes. We encourage you to reduce printing and mailing costs by signing up for electronic delivery of our stockholder communications. With electronic delivery, you will receive documents such as the Annual Report and the proxy statement as soon as they are available, without waiting for them to arrive in the mail. Electronic delivery

Table of Contents

can also help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery, please follow the instructions on your proxy card to vote by internet at www.proxyvote.com and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

What is householding?

Securities and Exchange Commission rules now allow us to deliver a single copy of an annual report and proxy statement to any household not participating in electronic proxy material delivery at which two or more stockholders reside, if we believe the stockholders are members of the same family. This rule benefits both you and the Company. We believe it eliminates irritating duplicate mailings that stockholders living at the same address receive and it reduces our printing and mailing costs. This rule applies to any annual reports or proxy statements. Each stockholder will continue to receive a separate proxy card or voting instruction card.

Your household may have received a single set of proxy materials this year. If you prefer to receive your own copy now or in future years, please request a duplicate set by calling 800-579-1639, using the website www.proxyvote.com, or by e-mail at sendmaterial@proxyvote.com, or in writing to Rowan Companies, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

If a broker or other nominee holds your shares, you may continue to receive some duplicate mailings. Certain brokers will eliminate duplicate account mailings by allowing stockholders to consent to such elimination, or through implied consent if a stockholder does not request continuation of duplicate mailings. Since not all brokers and nominees may offer stockholders the opportunity this year to eliminate duplicate mailings, you may need to contact your broker or nominee directly to discontinue duplicate mailings to your household.

What if I plan to attend the Annual Meeting?

Attendance at the Annual Meeting will be limited to stockholders as of the record date. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee are required to show a brokerage statement or account statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

How does the Company solicit proxies?

We solicit the proxies and will bear the entire cost of this solicitation. The initial solicitation of proxies may be supplemented by additional mail communications and by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees, or our proxy solicitor. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. We have retained Innisfree M&A Incorporated to assist in the solicitation of proxies at a cost of \$12,500 plus reasonable out-of-pocket expenses. We also reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses in sending these materials to you.

What do I do if I receive more than one proxy card?

If you hold your shares in more than one account, you will receive a proxy card for each account. To ensure that all of your shares are voted, please sign, date and return the proxy card for each account or use the proxy card to vote by telephone or Internet. You should vote all of your shares.

Will there be any other business conducted at the Annual Meeting?

The Board of Directors is not aware of any other matters that are to be presented for action at the meeting. However, if any other matters properly come before the meeting, your shares will be voted in accordance with the discretion of the appointed proxies.

Table of Contents

Who is the Transfer Agent?

Our Transfer Agent is Wells Fargo Bank, N.A. All communications concerning stockholders of record accounts, including address changes, name changes, common stock transfer requirements, and similar issues can be handled by contacting Wells Fargo Bank, N.A. at 800-401-1952 (U.S.), 651-450-4064 (outside the U.S.), www.wellsfargo.com/shareownerservices or in writing at 161 North Concord Exchange, South St. Paul, MN 55075.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Board has adopted corporate governance guidelines (Guidelines) that, along with the charters of the Board committees, provide the framework for the governance of the Company. The Board's Nominating and Corporate Governance Committee is responsible for overseeing and reviewing the Guidelines at least annually, and recommending any proposed changes to the Board for approval. The Guidelines are available on our web site at www.rowancompanies.com under Investor Relations Governance Amended and Restated Corporate Governance Guidelines.

Executive Sessions

During each of our Board of Directors' regularly scheduled meetings, the non-management directors meet in executive session; Mr. H.E. Lentz, our Lead Director from October 2007 until his election as Chairman of the Board of Directors effective as of January 1, 2009, presided over every executive session conducted in 2008.

Lead Independent Director; Chairman

In 2008, Mr. H.E. Lentz, as Lead Director, coordinated the activities of the other independent directors and performed such other duties and responsibilities as the Board of Directors determined. As contained in the Guidelines, the responsibilities of the Lead Director included:

To act as a focus for the views of the independent directors, with respect to the strategic issues facing the Company;

To act as a mentor/facilitator for the Chairman in fulfilling his Board duties;

To consult with the Chairman on the agenda and items to be discussed at Board meetings;

To be available to the Chairman for advice and counsel and to provide support on strategic, operational and human resource issues of significance to the Company; and

To provide advice on investor relations.

In addition, the Lead Director presided at all meetings at which the Chairman was not present, including executive sessions of the Board of Directors, approved meeting schedules to ensure there was sufficient time for discussion of all agenda items, had authority to call meetings of the independent directors, and, if requested by major stockholders, ensured that he was available for consultation and direct communication.

Effective as of January 1, 2009, the Lead Director position was eliminated and the roles of Chairman and CEO were separated. Mr. Lentz now serves as Chairman of our Board and Mr. W. Matt Ralls serves as our CEO. In January

2009, the Board amended our Guidelines to eliminate the Lead Director responsibilities and to add the following Non-Executive Chairman duties:

To be designated and serve as the lead director and presiding director under the rules of the New York Stock Exchange and the Securities and Exchange Commission;

To be available to discuss with any director, strategic issues facing the Company and any concerns that a director may have regarding the Board, the Company, or management;

Table of Contents

To consult with the CEO and President with regard to the agenda and items to be discussed at Board meetings, and the scheduling of time available for discussion of all agenda items;

To be available to the CEO and President for advice and counsel on issues of significance to the Company;

To preside over Annual Meetings of Stockholders; and

To oversee the process for stockholder communications with the Board and to be available for consultation and direct communication with major stockholders upon stockholder request or upon request of the Board or the CEO and President.

In addition, the non-executive Chairman shall preside at all meetings of the Board of Directors, including executive sessions; may attend all meetings of Board Committees, other than executive sessions; and have authority to call meetings of the independent directors.

Communication with Directors

The Board of Directors has adopted the following process for stockholders and other interested parties to send communications to members of the Board. Stockholders and other interested parties may communicate with the Chairman, the chairs of the Audit, Compensation, and Nominating and Corporate Governance Committees of the Board, or with any of our other independent directors, by sending a letter to the following address: Rowan Companies, Inc., c/o Corporate Secretary, 2800 Post Oak Blvd., Suite 5450, Houston, Texas 77056.

Director Independence

In accordance with the definition of independence under NYSE rules, at least a majority of the directors of the Company must be independent directors, and free from any relationship that in the determination of the Board would interfere with the exercise of independent judgment as a director of the Company. In addition, all members of the Compensation Committee, the Nominating and Corporate Governance Committee and the Audit Committee must be independent directors.

Under the rules of the NYSE, the Board has adopted categorical standards to assist in making determinations of the independence of directors and nominees for director. Under these standards, the Board has determined that any of the following business relationships would not, on its own, prevent a director from being considered by the Board to be an independent director: if the director is a consultant or advisor to, or is employed by, affiliated or associated with, a law firm, investment bank, or lender to which the Company has made payments (other than any reimbursement or repayment of principal) during any of the preceding three fiscal years that do not exceed 2% of the annual gross revenues of the other entity.

The Board considers all material relationships with each director and all facts and circumstances it deems relevant in making its independence determinations. In connection with these independence determinations, the Nominating and Corporate Governance Committee and the Board of Directors considered all of the relationships between each director and the Company, including those relationships deemed immaterial under the categorical standards for independence determinations, including the relationships described below.

Mr. Lentz, a Class I Director and Chairman of the Board of the Company, was formerly Managing Director of Barclays Capital (formerly Lehman Brothers Inc.), an investment banking firm that has provided investment banking services to the Company in the past and continues to advise the Company from time to time. Mr. Lentz resigned from

Barclays Capital in March 2009. In 2008, the Company paid \$4.1 million in fees to Barclays Capital in connection with advisory work relating to a planned transaction involving our manufacturing subsidiary and a potential election contest. The level of 2008 compensation received by Mr. Lentz from Barclays Capital was not tied to any fees paid or payable by Rowan to Barclays Capital or Lehman. Whenever Barclays Capital has been engaged by the Company, the engagement has been approved by the remaining Board members, with Mr. Lentz abstaining from the vote.

Mr. Peacock, a Class I Director of the Company, is Of Counsel to Andrews Kurth LLP, a law firm from which Mr. Peacock retired as a partner in 1997. The Company seeks legal advice from many different law firms and often relies on Andrews Kurth for corporate and securities law matters. During 2008, Rowan paid Andrews Kurth

Table of Contents

approximately \$1.6 million in legal fees, which the Company believes reflected market rates for services rendered. The 2008 fees were a small portion of total legal fees paid by the Company and the Company believes such fees represented less than six-tenths of one percent (0.6%) of the law firm's 2008 revenues. The engagement of Andrews Kurth was approved by the Board of Directors. Mr. Peacock is not eligible for any bonus from the firm, and his compensation is not related in any way to services provided to the Company by Andrews Kurth.

The Nominating and Corporate Governance Committee and the Board of Directors determined that these relationships are not material in conducting the analysis of independence within the meaning of the rules of the NYSE. The Board has determined the following Board members and nominees meet the NYSE standards for independence and are also free from any material relationships that in the opinion of the Board would interfere with their exercise of independent judgment: Messrs. Fox, Hix, Kramek, Lausen, Lentz, Peacock, Quicke and Ruisi, Sir Graham Hearne and Lord Moynihan. Neither Mr. Croyle nor Mr. Ralls is considered independent due to his former or current status as an officer of the Company.

Audit Committee Financial Expert

The Board of Directors has determined that William T. Fox III, a Class I director and the current Audit Committee Chair, is an audit committee financial expert, as such term is defined in Item 407(d)(5)(ii) of Regulation S-K.

Director Nominations

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for, among other things, the selection and recommendation to the Board of Directors of nominees for election as directors.

Stockholders may nominate candidates for election as directors if they follow the procedures and comply with the deadlines specified in our Bylaws, as may be amended from time to time. A copy of our Bylaws is available to any stockholder who makes a written request to the Corporate Secretary. Stockholders may submit in writing recommendations for consideration by the Committee to our Corporate Secretary at 2800 Post Oak Blvd, Suite 5450, Houston, Texas 77056.

Recommendations should contain a detailed discussion of the qualifications of each recommended candidate and any other material information the stockholder wants the Committee to consider. Director nominees should have the highest professional and personal integrity, values and ethics, and must be committed to representing the interests of all stockholders of the Company. They must also have substantial experience at the policy-making level in business, government, technology, engineering, energy, finance, law or in other areas that are relevant to our business and operations. Director nominees must have sufficient time to carry out their duties effectively. They must have mature judgment developed through business experience and/or educational background and must meet criteria of independence and expertise that satisfy applicable NYSE and legal regulations. Each individual nominee must have the potential to contribute to the effective functioning of the Board of Directors as a whole.

Evaluation of stockholder recommendations is the responsibility of the Nominating and Corporate Governance Committee under its charter, which is posted on the Company's website at www.rowancompanies.com. The Committee will evaluate a person recommended by a stockholder in the same manner as any other person it considers, and reserves the right to request additional background and supporting information to evaluate each candidate recommended by a stockholder.

After reviewing the materials submitted by a stockholder, if the Committee believes that the person merits additional consideration, the Committee (or individual members) would interview the potential nominee and conduct appropriate reference checks. The Committee would then determine whether to recommend to the Board of Directors that the

Board nominate and recommend election of the person at the next annual meeting.

In the past, we have not required the services of third parties to identify potential nominees, although we reserve the right to retain a search firm in the future, if necessary.

On February 5, 2009, the Company and Steel Partners II, L.P. (Steel) entered into a letter agreement (as amended, the Agreement), pursuant to which Steel agreed not to seek to nominate any candidates to stand for

Table of Contents

election to the Board of Directors of the Company or engage in the solicitation of proxies with respect to the election or removal of directors or any other matter to be voted on at the 2009 Annual Meeting. The Company agreed to nominate a Steel designee for election to Class III of the Board at the 2009 Annual Meeting and to recommend the election and solicit proxies for the election of the Steel designee and three other nominees to be chosen by the Board. Lawrence J. Ruisi is such Steel designee.

Immediately before such election, the Board will increase the size of the Board from 11 members to 12 members. Until after the Company's 2010 Annual Meeting of Stockholders, the Board will not increase the size of the Board in excess of 12 members and will not take any action that would cause the number of directors comprising Class I of the Board to change from four members. The parties agreed that either Mr. Ruisi or Mr. Quicke will serve on the Audit Committee of the Board and the other will serve on the Compensation Committee of the Board, effective promptly following the 2009 Annual Meeting.

Additionally, the Company will reimburse Steel for its reasonable, documented, out-of-pocket expenses incurred in connection with Steel's intended nomination of directors and solicitation of proxies from the Company's stockholders at the 2009 Annual Meeting and the negotiation of the Agreement, in an aggregate amount not to exceed \$25,000.

The Company will cease to have any obligations under the Agreement and Steel will cause Mr. Ruisi to resign as a director if, at any time, Steel and certain of its affiliates cease at any time to beneficially own and have an economic interest in or representing in the aggregate at least 5% of the total shares of common stock of the Company then outstanding.

Stockholder Proposals

Stockholder proposals intended for inclusion in our proxy materials for an Annual Meeting must be provided to us on a timely basis and satisfy the conditions set forth in Rule 14a-8 under the Securities Exchange Act of 1934 (the Exchange Act). A stockholder proposal intended for inclusion in our proxy materials for the 2010 Annual Meeting of Stockholders must be submitted in writing by November 25, 2009 to the Secretary of the Company at 2800 Post Oak Blvd, Suite 5450, Houston, Texas 77056. If a stockholder wishes to submit a proposal outside of the process of Rule 14a-8 under the Exchange Act, in order for such proposal to be considered timely for the purposes of Rule 14a-4(c) under the Exchange Act, the proposal must be received at the above address not later than January 5, 2010. In addition, our Bylaws require that proposals of stockholders made outside of Rule 14a-8 under the Exchange Act and nominations for the election of directors at the 2010 Annual Meeting of Stockholders must be submitted, in accordance with the requirements of our Bylaws, not later than January 5, 2010. Stockholders are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

Business Conduct Policies

We have a Code of Business Conduct and Ethics that applies to all of our employees and directors and we have a Code of Ethics for Senior Financial Officers of the Company that applies to our chief executive, chief financial and chief accounting officers; both policies are available on our website www.rowancompanies.com under Investor Relations Governance.

Related Party Transaction Policy

Our Board of Directors has adopted a policy whereby all transactions with related parties must be made in compliance with the Sarbanes-Oxley Act and our Code of Business Conduct and Ethics. Such transactions must have a legitimate business purpose, and must be on terms no less favorable to us than could be obtained from unrelated third parties.

Our Audit Committee is responsible for reviewing all related person transactions and potential conflict of interest situations involving employees, where appropriate. Each of the transactions discussed below was reviewed by the Audit Committee and approved by the Board of Directors. The Nominating and Corporate Governance Committee reviews all potential related party transactions involving directors.

Table of Contents

In previous years, certain officers of the Company issued promissory notes in favor of Rowan in connection with their purchases from Rowan of one or more series of Floating Rate Subordinated Convertible Debentures. The promissory notes bear interest at the same rate as the debentures, prime + .5%, and mature at various dates from 2008-2011. The promissory notes are secured by a pledge of the debentures purchased and contain provisions for set-off, effectively protecting the Company from any credit risk since the face amount of the debentures are equal to the amount of the notes. All such promissory notes pre-dated enactment of the Sarbanes-Oxley Act. The largest amounts of such promissory notes outstanding during 2008 and the amounts outstanding at December 31, 2008 were as follows:

	Largest Amount Outstanding	Outstanding at December 31, 2008
D. F. McNease(1)	\$ 1,489,000	\$ 989,000
D. C. Eckermann(1)(2)	1,165,000	

(1) In 2008, Mr. McNease and Mr. Eckermann received \$55,288 and \$23,457, respectively, in interest on the debentures; those amounts were completely offset by the interest paid by Mr. McNease and Mr. Eckermann on the related promissory notes.

(2) Mr. Eckermann is the President of our manufacturing subsidiary.

The Company employs certain individuals who are related to either our former CEO or one of our named executive officers (NEOs) as follows: Mr. Michael D. Dubose, Vice President-Europe of our drilling operations, joined the Company in 1978 and is the brother-in-law of D. F. McNease, our former CEO. Mr. Dubose received approximately \$394,000 in compensation in 2008 (including \$200,000 in base wages, \$115,000 in profit sharing and bonus and \$79,000 in value from vesting of restricted stock). In addition, in 2008 Mr. Dubose's personal use of a company vehicle had an incremental cost to the Company of \$3,400. Mr. Matt G. Keller was the manager of our hunting lease camps from August 2006 until October 2008 and has been a marketing manager in our drilling division since that time. He is the brother of Mark A. Keller, one of our NEOs. From January 2002 to August 2006, Mr. Keller was a vice president at one of our manufacturing subsidiaries. In 2008, he received approximately \$235,000 in compensation (including \$131,000 in base wages, \$25,000 in profit sharing and bonus, \$11,000 in value from restricted stock vesting and \$69,000 in connection with the exercise of certain stock options previously granted him by the Company).

The Company purchases equipment and related services from S&N Pump Co. (S&N) from time to time, in the ordinary course of business. S&N employs the sister and brother-in-law of John L. Buvens, the Company's Executive Vice President - Legal. S&N is owned and operated by the family of Mr. Buvens' brother-in-law. Mr. Buvens has no role in purchases by the Company from S&N. The Company believes the amounts paid to S&N for equipment and services purchased were reasonable and reflected prices comparable to those charged by S&N to third parties for similar equipment and services. In 2008 and 2007, amounts paid to S&N were approximately \$1.5 million (approximately 6% of S&N sales) and \$1.1 million (approximately 5% of S&N sales), respectively.

Table of Contents

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our Board of Directors has three classes with directors in each class elected to serve for three years, and until their successors are duly elected and qualified.

Class I has four directors who will stand for election in 2010;

Class II has four directors who will stand for election in 2011; and

Class III has four directors who are standing for election in 2009.

The four nominees for Class III directors standing for election at this year's Annual Meeting are: Messrs. Thomas R. Hix, Robert E. Kramek, Frederick R. Lausen and Lawrence J. Ruisi. Messrs. Kramek and Lausen are incumbent Class III Directors. Mr. Hix is being nominated to replace Mr. John R. Huff, an incumbent director who has decided to retire from the Board. Mr. Ruisi is being nominated pursuant to an agreement between the Company and Steel Partners II, L.P. as described in "Director Nominations" beginning on page 6.

Information with respect to the nominees for Class III director and our continuing directors is set forth below. It is the intention of the persons named in the accompanying proxy card, unless otherwise instructed, to vote to elect the Class III director nominees. In the event that any such nominee is unable or unwilling to serve as a director, discretionary authority is reserved to vote for a substitute. The Board of Directors has no reason to believe that any nominee named herein will be unable to serve if elected.

Our Nominees for Class III Directors

Thomas R. Hix

Age 61
2009 Nominee for Director
Class III

Business consultant since January 2003. Senior Vice President of Finance and Chief Financial Officer of Cooper Cameron Corporation, an oil and gas products and services company, from 1995 to 2003; Senior Vice President of Finance, Treasurer and Chief Financial Officer of The Western Company of North America, an oil and gas services company, from 1993 to 1995. He serves on the Boards of El Paso Corporation and Health Care Service Corporation.

Robert E. Kramek

Age 69
Director since 2007
Class III

Past President of the Society of Naval Architects and Marine Engineers from 2006 to 2008. President, Chief Operating Officer and Director of the American Bureau of Shipping (ABS) from 2003 through 2006. Mr. Kramek joined ABS in 1998 after serving as Commandant of the United States Coast Guard, from which he retired as a Four Star Admiral.

Frederick R. Lausen

Age 71
Director since 2000
Class III

Formerly Vice President of Davis Petroleum, Inc., an oil and gas exploration and production company; retired in 2002.

Lawrence J. Ruisi

Age 60

2009 Nominee for Director

Class III

Private investor and consultant since 2002. Formerly President and Chief Executive Officer of Loews Cineplex Entertainment from 1998 to 2002 and Executive Vice President of Sony Pictures Entertainment from 1991 to 1998. He also serves on the Boards of Adaptec, Inc. and Hughes Communications, Inc.

Recommendation of the Board

The Nominating and Corporate Governance Committee has recommended to the Board, and the Board also recommends, that the stockholders vote FOR the election of each of the Class III director nominees at the Annual Meeting to serve until the 2012 Annual Meeting and until their successors are duly elected and qualified.

Table of Contents

Our Continuing Directors

R. G. Croyle

Age 66
Director since 1998
Class II

Formerly Vice Chairman and Chief Administrative Officer of the Company from August 2002 to December 2006; retired in 2006. He also serves on the boards of Boots & Coots, Inc. and Magellan Midstream Holdings GP, LLC.

Lord Moynihan

Age 53
Director since 1996
Class II

Executive Chairman of Pelamis Wave Energy since August 2005; Senior Partner of London-based CMA, an energy advisory firm, since 1993. Executive Director of Clipper Windpower Inc. and Chairman of Clipper Windpower Europe Limited, a wind turbine technology company, from 2004 to 2007. Active Member of the House of Lords since 1997 and Chairman of the British Olympic Association.

W. Matt Ralls

Age 59
Director since 2009
Class II

President and Chief Executive Officer since January 2009. Executive Vice President and Chief Operating Officer of GlobalSantaFe Corporation, an international contract drilling company, from June 2005 until November 2007. Prior to that time Mr. Ralls served as Senior Vice President and CFO of GlobalSantaFe. He also serves on the Board of Complete Production Services.

John J. Quicke

Age 59
Director since 2009
Class II

Managing Director and operating partner of Steel Partners LLC, a global management firm, since September 2005. Vice Chairman and Executive Officer (March 2004 to March 2005) and director (1993 to March 2005) of Sequa Corporation, a diversified industrial company. Previously, he served as President and Chief Operating Officer of Sequa from 1993 to February 2004. Mr. Quicke also serves on the boards of Adaptec, Inc. and WHX Corporation.

William T. Fox III

Age 63
Director since 2001
Class I

Formerly Managing Director responsible for the global energy and mining businesses of Citigroup, a corporate banking firm, from 1994 to 2003; retired in 2003.

Sir Graham Hearne

Age 71
Director since 2004
Class I

Formerly Chairman of Enterprise Oil plc, an oil and gas exploration and production company, from 1991 to 2002, and Chief Executive Officer from 1984 to 1991; retired in 2002. He also serves as the non-executive chair of Catlin Group Limited, Braemar Shipping Services Group plc and Stratic Energy Corporation. He is a non-executive director of N. M. Rothschilds & Sons Ltd. and Wellstream Holdings plc.

H. E. Lentz

Age 64
Director since 1990
Class I

Chairman of the Board of Directors of the Company. Formerly Managing Director of Barclays Capital, an investment banking firm and successor to Lehman Brothers, from September 2008 to March 2009. In March 2009, Mr. Lentz accepted a position as Managing Director of Lazard Frères & Co (an investment banking firm), commencing in June 2009. Managing Director of Lehman

Brothers from 1993 to 2002; consultant to Lehman in 2003 and Advisory Director of Lehman from 2004 to September 2008. He also serves on the boards of Peabody Energy Corp. and CARBO Ceramics, Inc.

P. Dexter Peacock

Age 67

Director since 2004

Class I

Formerly Managing Partner of Andrews Kurth LLP, a law firm, retired as a Partner in 1997; Of Counsel to Andrews Kurth since 1997. He also serves on the board of Cabot Oil & Gas Corporation.

Table of Contents**COMMITTEES OF THE BOARD OF DIRECTORS**

The table below shows the members of the committees of our Board of Directors, the principal function of each committee and how often each committee met during 2008. Additional information regarding the responsibilities of the Audit, Compensation and Nominating and Corporate Governance committees may also be found in their respective charters, which are available on the Company's website at www.rowancompanies.com.

	Principal Function	2008 Meetings
Audit Committee William T. Fox III, Chairman Frederick R. Lausen P. Dexter Peacock	The committee is directly responsible for the engagement, compensation and oversight of the independent registered public accounting firm engaged to issue an audit report on the Company's financial statements. In addition, the committee oversees our financial and accounting processes, certain compliance matters and performance of our internal audit function.	7
Compensation Committee P. Dexter Peacock, Chairman Sir Graham Hearne John R. Huff H. E. Lentz	The committee recommends to the Board of Directors the compensation to be paid to our CEO and other top officers. The committee administers our debenture, stock option and annual and long-term incentive plans. See Compensation Discussion and Analysis, beginning on page 15.	6
Executive Committee D. F. McNease, Chairman (now retired) William T. Fox III Sir Graham Hearne H. E. Lentz P. Dexter Peacock	The committee has the authority to exercise all of the powers of the Board in the management of the business and affairs of the Company, with certain exceptions noted in the Company's Bylaws.	
Health, Safety and Environment Committee Lord Moynihan, Chairman Robert G. Croyle John R. Huff Robert E. Kramek	The committee reviews our performance and policies with respect to health, safety and environmental matters and makes recommendations to the Board regarding such matters.	4
Nominating and Corporate Governance Committee Sir Graham Hearne, Chairman William T. Fox III	The committee generally identifies qualified board candidates and develops and recommends to the Board of Directors our corporate governance principles. As described under	3

Robert E. Kramek
Frederick R. Lausen
H. E. Lentz
Lord Moynihan

Director Nominations on page 6, the committee will consider for election to the Board qualified nominees recommended by stockholders.

In addition, in 2008, the Board formed a Search Committee, chaired by Mr. Lentz with the following additional members: Messrs. Croyle, Fox, Kramek and Peacock. The purpose of the committee was to conduct a search for a new president and CEO, replacing Daniel F. McNease, who indicated he planned to retire effective as of December 31, 2008. The Search Committee met four times in 2008. In December 2008, Mr. W. Matt Ralls was selected to be our President and CEO effective as of January 1, 2009. At that time, the Search Committee was disbanded.

Table of Contents**DIRECTOR COMPENSATION AND ATTENDANCE**

Depending on participation on committees and attendance at meetings, in 2008, our non-employee directors received the compensation shown below, plus reimbursement for reasonable travel expenses. Mr. McNease was an employee of the Company until his retirement on December 31, 2008; he did not receive any additional compensation for serving as a director.

	Annual Retainer	Meeting Fee	Telephonic Meeting Fee
Board of Directors	\$40,000	\$ 2,000	\$ 1,000
Audit Committee	15,000 (Chair only)	2,000	1,000
Other Committee	10,000 (Chair only)	2,000	1,000
Lead Director	15,000(1)		

(1) This retainer is in addition to the other retainers and meeting fees payable.

In 2008, each non-employee director received a grant of 3,000 restricted stock units (RSUs) under the 2005 Rowan Companies, Inc. Long-Term Incentive Plan (the 2005 LTIP). Newly elected outside directors receive 1,000 RSUs upon their election.

All of our incumbent directors attended 75% or more of the meetings of the Board and committees upon which they served during 2008. The Board of Directors held 19 meetings in 2008 (11 in-person meetings and eight telephonic meetings). Directors are strongly encouraged to attend our Annual Meetings of Stockholders and each of our directors attended our 2008 meeting.

The following table shows the aggregate compensation awarded to or earned by our directors during 2008.

Director Compensation for Fiscal Year 2008

Name	Fees Earned or Paid in Cash	Stock Awards(1)(2)	Total
R. G. Croyle(3)	\$ 82,000	\$ 126,690	\$ 208,690
William T. Fox III	112,000	126,690	238,690
Sir Graham Hearne	98,000	126,690	224,690
John R. Huff(4)	87,000	126,690	214,690
Robert E. Kramek	92,000	126,690	218,690
Frederick R. Lausen	89,000	126,690	215,690
H. E. Lentz	111,250	126,690	237,940
Lord Moynihan	94,000	126,690	220,690
P. Dexter Peacock	113,000	126,690	239,690

- (1) The amount in the table reflects the aggregate grant date fair value related to the 2008 grants (3,000 RSUs awarded to each director in June 2008), based upon the number of RSUs awarded and the fair market value of our common stock on the grant date calculated in accordance with Statement of Financial Accounting Standards No. 123R (SFAS No. 123R). We account for RSU awards as a liability award under SFAS No. 123R. A discussion of the assumptions used in calculating the grant date fair value is set forth in Note 3 of the Notes to Consolidated Financial Statements in our 2008 Annual Report on Form 10-K. The aggregate number of RSUs held by each director is shown in Security Ownership of Certain Beneficial Owners and Management below.
- (2) No amounts were expensed in 2008 in connection with stock option awards. We have not issued stock options to non-employee directors since 2004 and all outstanding options are fully vested. The aggregate number of stock options held by each director is shown in Security Ownership of Certain Beneficial Owners and Management below.
- (3) In 2006, in connection with Mr. Croyle's retirement from the Company, the Company made a \$25,000 charitable contribution in his honor to the Life Flight program of the Memorial Hospital Foundation.

Table of Contents

- (4) Mr. Huff has informed the Company that he will retire as a member of our Board of Directors when his term expires at the 2009 Annual Meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables show the beneficial ownership of outstanding shares of our common stock as of February 28, 2009 (based on 113,117,642 shares outstanding as of that date) for the following persons:

Each director or nominee;

Our principal executive officer during 2008 and our newly elected principal executive officer, our principal financial officer and the other three highest paid officers of the Company; and

All of our directors and executive officers as a group.

For our directors and officers, the information includes shares that they could acquire through May 1, 2009 by the exercise of stock options or the conversion of subordinated debentures. As of February 28, 2009, none of the shares shown below were pledged. Unless otherwise indicated, each individual has sole voting and dispositive power with respect to the shares shown below. None of the officers or directors owns one percent or more of our common stock.

	Restricted(1)	Shares	Savings Plan(2)	Options	Series C Debentures
<i>Directors</i>					
R. G. Croyle	7,127	56,958		204,020	
William T. Fox III	14,169	9,000		6,000	
Sir Graham Hearne	11,002	1,000		10,000	
Thomas R. Hix					
Robert E. Kramek	7,127				
Frederick R. Lausen(3)	14,169	23,000		6,000	
H. E. Lentz(4)	14,169	39,100		6,000	
D. F. McNease(5)		74,524	12,065	559,178	35,009
Lord Moynihan(6)	17,169	4,000		6,000	
P. Dexter Peacock	11,002	3,500		10,000	
John J. Quicke(7)	1,000				
W. Matt Ralls(5)					
Lawrence J. Ruisi					
<i>Other NEOs:</i>					
D. P. Russell	56,345	3,903	10,275	27,423	
M. A. Keller	52,361	41,455	4,513	139,721	
J. L. Buvens	15,773	17,613		115,971	
W. H. Wells	15,296	16,680	10,656	51,972	
<i>All Directors and Executive Officers as a group (26 persons)(8)</i>	338,036	425,771	57,320	1,328,400	35,009

(1)

For each of our non-employee directors, amounts shown are RSUs that are fully vested and may be converted to cash or stock upon a director's termination of service from the Board. For each of our officers, amounts shown are shares of restricted stock over which such officer has voting power but not dispositive power.

- (2) Savings Plan participants have sole voting power and limited dispositive power over such shares.
- (3) Mr. Lausen's shares are owned jointly with his wife.
- (4) Includes 100 shares held in a trust for the benefit of Mr. Lentz's adult son and Mr. Lentz serves as trustee. Mr. Lentz disclaims beneficial ownership of such shares.

Table of Contents

- (5) Mr. McNease retired as our Chairman, President and Chief Executive Officer as of December 31, 2008. Mr. Ralls was elected President and Chief Executive Officer as of January 1, 2009.
- (6) Shares held by Lord Moynihan include 3,000 shares held indirectly through a pension trust.
- (7) Mr. Quicke is part of a group for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934 (the Exchange Act) and may be deemed to beneficially own the shares owned by Steel Partners II, L.P. as reported in the table below. Mr. Quicke disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.
- (8) Aggregate amount beneficially owned represents 2.0% of our outstanding shares of common stock.

As of February 28, 2009, the Company did not know of any person who beneficially owned in excess of 5% of the Company's outstanding shares of common stock, except as set forth in the table below:

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class(1)
First Pacific Advisors(2) 11400 West Olympic Blvd., Suite 1200 Los Angeles, CA 90064	7,250,800	6.4%
FMR LLC(3) 82 Devonshire Street Boston, MA 02109	8,622,183	7.6%
State Street Bank and Trust Company(4) State Street Financial Center One Lincoln Street Boston, MA 02111	6,186,523	5.5%
Steel Partners II, L.P.(5) 590 Madison Avenue 32nd Floor New York, NY 10022	9,878,219	8.7%

- (1) Based on 113,117,642 shares of common stock were issued and outstanding as of February 28, 2009.
- (2) As reported on Schedule 13G (filed with the SEC on February 11, 2009) by First Pacific Advisors, LLC. (FPA), Robert L. Rodriguez, Managing Member of FPA and J. Richard Atwood, Managing Member of FPA. FPA, in its capacity as investment adviser to its various clients, may be deemed to be the beneficial owner of the shares reported above. Each of Messrs. Rodriguez and Atwood, as part-owners and Managing Members of FPA, is a controlling person of FPA and may be deemed to beneficially own such shares.
- (3) As reported on Schedule 13G (filed with the SEC on February 17, 2009) by FMR LLC. The filing is made jointly with Edward C. Johnson 3d and Fidelity Management & Research Company. FMR LLC reports sole investment power with respect to all such ordinary shares and sole voting power with respect to 166,008 shares.

- (4) As reported on Schedule 13G (filed with the SEC on February 13, 2009) by State Street Bank and Trust Company, Trustee, acting in various fiduciary capacities. The reporting person disclaims beneficial ownership of all shares reported in the table above.
- (5) As reported on Schedule 13D (as amended through Amendment No. 13 filed with the SEC on February 9, 2009), by Steel Partners II, L.P. (Steel Partners II), Steel Partners II Master Fund L.P. (Steel Master), Steel Partners LLC (Partners LLC), WebFinancial L.P. (Web L.P.), Warren G. Lichtenstein and John J. Quicke. Mr. Quicke currently serves on our Board of Directors. Steel Master is the owner of approximately 99% of the limited partnership interests in Web L.P. Web L.P. is the sole limited partner of Steel Partners II. Partners LLC is the manager of Web L.P., Steel Partners II and Steel Master. The general partner of Steel Partners II has delegated to Partners LLC the exclusive power to vote and dispose of the shares held by Steel Partners II. Warren G. Lichtenstein is the manager of Partners LLC. By virtue of these relationships, each of Steel Master, Partners LLC, Web L.P. and Mr. Lichtenstein may be deemed to beneficially own the shares owned by Steel Partners II. The principal business address of each of Steel Partners II, Partners LLC, Web L.P., Warren G. Lichtenstein and John J. Quicke is 590 Madison Avenue, 32nd Floor, New York, New York 10022. The

Table of Contents

principal business address of Steel Master is c/o Morgan Stanley Fund Services (Cayman) Ltd., Cricket Square, 2nd Floor, Boundary Hall, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Steel Partners II has also reported its entry into a sale trading plan as permitted under Rule 10b5-1 of the Exchange Act.

COMPENSATION COMMITTEE REPORT

The Compensation Committee (the Committee) has reviewed and discussed the Compensation Discussion and Analysis, as provided below, with management. Based on its review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.
Respectfully submitted,

The Compensation Committee of the Board of Directors

P. Dexter Peacock, Chairman

Sir Graham Hearne

John R. Huff

H. E. Lentz

February 27, 2009

COMPENSATION DISCUSSION AND ANALYSIS

Our Compensation Committee

In 2008, our Compensation Committee (the Committee) was composed of four independent board members: P. Dexter Peacock, Chairman, Sir Graham Hearne, John R. Huff and H. E. Lentz. Mr. Peacock, with input from the other Committee members, directs the agenda for each meeting of the Committee and seeks input from management and the Committee's independent compensation consultant, Hewitt Associates (Hewitt). Hewitt advises the Committee on all matters relating to NEO compensation and general compensation programs.

Typically, the Company gathers information requested by the Committee and management makes recommendations with respect to certain compensation matters and ensures that the Committee members receive materials in advance of a meeting. Mr. Peacock usually invites the Company's CEO, the Vice President, Human Resources and the Vice President, Finance & CFO to attend the Committee meetings. During each Committee meeting, members of management are excused to permit the Committee to meet alone with its advisors and in executive session.

Our NEOs are all corporate officers of the parent company. Employees of our Manufacturing Division have compensation and benefit plans that are similar but not identical to our corporate employees and Drilling Division employees.

Objectives of Our Compensation Program

The Committee's goals in setting compensation for our NEOs are to:

Provide a direct relationship between executive pay and Company performance, both on a short-term and a long-term basis;

Emphasize financial and/or operational performance measures that contribute to value creation over the longer term;

Align management's interests with those of our stockholders;

Support our strategic plan and motivate our executives to fulfill that plan;

Table of Contents

Ensure that our compensation levels are competitive with peer companies in order to retain and motivate our executives; and

Ensure that a significant portion of compensation of our senior management is performance-based and therefore at risk of forfeiture since those officers have the greatest ability to affect the Company's performance.

Design of Our Compensation Program

Our compensation program is designed to compensate our executives for short-term and long-term performance and to retain and motivate employees whose performance contributes to value creation over the long term. In 2008, the Committee revised our compensation plans for our NEOs, altering the composition of the long-term incentive awards to one-third restricted stock, one-third performance shares based on relative TSR and one-third performance shares based on ROCE, as described more fully below.

The Committee reviewed tally sheets for each NEO and compared such information to peer company and industry data gathered by Hewitt. For the NEOs other than the CEO, the Committee also received and reviewed the recommendations of the CEO.

Comparative Information Utilized by the Committee

The Committee believes it is imperative to ensure that our compensation program is in line with the market in which we compete for talent. The Committee reviews data from two groups of companies – a direct peer group and a broader energy group. For both of the groups, Hewitt reviewed raw data and performed regression analyses, where necessary, in assessing market compensation data to provide appropriate comparisons based on company size, complexity and performance, and individual role and job content.

In 2008, the Committee utilized the following direct peer group:

Atwood Oceanics, Inc.

Diamond Offshore Drilling, Inc.

ENSCO International Incorporated

Helmerich & Payne, Inc.

Nabors Industries Ltd.

Noble Corporation

Patterson-UTI Energy, Inc.

Pride International, Inc.

Transocean Inc.

Unit Corporation

In 2008, Hewitt also provided data regarding a broader energy group. Hewitt gathers the broader energy group information from both publicly available sources and various sources of compensation survey information. This comparator group consisted of 22 oil and gas and energy services companies with median revenue of approximately \$1.6 billion. The broader energy group is adjusted from time to time depending on merger activity and other relevant factors. The Committee uses the broader energy group data as a checkpoint, but typically bases its decisions with reference to the peer group.

The Committee reviews these comparator groups annually and will update the groups as appropriate to ensure we are reviewing size-appropriate companies against which we believe we compete for talent and stockholder investment. The Committee reviews comparative information for each component of compensation (including base salary, short- and long-term compensation and other benefits). The Committee has deliberately not set a percentile

Table of Contents

target for compensation but rather considers each individual situation, including experience, tenure in current position and individual performance against specific individual goals.

In 2008, initial compensation decisions were necessarily based on data available at the time, which is often from disclosures contained in proxy statements describing the prior year. As it becomes publicly available, at various intervals, Hewitt updates the comparator information provided to the Committee. In addition, the Committee commissioned an updated study after the filing of new proxy statements to ensure its actions were reasonable given more recent comparator company information.

The Committee believes that the design of the Company's compensation program is generally appropriate and competitive, although the Committee is currently evaluating possible adjustments to the compensation program in order to ensure a close alignment with the interests of our stockholders and a direct link to achievement of the Company's long-term goals. The Committee anticipates that the 2009 short-term and long-term incentive plans will be revised in a number of respects.

Role of CEO in Compensation Decisions

In 2008, our CEO performed the following functions in our compensation decision process:

Oversaw the preparation and review of the Company's budget upon which the bonus plan was based; reviewed such budget with the Board of Directors and suggested an earnings before interest, taxes, depreciation and amortization (EBITDA) goal for the bonus plan;

Reviewed competitive market data and roles of members of management to ensure appropriate comparisons with market data;

Recommended changes to the compensation program given business cycles, competition for talent, past payout experience and company performance;

For each NEO (other than himself) and his other direct reports, reviewed such individual's contribution and performance in his role over the past year and discussed with the Committee his view regarding each NEO's succession/promotion potential;

Recommended the percentage payout for discretionary portions of the short-term incentive plan based on his analysis of achievement of individual goals of the NEOs and his other direct reports;

Developed recommendations for the NEOs (other than himself) for changes in base pay, short-term or long-term target values or payouts of any such awards; and

Approved other elements of compensation or personnel matters including:

Changes in pay or title to employees below the NEOs;

Equity awards to executives below the NEO level and to key non-officer employees under the 2005 LTIP; and

Agreements or arrangements relating to the terms of employment, continued employment or termination of employment with respect to employees below the management team level.

After review of the CEO's recommendations and a review of all relevant compensation data presented to the Committee, the Committee made its own assessment and recommendations to the Board of Directors regarding the compensation package for each NEO. Notwithstanding the role of our CEO, the Committee also reviewed certain elements of compensation of officers below the NEO level.

Elements of Compensation

An executive's compensation consists of:

Base salary paid in cash;

Annual incentives paid in cash;

Table of Contents

Awards under long-term incentive programs;

Perquisites; and

Benefits.

The balance among these components is established annually by the Committee and is designed to recognize past performance, retain key employees and encourage future performance. When conducting its annual deliberations, the Committee reviews each component against both historical comparative statistics and recent as well as anticipated trends in compensation with reference to the comparator groups.

Base Salary. The base salaries for NEOs are reviewed annually by the Committee. For each NEO, the Committee reviews pay information for such position among our comparator companies to ensure the NEO salaries remain competitive. The Committee does not target a specific percentile of the market data since it feels the competitive conditions and the circumstances of the individual need to be considered, such as tenure in the position, responsibilities of the position as well as the individual's performance. There is no specific weighting given to each factor. For the NEOs below the CEO, the Committee also receives a recommendation from the CEO as to suggested salary adjustments. The Committee considers those recommendations and receives a performance review of each member of management from the CEO. Utilizing all of this information, the Committee then determines what, if any, salary adjustment will be made. In 2008, the Committee felt that certain of the NEO positions were under market with respect to base salary, and therefore some significant adjustments were made. The increases ranged from 7% to 18%. The amount of the increase varied depending on, in the Committee's judgment and discretion, the individual's tenure in the current position, contribution to the Company and general alignment with officers in comparable positions at the comparator companies.

Annual Incentive Compensation. NEOs participate in two integrated short-term incentive compensation plans: a broad-based profit sharing plan (Profit Sharing Plan) and a targeted bonus plan (Bonus Plan). Any awards under the Bonus Plan are only made after the Profit Sharing Plan has been fully funded, and Bonus Plan awards to individual employees are first reduced by Profit Sharing Plan payouts. The plans are based on performance of our Drilling Division, which provides the large majority of the Company's earnings.

Profit Sharing Plan. The Profit Sharing Plan is a broad-based plan with approximately 450 participants. The Profit Sharing Plan pool is funded based on EBITDA of our Drilling Division (Drilling Division EBITDA) compared to the budgeted amount. The pool available for the Profit Sharing Plan is capped at 20% of the base pay of all eligible employees taken together. Depending on the achievement of budgeted Drilling Division EBITDA, the following percentage of an individual's base pay is paid as a cash bonus (on a sliding scale):

% of Budgeted Drilling EBITDA	% of Base Pay
75% or less	No payout
87.5%	10%
100% or more	20%

For 2008, the budgeted Drilling Division EBITDA was \$771.4 million and the Company achieved 94% of such amount. Therefore, in March 2009, the profit sharing pool was funded and all eligible employees, including each of

the NEOs, received 19.7% of base salary in the form of a profit sharing payout.

Bonus Plan. Approximately 85 employees participate in our Bonus Plan. Each participant has an incentive target that is a percentage of base salary. Annually, the Committee reviews whether such incentive targets should be adjusted, primarily based on a review of competitive pay data and the individual's responsibilities at the Company. These incentive targets are set by the Committee and in the past, have typically been set by tier, such that the top tier of officers (other than the CEO) has the same target incentive percentage. In 2008, however, the Committee adjusted the target percentage for the CEO (to 100% in 2008) and the Executive Vice President, Drilling (to 65% in 2008). The Committee felt these adjustments were appropriate after reviewing the comparative data for those positions at our peer companies. For the other three NEOs, the Committee increased the annual incentive target percentage to 60% of base salary. The amount of the

Table of Contents

aggregate payment under the Bonus Plan could range from zero to 200% of the incentive target, depending upon the extent to which the Company's and the individual's performance goals are met or exceeded.

For 2008, the Bonus Plan is divided into two equal pieces: under one, payouts depend solely on Drilling Division EBITDA relative to budget; under the other, payouts depend on the degree to which the individual met specific operational and other goals. Bonus Plan payouts are determined as follows:

50% of payout is determined by the Drilling Division EBITDA relative to budget. If the Company has positive net income on a consolidated basis and Drilling Division EBITDA (as adjusted for certain non-recurring items) is at least 75% of budget after the Profit Sharing Plan payout, then the Bonus Plan payout is calculated (on a sliding scale) as follows:

EBITDA as a % of Budget	% of Target
Less than 75%	No payout
87.5%	50% of target
100%	100% of target
112.5%	150% of target
125% or more	200% of target

In 2008, our Drilling Division EBITDA achievement (as adjusted as described below), was approximately 98% of the budgeted amount (of \$771.4 million), and therefore payouts were 94% of target based on the scale above. In the exercise of its discretion, the Committee made adjustments to the budgeted EBITDA that increased or decreased the budgeted amount for non-recurring items and certain business decisions that affected 2008 but will benefit the Company in future years. Those non-recurring or special items included the following:

The 2008 EBITDA was adjusted upwards for:

\$17.8 million for reduced revenue in connection with preparations for the *Bob Keller* jack-up rig for its assignment in the Middle East. The shipyard time for modifications and the towing time to the Middle East meant 125 fewer rig operating days in 2008, or a loss of \$21.2 million of 2008 revenues, offset by \$4.4 million of incremental revenues that the rig earned in the Middle East as a result of a rate higher than what was originally budgeted, plus \$1.0 million of incremental costs from the Middle East operations. The Committee believes this adjustment is appropriate since a longer-term contract in the Middle East at a day rate of \$183,000 provides longer-term revenue stability than a short-term contract in the Gulf of Mexico.

\$24.6 million due to the following non-recurring items: fees and expenses related to severance costs, costs associated with the retirement of our former CEO and the hiring of his successor, charges relating to goodwill and the cancellation of a construction project, as well as certain expenses associated with the Company's attempt to sell its manufacturing subsidiary.

\$2.2 million due to the loss of the *Rowan Anchorage* rig during Hurricane Ike in September 2008.

The above adjustments were offset by:

\$15.9 million resulting from the purchase of the *Cecil Provine* rig in 2008. This rig was under lease and the original budget assumed that the rig would be released at the end of the lease term.

50% of payout is determined by performance against specific individual and group goals approved by the Board (with respect to the CEO) or by the CEO (with respect to the other NEOs). The Committee reviews the individual's performance against his goals and uses its discretion to determine what percentage payout such individual will receive. For the CEO, the Board of Directors completed score cards with respect to his performance against the goals approved by the Board in the prior year. Each NEO may receive between 0% and 200% of this discretionary portion of the bonus. For 2008, payout of this portion of the annual incentive ranged from 0% to 200%; the Committee based the payout decisions on the achievement of the individual's goals for 2008, the contribution of the individual to the Company's 2008 financial and operational results and certain other individual considerations. For Mr. McNease, the Committee also considered financial and operational performance of the Company's manufacturing subsidiary.

Table of Contents

Payouts under these two categories are independent of each other and, as noted above, are reduced by the Profit Sharing Plan payouts. The Committee may use its discretion in determining payouts under the Bonus Plan.

Long-Term Incentive Compensation. The Committee has granted long-term incentive awards to management under the Rowan Companies, Inc. 2005 Long Term Incentive Plan (the 2005 LTIP), which was approved by the Company's stockholders. The 2005 LTIP permits, and the 2009 Plan being considered at the Annual Meeting will permit, grants of various types of equity awards. In prior years, awards have primarily been in the form of stock options, restricted stock and performance shares.

The Committee believes that long-term awards should be focused on performance and that performance criteria should apply over a long term and from year to year. In making award determinations, the Committee reviews past grants made to the NEOs, anticipated payout of performance shares already granted and certain comparator group long-term incentive awards. Awards are made by determining a dollar amount of targeted compensation to be delivered to the NEO, and then granting equity awards that have a calculated value equal to that amount on the date of grant. In 2008, the Committee determined to provide the long-term incentive value by awarding 1/3 of the target amount in shares of restricted stock and 2/3 in performance shares.

In 2008, LTIP awards were granted based on a multiple of the NEO's base salary. After reviewing peer information, the Committee determined to increase LTIP multiples for each of the NEOs as follows: Mr. McNease increased from 3.25 to 3.75, Mr. Russell increased from 2.5 to 3.25, Mr. Keller increased from 2.25 to 2.75, and Messrs. Buvens and Wells increased from 2.25 to 2.35 times base salary. The Committee believed these increases were necessary in order to provide competitive pay packages when compared to the Company's comparator companies, as presented by Hewitt. In establishing award levels, the Committee did consider the equity ownership levels of the NEOs and prior awards that were fully vested.

Long-term incentive awards in 2008 were granted as follows:

Restricted Stock: One-third of the targeted value was delivered in restricted stock that vests in equal installments over a three-year period, other than the CEO's grant which cliff-vests three years from the date of grant. Dividends accrue from the date of grant and are paid at the time of vesting. The value of restricted stock granted was based on the average of the high and low sales price of our common stock as reported on the NYSE on the preceding trading date, reduced by a 12% discount rate to reflect the time-based restrictions on the stock. This approach was consistently applied to the market data from comparators that the Committee considered to account for the different program designs and provisions.

Performance Shares: Two-thirds of the targeted value was delivered in performance shares based on a performance period of three years. The number of performance shares ultimately awarded, if any, is determined by:

50% of the performance shares award is based on TSR over a three-year period, relative to the peer group; payout is determined as follows, depending on the Company's ranking in TSR:

First 200% of target payout

Second 182% of target payout

Third 164% of target payout

Fourth 145% of target payout

Fifth 127% of target payout

Sixth 109% of target payout

Seventh 86% of target payout

Eighth 59% of target payout

Ninth 32% of target payout

Tenth or eleventh no payout

Table of Contents

Lesser awards are made if the Company's TSR is negative.

50% of the performance shares award is based on average annual ROCE over a three-year period, relative to budget. The 2008-2010 average ROCE goal is 20.7%. ROCE is defined as operating income divided by the amount by which total assets exceed current liabilities; payout is determined as follows:

ROCE	% of Average ROCE Goal	Payout as a % of Target
31.05% (Outstanding)	150%	200%
20.7% (Target)	100%	100%
14.49% (Threshold)	70%	25%

Annual LTIP awards are expected to be made at the Committee's regularly scheduled meeting held in the first quarter of the year. Any equity awards to newly hired executive officers below the NEO level are determined by the CEO and approved by the Committee at the next regularly scheduled Committee meeting on or following the hire date. Since 2003, all options have had market-based exercise prices.

Stock Ownership Guidelines

We believe it is important for our officers and directors to build and maintain a significant personal investment in our common stock. In January 2006, the Board of Directors approved these stock ownership guidelines for our NEOs, and in October 2007, the Board approved the stock ownership guideline for non-management directors:

Position	Value to be Retained
CEO	Five times base salary
Other NEOs	Three times base salary
Non-management Directors	Five times annual retainer

To facilitate implementation of these guidelines, an officer is required to retain 35% of available shares received pursuant to equity grants (including outstanding restricted stock and any restricted stock award, performance awards or stock option grants made after January 2006) until his or her ownership guideline is met, at which time the retention level is reduced to 15%. The retention requirement does not apply once an officer reaches 200% of the applicable ownership guideline or upon the age of 60. Available shares are shares remaining after payment of taxes, fees, commissions and any exercise price payments. For our non-management directors, the individual has five years to meet the guideline and ownership of RSUs counts toward such retention.

Perquisites

The Company provides NEOs with perquisites and other personal benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program. Executives are provided with the following benefits as a supplement to their other compensation:

Use of Company vehicle or vehicle allowance: In the past, the Company has provided the NEOs with a vehicle for use for travel to and from the office and business-related events. The Company provided vehicles

historically based on distance likely traveled and the individual's need to transport employees, customers, vendors, investors and others for business purposes. The Company paid for all maintenance, insurance and gasoline for such vehicles. In 2008, we began phasing out many of our vehicles and most of our officers have elected instead to receive a car allowance of \$15,000 per year. In 2008, all of our NEOs other than Messrs. McNease and Keller elected to receive the car allowance.

Use of club membership: The Company pays for the initiation fee and monthly membership fees for certain golf or social clubs for some of the NEOs. The Company has encouraged certain members of management to belong to a golf or social club so that they have an appropriate entertainment forum for business purposes.

Use of Company entertainment facilities and airplanes: In 2008, the Company maintained hunting facilities in Texas and held sporting and other entertainment event tickets to be used to entertain customers and vendors and for Company team-building visits. Sometimes, our employees are permitted to bring family

Table of Contents

members while entertaining third parties. For some of these events, Company-owned aircraft were used for travel. None of the NEOs used Company-owned aircraft for personal travel in 2008.

Executive physical program: At our expense, each of the NEOs is allowed to have a complete and professional personal physical exam on an annual basis.

Supplemental retirement plan: Each of the NEOs receives incremental retirement benefits under the Company's supplemental retirement plan.

Benefits

The NEOs also participate in the Company's other benefit plans on the same terms as other employees. These plans include a defined contribution plan, for which the Company matches up to 3.5% of the first 6% of eligible salary contributed by the employee, a defined benefit pension plan, and medical, dental and term life insurance.