SMITH INTERNATIONAL INC
Form 10-K/A
April 30, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A
(Amendment No. 1)

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-8514

SMITH INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**95-3822631**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1310 Rankin Road Houston, Texas	**77073**
(Address of principal executive offices)	***(Zip Code)***

Registrant s telephone number, including area code (281) 443-3370
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $1.00 par value	**New York Stock Exchange, Inc.**
Preferred Share Purchase Rights	**New York Stock Exchange, Inc.**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer þ	Accelerated Filer o	Non-Accelerated Filer o	Smaller Reporting Company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting stock held by non-affiliates on June 30, 2009 was $5,614,831,358 (218,051,703) shares at the closing price on the New York Stock Exchange of $25.75. On June 30, 2009, 236,995,440 shares of common stock were outstanding, including shares held in Treasury. For this purpose all shares held by officers and directors and their respective affiliates are considered to be held by affiliates, but neither the Registrant nor such persons concede that they are affiliates of the Registrant.

There were 248,519,612 shares of common stock outstanding, net of shares held in Treasury, on April 28, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

None

EXPLANATORY NOTE

The purpose of this Amendment No. 1 on Form 10-K/A (the Amendment) is to amend and restate Part III, Items 10 through 14 of our previously filed Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission (SEC) on March 1, 2010 (the Original Form 10-K), to include information previously omitted in reliance on General Instruction G to Form 10-K, which provides that registrants may incorporate by reference certain information from a definitive proxy statement prepared in connection with the election of directors, provided the definitive proxy statement is filed with the SEC within 120 days after the end of the fiscal year. As a result of the Company s previously announced and pending merger with a subsidiary of Schlumberger Limited, the Company s definitive proxy statement will not be filed within 120 days after the end the Company s fiscal year. Accordingly, Part III of the Original Form 10-K is hereby amended and restated as set forth below.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), new certifications by our principal executive officer and principal financial officer are filed as exhibits under Item 15 of Part IV to this Annual Report on Form 10-K/A.

For purposes of this Annual Report on Form 10-K/A, and in accordance with Rule 12b-15 under the Exchange Act, Items 10-14 and 15(a)(3) of the Original Form 10-K have been amended and restated in their entirety. Except as stated herein, this Annual Report on Form 10-K/A does not reflect events occurring after the filing of the Original Form 10-K on March 1, 2010 and no attempt has been made in this Form 10-K/A to modify or update other disclosures presented in the Original Form 10-K. Among other things, forward-looking statements made in the Original Form 10-K have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the Original Form 10-K, and such forward looking statements should be read in their historical context. Accordingly, this Annual Report on Form 10-K/A should be read in conjunction with the Original Form 10-K and the Company s other filings with the SEC subsequent to the filing of the Original Form 10-K.

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ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The following table sets forth certain information with respect to our directors.

Name	Age	Expiration Date of Current Term	Board Class and Committee Membership	Year First Became Director
Loren K. Carroll	66	2011	Class I Director	1987
Dod A. Fraser	59	2011	Class I Director; Audit Committee (Chair), Compensation and Benefits Committee	2004
James R. Gibbs	65	2010	Class III Director and Lead Director; Nominating and Corporate Governance Committee (Chair)	1990
Robert Kelley	64	2012	Class II Director; Compensation and Benefits Committee (Chair), Audit Committee	2005
Luiz Rodolfo Landim Machado	53	2012	Class II Director; Audit Committee, Nominating and Corporate Governance Committee	2008
Duane C. Radtke	61	2010	Class III Director; Compensation and Benefits Committee, Nominating and Corporate Governance Committee	2009
Doug Rock	63	2012	Class II Director; Chairman of the Board (since 1991)	1987
John Yearwood	50	2010	Class III Director; Chief Executive Office, President and Chief Operating Officer	2006

Loren K. Carroll, 66, has been a director since 1987. From April 2006 until April 2008, he served as an advisor to the Company. From March 1994 until April 2006, Mr. Carroll served as President and Chief Executive Officer of M-I SWACO. From 1992 (when he rejoined the Company) until 1994, he served as our Executive Vice President and Chief Financial Officer. He joined the Company in December 1984 and served as Vice President and Chief Financial Officer until January 1988 and then Executive Vice President and Chief Financial Officer until March 1989. He serves as a director of KBR, Inc. (since 2007), an engineering, construction and services company; CGG Veritas (since 2007), a geophysical services and equipment provider; Forest Oil Corporation (since 2006), an exploration and production company; and Fleetwood Enterprises, Inc. (since 1999), a manufacturer of motor homes. Our board of directors selected Mr. Carroll to serve as a director because he has direct and intimate knowledge of the Company and our M-I SWACO joint venture, our products and current technology as well as future technological needs. He also brings valuable management and finance expertise to our board of directors. As a director at various other public companies, Mr. Carroll also provides direct and valuable experience in strategy, risk management and other corporate governance issues.

Dod A. Fraser, 59, has been a director since 2004. Mr. Fraser is the President of Sackett Partners Incorporated, a consulting company, and a member of other corporate boards. Mr. Fraser established Sackett Partners in 2000 upon retiring from a 27-year career in investment banking. From 1995 to 2000, Mr. Fraser was with The Chase Manhattan Bank, now JP Morgan Chase, where he was Managing Director, Group Executive of the global oil and gas group. Prior to that, Mr. Fraser was General Partner of Lazard Freres & Co., which he joined in 1978. He serves as a director of Forest Oil Corporation (since 2000), an exploration and production company, and

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Acergy SA (since 2009), a subsea engineering and construction services company. He served as a director of Terra Industries, Inc., a producer of nitrogen products for agricultural, industrial and environmental markets, from 2003 until 2010. Our board of directors selected Mr. Fraser to serve as a director because he has valuable investment banking and financial expertise, including extensive experience with capital markets transactions and investments. Our board of directors also benefits from his service on the audit committees of other public companies. He serves as the Chairman of our Audit Committee and as a member of our Compensation and Benefits Committee.

James R. Gibbs, 65, has been a director since 1990. He served as President and Chief Executive Officer of Frontier Oil Corporation from April 1992 until December 31, 2008 and President and Chief Operating Officer of Frontier from January 1987 to April 1992. He joined Frontier Oil in February 1982 as Vice President of Finance and Administration and was appointed Executive Vice President in September 1985. He has served as a director of Frontier Oil, an independent oil refining and marketing company, since 1985 and as their Chairman of the Board since 1999. Our board of directors selected Mr. Gibbs to serve as a director because he has extensive direct knowledge of the oil and gas industry, having served in leadership roles in the industry for over 25 years, in particular as President of Frontier Oil for most of those years. In addition, Mr. Gibbs has a PhD in Economics and taught full time at Southern Methodist University. He also has intimate knowledge of the Company and its technology, market segment and management, gained through his 20-year tenure on our board of directors. With these characteristics, Mr. Gibbs provides a valuable perspective to his board service. Our board of directors believes that Mr. Gibbs is well regarded in the industry and among his peers, making him an effective independent lead director. Mr. Gibbs also serves as the Chairman of our Nominating and Corporate Governance Committee.

Robert Kelley, 64, has been a director since 2005. Since 2001, Mr. Kelley has served as the President of Kellco Investments, a private investment company. From 1986 to 2001, Mr. Kelley served in several senior management roles including Chairman, President and Chief Executive Officer of Noble Affiliates, Inc. Prior to 1986, he was President and Chief Executive Officer of Samedan Oil Corporation, a subsidiary of Noble Energy Inc. He serves as a director of Cabot Oil & Gas Corporation (since 2003), an exploration and production company, and OGE Energy Corp. (since 1996), an electric utility. Our board of directors selected Mr. Kelley to serve as a director because he has over 30 years of executive leadership experience. His tenure as a public company director, both within and outside our industry, equips him with valuable experience for many of the same issues that our board of directors faces, such as executive compensation and succession planning. He serves as Chairman of our Compensation and Benefits Committee and as a member of our Audit Committee.

Luiz Rodolfo Landim Machado, 53, has been a director since 2008. Mr. Landim has served as advisor to the President of the EBX Group since April 2009 and served as Chief Executive Officer of OSX Brasil S/A from June 2009 until April 2010. He served as Chief Executive Officer of OGX Petroleo e Gas S.A. from April 2008 until April 2009. From May 2006 until April 2008, he served as a member of the Board, the Executive President and the head of Investor Relations of MMX - Mineracao e Metalicos S.A. Prior to joining MMX, Mr. Landim served in various positions at Petroleo Brasileiro S.A. (Petrobras) from 1980 until April 2006, most recently as Chief Executive Officer of BR Distribuidora, a subsidiary of Petrobras. He serves as a director of the subsidiaries of the EBX Group, which include OGX Petroleo e Gas S.A. (since 2008), an exploration and production company; MMX Mineracao e Matalicos S.A. (since 2006), a mining company; LLX Logistica S.A. (since 2007), a logistics company; and MPX Energia S.A. (since 2007), a power generation company. Mr. Landim served on the Board of Globex Utilidades S.A., a retail department store chain, from 2006 until 2009. Our board of directors selected Mr. Landim to serve as a director because he brings an international oil and gas industry perspective to our board of directors. A native of Brazil, his intimate knowledge of the Brazilian exploration and production industry as well as his understanding of and experience in the Brazilian and international markets enable him to make meaningful contributions to the Company as we continue our international expansion. He serves as a member of our Audit Committee and as a member of our Nominating and Corporate Governance Committee.

Duane C. Radtke, 61, has been a director since 2009. He currently serves as the President and Chief Executive Officer of Valiant Exploration LLC and as the Non-Executive Chairman of NFR Energy LLC, a private exploration and production company, a position he has held since August 2009. Mr. Radtke has served on the board of NFR Energy since June 2008. From April 2001 until December 2007, Mr. Radtke served as the President and Chief

Executive Officer of Dominion Exploration and Production (Dominion E&P) and Executive Vice President of Dominion Resources, Inc., the parent company of Dominion E&P. Our board of directors selected Mr. Radtke to serve as a director because he has over 20 years of experience leading companies in the oil and gas industry. Our

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board of directors believes that Mr. Radtke is highly respected in the industry and among his peers, bringing extensive management and oversight expertise to our board of directors. He serves as a member of our Audit Committee and as a member of our Nominating and Corporate Governance Committee.

Doug Rock, 63, has been a director since 1987 and has been our Chairman of the Board since 1991. Mr. Rock is currently Chairman of our board of directors and a Special Executive Advisor to the Chief Executive Officer. Mr. Rock has been with the Company since 1974 and served as Chief Executive Officer, President and Chief Operating Officer from March 1989 until December 2008. He served as a director of Moneygram International, Inc. (from 2004 until 2009), a payment services company, and CE Franklin Ltd. (from 1999 until 2008), an oilfield distribution company, of which the Company owns 53%. Our board of directors selected Mr. Rock to serve as a director because of his many years of service as Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Rock s intimate and extensive knowledge of the Company and its employees, culture, technology, customers and market are a valuable asset to our board of directors, particularly as the industry emerges from the recent economic crisis.

John Yearwood, 50, has been a director since 2006. He has served as our Chief Executive Officer, President and Chief Operating Officer since January 2009. He served as Executive Vice President and President Completions and Production from August 2008 until December 2008. He served as a Senior Advisor to the Chief Executive Officer of Schlumberger from March 2006 until May 2008. From 1980 to March 2006, he served in a variety of positions at Schlumberger, much of which included responsibilities for businesses primarily focused outside of the United States, most recently as President North and South America, Oilfield Services. Our board of directors selected Mr. Yearwood to serve as a director because he is our Chief Executive Officer and has over 20 years of leadership experience in the oilfield services industry, particularly concentrated on the international market. While at Schlumberger, Mr. Yearwood served as a charter member of the M-I SWACO executive committee, thus enhancing our board of directors with his intimate knowledge and unique perspective of the M-I SWACO joint venture. A native of Trinidad & Tobago, Mr. Yearwood also brings a strong international perspective and relationships to our board of directors, which is especially relevant as we continue to expand outside the United States.

Executive Officers

The following table identifies our current executive officers and lists their names and ages, and all positions and offices held by each in the past five years. Positions, unless otherwise specified, are with the Company. The executive officers of the Company serve at the pleasure of the Board of Directors and are subject to annual appointment by the Board of Directors. None of the executive officers or directors have any family relationships with each other. Information about Messrs. Rock and Yearwood is provided above under Directors . Mr. Rock has informed the Company that his existing employment agreement with the Company will terminate effective May 12, 2010. He will remain a director and non-executive Chairman of the Board.

Name and Age	Age	Principal Current Occupation and Other Significant Positions Held
William Restrepo	50	Senior Vice President, Chief Financial Officer and Treasurer, since October 2009; Executive Vice President, Chief Financial Officer and Secretary of Seitel, Inc., July 2005 to September 2009; Various financial and operational positions at Schlumberger (most recently, Vice President of Finance North and South America, Oilfield Services), August 1985 to June 2005. Joined the Company in October 2009.
Malcolm W. Anderson	62	Senior Vice President, Human Resources, since December 2006; Vice President, Human Resources, May 2004 to November 2006. Joined the Company in May 2004.
Richard E. Chandler, Jr.	53	Senior Vice President and Secretary, since January 2006; General Counsel, since August 2005; Senior Vice President Administration, General Counsel and Secretary of M-I SWACO, January 2004 to July 2005. Joined predecessor to M-I SWACO in December 1986.

Bryan L. Dudman	53	Executive Vice President and President, Smith Drilling and Evaluation, since August 2008; President, Smith Services, January 2006 to July 2008; Senior Vice President Western Hemisphere Operations of M-I SWACO, May 1994 to

Name and Age	Age	Principal Current Occupation and Other Significant Positions Held
		December 2005; Joined the Company in January 1979.
John J. Kennedy	58	President and Chief Executive Officer of Wilson, since June 1999; Joined the Company in November 1986.
Christopher I.S. Rivers	55	President and Chief Executive Officer of M-I SWACO, since January 2009; Chief Operating Officer of M-I SWACO, October 2008 to December 2008; Executive Vice President Product Segments of M-I SWACO, April 2006 to September 2008; Vice President Eastern Hemisphere of M-I SWACO, January 2005 to March 2006; Joined the Company in July 1977.
Norman A. Mckay	50	Executive Vice President and President of Smith Technologies, since November 2009; President Eastern Hemisphere of Exterran Holdings, Inc., April 2005 to October 2009; Various operational and management positions at Schlumberger (most recently Global Account Director, Oilfield Services), September 1981 to April 2005; Joined the Company in November 2009.
Peter J. Pintar	51	Vice President Corporate Strategy and Development, since September 2005; Various positions at DTE Energy Company, including Director, Corporate Development, Managing Director, Venture Capital Investments; and Director, Investor Relations, October 1997 to August 2005; Joined the Company in September 2005.
Lee A. Turner	62	Vice President QHSE, since January 2009; Vice President QHSE of M-I SWACO, January 2005 to December 2008; Joined M-I SWACO in January 2005.
Brian E. Taylor	47	Vice President and Controller since September 2009; Various financial positions within the Company (most recently Vice President Finance), June 2002 to August 2009; Vice President and Controller, September 1999 to May 2002; Joined the Company in September 1999.
Geraldine D. Wilde	59	Vice President, Taxes and Assistant Treasurer, since February 1998; Joined predecessor to M-I SWACO in December 1986.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of our outstanding shares of common stock (collectively, Section 16 persons), to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Section 16 persons are required by Commission regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of such reports received by us, or written representations from certain Section 16 persons that all Section 16(a) reports required to be filed for such persons had been filed, we believe that during 2009 the Section 16 persons complied with all Section 16(a) filing requirements applicable to them, except that Mr. Taylor, our Vice President and Controller, inadvertently filed one late report to disclose shares acquired pursuant to an equity award grant. We are unable to confirm whether Margaret Dorman, the Company s former Chief Financial Officer, complied with all Section 16(a) filing requirements during 2009.

Code of Business Conduct and Ethics

All of our officers, employees and directors are required to comply with our Code of Business Conduct and Ethics to help ensure that our business is conducted in accordance with the highest standards of ethical behavior. Our Code of Business Conduct and Ethics covers all areas of professional conduct, including customer relationships, conflicts of interest, insider trading, financial disclosure, intellectual property and confidential information, as well

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as requiring strict adherence to all laws and regulations applicable to our business. Employees may report any violations or suspected violations of the Code by using our ethics hotline. The Code includes an anti-retaliation statement. The full text of the Code of Business Conduct and Ethics, as well as any waiver of a provision of the Code granted to any senior officer or director or material amendment to the Code, if any, is published on our website at *www.smith.com* under the Investor Relations caption and link to Governance. Stockholders may also obtain a free copy upon request by contacting our Corporate Secretary, Smith International, Inc., 1310 Rankin Road, Houston, Texas 77073.

Audit Committee

We have a separately-designated sanding audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Messrs. Fraser (Chairman), Kelley and Landim are the current members of the Audit Committee. All members of this committee are independent within the meaning of the rules governing audit committees by the New York Stock Exchange, or NYSE. The Board of Directors has determined that all members of the Audit Committee meet the NYSE standard of having accounting or related financial management expertise and meet the SEC s criteria of an Audit Committee Financial Expert.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

Compensation Objectives. We have designed our executive compensation program to reward our executives based on corporate, business unit and individual performance. The general objectives of our executive compensation program are to:

- Attract and retain the best available individuals to serve on our executive team;
- Motivate our executives to achieve our short- and long-term financial and operational goals; and
- Align our executives interests with those of our other stockholders.

Compensation Philosophy. The Compensation and Benefits Committee (referred to as the Compensation Committee) bases its executive compensation philosophy on the following principles:

- A significant portion of executive compensation should be variable and dependent on company and business unit performance.
- The principal measures of performance should be annual financial measures versus specified goals.
- Of the at-risk portion, a significant amount should be paid in equity with vesting restrictions (i) to align executive interests with those of our other stockholders and (ii) to promote long-term retention of our executives.
- Corporate executives incentive compensation plans should be tied to overall corporate performance whereas business unit executives plans should be tied in part to overall corporate performance and in part to the business unit performance for which they are responsible.

In the aftermath of the economic crisis, the Compensation Committee conducted an extensive review of our compensation policies to ensure that performance goals were aligned not only with long-term stockholder interests but also with our need to weather the crisis. In addition to emphasizing stockholder value objectives such as earnings per share and return on net capital employed, the Compensation Committee added specific identifiable goals related to cash flow, day-sales-outstanding and inventory reduction objectives that are crucial to us in a downturn. The Compensation Committee anticipates that it will continue using personal objectives in setting annual compensation goals, such as participation in quality, heath, environmental and safety initiatives or other types of activities requiring personal involvement of the executive officers that support our business success.

Decision Process. The Compensation Committee makes all executive compensation decisions. The Compensation Committee retained Pearl Meyer & Partners (referred to in this section as Pearl Meyer), an independent compensation consultant, to assist it in the decision making process. Pearl Meyer works for the

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Compensation Committee and does not undertake assignments for management that exceed $120,000 per year. In October of each year, the Compensation Committee reviews preliminary recommendations from Pearl Meyer based on current and comparative compensation data, including benchmarking results as discussed below. For all executive officers other than the Chief Executive Officer, the Compensation Committee reviews recommendations and comparative data provided by Pearl Meyer and, in conjunction with additional input from the Chief Executive Officer and Senior Vice President of Human Resources, especially as to individual executive performance, makes its decision. For the Chief Executive Officer, the Compensation Committee uses recommendations and comparative data provided by Pearl Meyer in making its decision.

Generally, the Compensation Committee makes final compensation decisions and sets performance targets in December of each year to correspond with the business plan for our upcoming fiscal year and with their evaluation of executive performance for the current year. Executive compensation decisions become effective January 1 of the upcoming fiscal year. With the exception of equity incentive awards for new hires or promotions, which are typically granted at the next Compensation Committee meeting after the hire or promotion date, we grant equity incentive awards only in December.

Benchmarking Group. The worldwide energy industry is a competitive environment for executive talent. To attract and retain a high level of executive expertise, we must remain competitive with the pay of companies with whom we compete for executive talent. Pearl Meyer provides us with general compensation information related to our industry and specific compensation information related to a group of companies in our industry whose executives have similar duties and responsibilities. The following companies compose our benchmarking group:

Baker Hughes Incorporated

BJ Services Company (on August 28, 2010, Baker Hughes announced that it had closed its acquisition of BJ Services)

Cameron International Corporation

FMC Technologies, Inc.

Halliburton Company

National Oilwell Varco, Inc.

Schlumberger Limited

Weatherford International Ltd.

Executive Position Grade Levels. We have established nine executive management grade levels. We assign all executive officers in the Company to a grade level consistent with the responsibility and authority of the position. The Compensation Committee, with the assistance of Pearl Meyer, uses the grade levels to establish guidelines for salary, target annual incentive awards, target long-term incentive awards, and perquisite benefits. The grade level for each individual executive officer typically corresponds to his or her management position; however, occasionally we may advance an individual to a higher level to recognize exceptional contributions. Variable pay awards and equity grants, as well as perquisite benefits, are consistent within each grade level.

Fixed versus Variable Pay. We divide our compensation program into two general categories, fixed and variable pay. Fixed pay consists of base salary and provides our executive officers with a level of assured cash compensation appropriate for their positions within the Company. Variable pay includes annual cash bonus awards and annual equity awards (each as explained in more detail below) and is the largest component of executive management s total target compensation. Typically, the equity awards to executive officers are solely performance-based awards that are not earned unless financial performance goals are met.

Performance Matrices. At the beginning of each year, the Compensation Committee approves consolidated and business unit performance matrices that establish targets for the variable-pay component of executive compensation. Generally, these matrices are based on the financial performance goals established in our annual business plan, supplemented by personal objectives relevant to each business segment. Because the goals are pre-determined and market conditions fluctuate throughout the year, the performance goals may not correspond to our actual results.

This process has resulted in the establishment of performance goals that are not easily met and require excellent performance and effort by management regardless of general market conditions. For instance, in performance year 2008, when we reported record earnings and returns during a period of robust market activity in the oilfield service industry, the annual cash bonus awards for our named executive officers ranged from 44% to 200% of target and the performance-based equity awards were 92.6% of target. For performance year 2009, our results suffered from the extreme economic recession, particularly with respect to the North American gas drilling industry, and the annual cash bonus awards for our named executive officers ranged from 0% to 79% of target and the performance-based equity awards were 63.2% of target. For the last three years, the awards to the named executive officers as a percent of target are set forth in the table below.

	Percentage of Target Award Paid for Each Performance Year:		
	2009	2008	2007
Annual Cash Bonus Award	0% - 79%	44% - 200%	35% - 162%
Annual Equity Award	63.2%	92.6%	106.5%

Alignment of Interests with Stockholders. Long-term equity incentives comprise a significant portion of total compensation for our executives. We award all long-term equity incentives as restricted stock units which vest ratably over either three or four years, depending on the type of award (three years for performance-based awards and four years for time-based awards). As a result, executives receive a significant amount of equity in the Company, thereby aligning their interests with those of the stockholders and providing incentive to avoid excessive risks. For instance, for the 2010 performance-year awards granted in December of 2009, approximately 70% of the total target compensation to our Chief Executive Officer was in equity-based performance awards. Equity-based compensation awards constituted 50% to 68% of the total target compensation to the other named executive officers and 40% to 55% of the total target compensation to the other executive officers. In determining the type of equity awards to grant, the Compensation Committee evaluated, among other considerations, the required accounting treatment and other tax and accounting implications of various types of equity awards. The Compensation Committee selected restricted stock units (units), discussed below, as the equity award component because we can offer equal long-term value as it could with stock options while issuing fewer shares, thus reducing the dilution effect of the equity program. Performance-based unit awards are earned only when the financial performance goals are met and are forfeited prior to issuance of the common stock if the financial performance goals are not met. All unit awards contain a retention element and align executive management with stockholder interests. For these reasons, the Compensation Committee has determined that units are the most appropriate long-term equity based incentive for the Company and are the only type of equity incentive that we currently award to our executive officers.

The Compensation Committee encourages stock ownership by executive management and periodically considers the appropriateness of implementing stock ownership guidelines. The Compensation Committee has chosen not to require stock ownership guidelines for the executive management at this time. Our Insider Trading Policy prohibits our executive officers from engaging in any hedging or monetization transactions involving our securities.

Executive Compensation Components

Annual Base Salary. The Compensation Committee sets salaries for each executive by reference to the executive grade level of the position and individual performance. The criteria used in evaluating individual performance, including that of our Chief Executive Officer, vary depending on the executive s function, but generally include:

- Leadership inside and outside the Company;
- Advancing our interests with customers, vendors and in other business relationships;
- Product quality and development;
- Advancement in skills and responsibility; and
- Financial results.

For the 2009 year, base salary represents 14% of Chief Executive Officer total target compensation and between approximately 17% and 30% of total target compensation for the other named executive officers. Base salary generally remains at the median level of the salary range, but may exceed the median if deemed appropriate by the Compensation Committee.

Annual Cash Bonus. Our executive officers participate in the Executive Officer Annual Incentive Plan (AIP) which provides for annual cash bonuses. For the 2009 year, the Compensation Committee tied 14% of Chief Executive Officer total target compensation and between 15% and 20% of each other named executive officer s total target compensation to the achievement of financial performance goals under the AIP.

Participants in the AIP can earn an annual cash bonus based upon the achievement of our established financial performance goals, supplemented by personal goals set for each executive officer, for each fiscal year, as described above in Fixed versus Variable Pay and Performance Matrices . The target annual bonus percentages for the executive officers are determined based upon the grade level of the executive officer and are generally close to the median of the benchmarking group. The payout award, if any, is determined by multiplying the actual annual cash bonus percentage earned by the product of the target annual cash bonus percentage times the executive s base salary.

Depending upon our financial performance, the AIP payout can range from zero to 200% of the target annual cash bonus percentage. Upon the achievement of the target financial performance goals, participants earn 100% of their target annual cash bonus.

The Compensation Committee has no discretion to increase any award after establishing the performance targets, but may decrease or eliminate any annual bonus award, even if the Company or the executive meets the established performance targets. The Committee periodically uses such negative discretion as an additional catalyst to encourage compliance with particular personal goals for the executive management that emerge during the fiscal year and that were not initially included in the performance matrices. The Company intends that the AIP comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) so that amounts paid under the AIP will be fully deductible by the Company for federal income tax purposes.

Annual Restricted Stock Unit Award. The annual restricted stock unit (unit) award, issued pursuant to the Third Amended and Restated Long-Term Incentive Compensation Plan (LTIP), is the largest single component of total target annual compensation. Units represent the right to receive shares of common stock in the future, depending upon the achievement of the target equity goal for the coming year (for performance-based unit awards) or continued employment with the Company (for time-based unit awards). As discussed above, in typical years, executive officers receive only performance-based unit awards. As discussed above, generally the Compensation Committee makes compensation decisions for the upcoming fiscal year in December of each year. In December 2008, the global business environment was significantly deteriorating and the economic outlook was extremely volatile, particularly as related to projections for oil price and rig count, two key drivers for our business. In addition, the market value of our common stock had declined significantly from the beginning of 2008, as had that of the S&P 500 Index, the Philadelphia Oil Service Index (OSX), and our peer companies, including those of our benchmarking group. It was against this backdrop that our Compensation Committee made their compensation decisions for 2009.

When approving the December 2008 equity awards for the 2009 performance year, the Compensation Committee considered the possibility that global industry conditions, along with general economic market conditions, could worsen beyond any then-current projections. In that case, 2009 performance targets may not have been reasonably achievable for non-operational related reasons outside the control or influence of management, resulting in a zero payout for all performance-based compensation. Historically, we granted equity awards to our executive officers that were 100% performance-based. To ensure the retention value of the 2009 equity pay component, particularly during the uncertain market conditions, the Compensation Committee granted 20% of the total equity awards as time-based units for all executive officers, except our Chief Executive Officer, Mr. Yearwood. The remaining 80% of the equity awards continued to consist of performance-based units. Mr. Yearwood received only performance-based units. The Compensation Committee viewed the 2009 performance period award structure as a one-time change due to the extenuating circumstances of the economic crisis. It did not contemplate continuing this mix of performance-based and time-based unit awards to the executive officers and returned in December 2009 to granting only performance-based units to the executive officers.

The Compensation Committee sets the monetary value of the awards by grade level for equity awards with all executive officers in the same grade level receiving unit awards of the same monetary value. The awards for the 2009 and 2010 performance years were in the range of the 50^{th} percentile of equity awards granted by the benchmarking group. Award recipients do not own the underlying shares until the awards have been earned and vested; accordingly, participants have no voting rights on the shares and do not receive dividends until the shares are earned and vested. The number of target units granted is determined based on the closing price of the common stock on the date of grant, discounted for the present value of the dividends that are not paid on the unvested shares based on the dividend rate at the time of the award. The time-based units vest in equal installments over a four-year period based on continued employment requirements. If the performance-based units are earned at year-end by meeting the predetermined financial performance goals, they vest in equal installments over a three-year period based on continued employment requirements.

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Depending upon performance, the payout for the performance-based unit awards for the 2009 performance year could range from zero to 130% of the target. Upon the achievement of the target equity goal, participants earn 100% of the units awarded. Once the financial performance goals have been set, the Compensation Committee does not exercise any discretion in the number of units awarded. In December 2009, the Compensation Committee evaluated the payout range for the executive officers. In order to encourage extraordinary efforts by our senior leadership team, the Compensation Committee increased the maximum payout to 150% of the target for the top four grade levels beginning with the 2010 performance year awards.

2009 Compensation and Performance Year Awards.

The 2009 corporate performance metrics, set in March 2009 and used in the AIP, are (i) earnings per share and (ii) return on net capital employed, together composing 80% of the AIP goal, and cash flow generation based on a consolidated receivable and inventory reduction goal composing 20% of the AIP goal. The LTIP performance matrix is based on a return on net capital employed goal. Both of these sets of metrics are shown in the tables below. The business unit metrics for the AIP are set for each specific business unit and include (i) earnings and return on operating assets or return on net capital employed goals and (ii) free cash flow or a combination of day-sales-outstanding and inventory reduction goals. When consolidated, the business unit goals align with the consolidated AIP goals. The Compensation Committee selected these financial measurements because these metrics are readily understood by the executives, provide a balanced incentive to increase income while managing our investment in our net assets, and relate directly to the creation of economic value that is ultimately reflected in share value.

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Annual Cash Bonus. For the 2009 performance year, the grade level and target AIP percentages for the named executive officers were as follows:

	Performance Year 2009	
Name	**Grade Level**	**Target AIP %**
D. Rock*	n/a	120%
J. Yearwood	I	100%
W. Restrepo	III	65%
C. Rivers	II	85%
N. Mckay	II	85%
B. Dudman	II	85%
M. Dorman**	II	85%

* Mr. Rock serves as our Chairman of the Board, which was an executive officer position during 2009. He was compensated pursuant to his employment agreement and so was not in any particular officer grade level.

** Ms. Dorman served as our Executive Vice President, Chief Financial Officer and Treasurer until October 2009.

The AIP target goals for the 2009 performance year included a performance matrix with a corporate earnings per share target of $1.34 and a return on net capital employed target of 15.5% representing 80% of the plan goals. The remaining 20% of the plan goals included a consolidated receivable and inventory reduction goal of $1,148 million. The metrics are set forth below. For the 2009 performance year, our earnings per share were $0.66, return on net capital employed was 11.7% and consolidated receivable and inventory reductions from December 31, 2008 were $1,009 million; resulting in a payout of 15.4% to Messrs. Rock, Yearwood and Restrepo.

ANNUAL PERFORMANCE PLAN 2009 CORPORATE PERFORMANCE MATRIX 80%

		EARNINGS PER SHARE		
RETURN ON NET CAPITAL	**ACTUAL**	**THRESHOLD**	**TARGET**	**MAXIMUM**

EMPLOYED		**$0.66**	**<$0.94**	**$0.94**	**$1.14**	**$1.34**	**$1.47**	**$1.61**
	<10.9%		0%	0%	0%	0%	0%	0%
THRESHOLD	10.9%		0%	20%	35%	60%	85%	110%
ACTUAL	11.7%	0%						
	13.2%		0%	35%	50%	75%	100%	125%
TARGET	15.5%		0%	60%	75%	100%	125%	150%
	17.1%		0%	85%	100%	125%	150%	175%
MAXIMUM	18.6%		0%	110%	125%	150%	175%	200%

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ANNUAL PERFORMANCE PLAN 2009 CORPORATE PERFORMANCE MATRIX 20%

CONSOLIDATED RECEIVABLE AND INVENTORY REDUCTION FROM DECEMBER 31, 2008 (IN MILLIONS)		PAYOUT EARNED
	<804	0.0%
THRESHOLD	804	20.0%
	861	36.0%
	918	52.0%
	976	68.0%
ACTUAL	1,009	77.2%
	1,033	84.0%
TARGET	1,148	100.0%
	1,205	125.0%
	1,263	150.0%
	1,320	175.0%
MAXIMUM	1,378	200.0%

The business unit matrices and payout calculations follow a similar model, with the same payout range, but with targets that are specific to each business unit. The actual performance levels achieved by the business units were below the target goals, resulting in Messrs. Rivers, Dudman and Mckay (pro-rated for time of employment) earning 58.7%, 0% and 79.2%, respectively, of their target annual cash bonus percentage. Because Ms. Dorman was not an employee as of December 31, 2009, she did not earn any award under the AIP.

Annual Equity Award. All units granted to Mr. Yearwood in 2008 for the 2009 performance year were performance-based units. Messrs. Rivers and Dudman received a mix of 80% performance-based units and 20% time-based units. Because Mr. Mckay joined the Company in November 2009, he did not receive any performance-based units for the 2009 performance year. No units were granted to Mr. Rock in 2008 for the 2009 performance year. The target for the 2009 performance year was return on net capital employed was 15.5%, the same level as for the AIP. The matrix is set forth below. For the 2009 performance year, our return on net capital employed was 11.67%, resulting in each individual earning 63.2% of their target unit award. Because Ms. Dorman was not an employee as of December 31, 2009, she did not receive any performance-based unit awards based on the criteria set forth above. Her settlement agreement is described in the section titled Employment Agreements below.

ANNUAL PERFORMANCE-BASED RESTRICTED SHARES
2009 FISCAL YEAR AWARD MATRIX

RETURN ON NET CAPITAL EMPLOYED		RESTRICTED SHARES EARNED (AS A % OF TARGET AWARD)
	<10.85%	0.0%
THRESHOLD	10.85%	50.0%
	11.63%	62.5%
ACTUAL	11.67%	63.2%
	12.40%	75.0%
	13.18%	87.5%
	13.95%	93.8%
TARGET	15.50%	100.0%
	16.28%	107.5%
	17.05%	115.0%

	17.83%	122.5%
MAXIMUM	18.60%	130.0%

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Other Executive Compensation Components

Perquisites. We have an interest in ensuring the physical and mental wellness of our employees and, therefore, provide for a reimbursement of up to $3,000 for an annual physical for each executive officer. In addition, in lieu of providing specific perquisites, we provide a set dollar amount of specifically identified perquisites. This dollar amount is consistent within each grade level for U.S. residents and within corporate guidelines established for non-U.S. residents and is paid annually in 26 equal bi-weekly payments, as identified in the footnotes to the Summary Compensation Table. The executive officers do not need to spend their allowance on the specified items, but are free to use the allowance at their discretion. The perquisite package for non-U.S. residents follows a similar methodology with different dollar amounts. Mr. Mckay receives the non-U.S. perquisite package, as identified in the footnotes to the Summary Compensation Table. We believe that providing a set dollar amount allows our executive officers more flexibility and is more efficient to administer than reimbursing for each individual expense. The amount provided is reviewed periodically and is consistent with perquisites provided by the benchmarking group. In addition, our executive officers may receive personal administrative assistant services at no incremental cost to us. Perquisite amounts are not considered annual salary for bonus purposes or 401(k) contributions.

401(k) Plan. We believe that financial security during retirement is an important benefit to provide to our executive management. For this reason, we and various of our subsidiaries offer 401(k) plans to our employees, including our executive officers. Because the Company and subsidiary plans operate and are administered in a similar fashion, for purposes of this discussion, the 401(k) plans will be referred to in the singular. Participants may contribute up to the federal limit in the 401(k) plan. We make various levels of contributions to the 401(k) plan, including age-weighted contributions and performance-based matching contributions as defined in the 401(k) plan. Although the majority of our peers have both defined benefit and defined contribution plans, the Compensation Committee elected to implement a defined contribution plan (the 401(k) plan) to control our costs. Our 401(k) plan is consistent with similar plans available generally in the energy industry. Executive officers participate in the 401(k) plan on the same basis as other employees.

Supplemental Executive Retirement Plan. In addition to the 401(k) plan described above, our officers, including all of the executive officers, and other key employees are eligible to participate in our Post-2004 Supplemental Executive Retirement Plan (the post-2004 SERP). In connection with the adoption of the post-2004 SERP, we suspended contributions to our previous SERP (SERP), except for guaranteed interest contributions discussed in the narrative disclosure following the Nonqualified Deferred Compensation Table. The SERP and post-2004 SERP were implemented to allow our officers to defer additional pre-tax compensation for retirement without regard to the limits placed on 401(k) plans under the Code. We believe that the post-2004 SERP is an important tool for the retirement planning efforts of our officers. Moreover, after reviewing data from the benchmarking group, our Compensation Committee determined that the post-2004 SERP is important to remain competitive in the compensation arena. Additional information regarding the operation of the SERP and post-2004 SERP may be found in the footnotes and narrative disclosure following the Nonqualified Deferred Compensation Table.

Change of Control and Employment Agreements

Change of Control Agreements. We have entered into change of control agreements with ten members of management, including all of the named executive officers. After reviewing benchmarking studies performed by outside legal counsel at the request of the Compensation Committee in 1999, the Compensation Committee adopted a form of change of control agreement. The Compensation Committee periodically reviews the terms of the change of control agreements and retains outside legal counsel to conduct benchmarking studies to determine whether the change of control agreements remain competitive in our industry. As a result of these reviews, the Compensation Committee periodically revises the form of change of control agreement. In December 2009, the Compensation Committee revised the form of change of control agreement to eliminate tax gross-ups.

The Compensation Committee has determined that the change of control agreements are a necessary component of our compensation package in order for us to provide competitive compensation arrangements, particularly because such agreements are standard in our industry. In addition, they make executives neutral to change of control transactions that are in the best interests of the Company and our stockholders, and thereby help create, rather than diminish, stockholder value. Moreover, we believe that the change of control agreements help us to attract and retain our executive officers by reducing the personal uncertainty and anxiety that arises from the possibility of a future business combination. We selected objective criteria to determine whether a change of control has occurred for purposes of the change of control agreements in order to reduce the likelihood of a dispute in the event of a change of control and to help ensure that the agreements are triggered only under circumstances when a true transfer of control or ownership has occurred. While the change of control agreements do not influence decisions regarding compensation elements, the Compensation Committee periodically reviews the terms of the change of control agreements so that they remain generally consistent with those of the benchmarking group. Additional information regarding the change of control agreements may be found in the section titled Executive Compensation Change of Control and Employment Agreements.

Employment Agreements. When the Company emerged from bankruptcy in 1987, it offered employment agreements to certain key officers. The only remaining executive officer with an employment agreement is Mr. Dudman. The Company entered into this agreement primarily as a retention tool, but also because our board of directors felt that Mr. Dudman could provide extraordinary and unique management and strategy skills to maintain and grow the Company. The Compensation Committee no longer offers these types of employment agreements to executive officers. Mr. Dudman s employment agreement contains severance provisions that would entitle him to receive a lump sum payment in cash equal to his current annual base salary, bonus and benefits through the end of the employment period (three years) in the event that he were to be terminated by the Company (other than for cause, death or disability) or if for any reason his position is eliminated or otherwise becomes redundant, except in the event of a change of control, in which case severance would be paid pursuant to his change of control agreement as explained in the section titled Executive Compensation Change of Control and Employment Agreements. Mr. Dudman s agreement was restated in 2008 to comply with the provisions of Section 409A of the Code, but otherwise remains the same agreement as executed in 1987.

In addition, the Company entered into an employment agreement with Mr. Rock upon his retirement as Chief Executive Officer, President and Chief Operating Officer (the Rock agreement) pursuant to which Mr. Rock will serve as a Special Executive Advisor or in such other position as determined by our board of directors for a period commencing January 1, 2009 and ending on the first day following the conclusion of our annual meeting of stockholders for the calendar year 2010. Mr. Rock remained a member of our board of directors and the Chairman of the Board after January 1, 2009. Effective as of 11:59 p.m. on December 31, 2008, the Rock agreement superseded Mr. Rock s previous employment agreement with the Company and Mr. Rock s previous change of control employment agreement with the Company. The Rock agreement provides for an annual base salary of $1.3 million, a target bonus of 120% of base salary with respect to our 2009 fiscal year and eligibility to participate in all Company benefit and perquisite plans during the employment period other than our Long-Term Incentive Compensation Plan. The Rock agreement and Mr. Rock s employment may be terminated by either the Company at any time or by Mr. Rock with 30 days written notice, and terminates automatically upon a change of control (as defined in the Rock agreement). Mr. Rock has informed the Company that the Rock agreement will terminate effective May 12, 2010. In the event that Mr. Rock s employment is terminated as a result of his death or disability (as defined in the Rock agreement), by the Company without cause (as defined in the Rock agreement) or due to a change of control, Mr. Rock is entitled to certain accrued obligations and a termination payment equal to $108,333.33 times the number of whole months (rounded up or down as provided for in the Rock agreement) between the date of termination and the original termination date of the Rock agreement. Mr. Rock is subject to an ongoing confidentiality covenant and a non-competition covenant during the term of the Rock agreement.

In connection with Ms. Dorman s departure from the Company effective October 16, 2009, the Company and Ms. Dorman entered into a separation agreement on September 28, 2009, under which Ms. Dorman received a one-time lump sum severance payment of $2,697,514, less applicable taxes and deductions, reimbursement for health coverage premiums for up to eighteen months following October 16, 2009 to the extent Ms. Dorman elects to participate in COBRA coverage, executive-level outplacement services for a period of one year following October 16, 2009 and accelerated vesting of all outstanding equity grants, with an exercise period of up to three-years for outstanding stock options. Vesting of the performance-based restricted stock units relating to the 2009 performance period were accelerated and paid out at a level reflecting then-anticipated achievement of the 2009 performance metrics. These special severance benefits were contingent upon execution of a general release, which was executed, and ongoing compliance with confidentiality, non-disparagement and cooperation obligations.

Pension Plan. The Company has a defined benefit pension plan, which is currently frozen. The benefit accruals were frozen effective March 1, 1987, and the amount of the pension benefit was fixed for all eligible employees based only upon benefit accruals from September 1, 1985 to March 1, 1987. Mr. Rock is the only named executive officer with any benefit accruals under the plan. Any benefits under the pension plan are offset by benefits paid under a previous pension plan of the Company. There are no executive officers with any benefit accruals under the plan.

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COMPENSATION AND BENEFITS COMMITTEE REPORT

The Compensation and Benefits Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Annual Report on Form 10-K/A with management. Based on such review and discussion, the Committee recommended to our board of directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K/A.

Robert Kelley, *Chairman*
Dod A. Fraser
James R. Gibbs

This report of the Compensation and Benefits Committee shall not be deemed soliciting material, or to be filed with the SEC or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act), except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act of 1933 (the Securities Act) or the Exchange Act. Further, this report will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act except to the extent that we specifically incorporate this information by reference.

Executive Compensation

The following tables show compensation for services to the Company of the persons who during 2009 were the principal executive officer, principal financial officer, and the next three most highly compensated executive officers (the named executive officers). Also included are Margaret Dorman, who was our principal financial officer for a portion of the year, and Bryan Dudman, who otherwise would have been subject to reporting absent Mr. Mckay s new hire equity award.

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($)(1) (d)	Stock Awards ($)(2) (e)	Option Awards ($)(2) (f)	Non-Equity Incentive Plan Compensation ($)(3) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($)(4) (i)	Total ($) (j)
Doug Rock(5) Chairman of the Board	2009	$ 1,300,000	$ 0	$ 0	$ 0	$ 240,240	$ 9,144	$ 1,134,475	$ 2,683,859
	2008	$ 1,347,115	$ 0	$ 0	$ 0	$ 1,341,600	$ 4,212	$ 820,690	$ 3,513,617
	2007	$ 1,175,000	$ 0	$ 4,652,695	$ 0	$ 1,837,230	$ 0(6)	$ 590,552	$ 8,255,477
John Yearwood President, Chief Executive	2009	$ 942,308	$ 0	$ 4,499,994	$ 0	$ 154,000	$ 0	$ 192,702	$ 5,789,004

Officer and Chief Operating Officer									
William Restrepo Senior Vice President, Chief Financial Officer and Treasurer	2009	$ 96,923	$ 0	$ 1,497,590	$ 0	$ 9,384	$ 0	$ 19,619	$ 1,623,516
Christopher I.S. Rivers President and Chief Executive Officer, M-I SWACO	2009	$ 543,714	$ 0	$ 1,644,134	$ 0	$ 290,892	$ 0	$ 139,647	$ 2,618,387

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Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($)(1) (d)	Stock Awards ($)(2) (e)	Option Awards ($)(2) (f)	Non-Equity Incentive Plan Compensation ($)(3) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($)(4) (i)	Total ($) (j)
Norman A. Mckay Executive Vice President and President, Smith Technologies	2009	$ 125,001	$ 0	$ 3,644,131	$ 0	$ 56,100	$ 0	$ 53,082	$ 3,878,313
Bryan L. Dudman Executive Vice President and President, Smith Drilling and Evaluation	2009	$ 637,000	$ 0	$ 1,644,134	$ 0	$ 0	$ 0	$ 182,097	$ 2,463,231
	2008	$ 631,092	$ 0	$ 1,325,722	$ 0	$ 220,513	$ 0	$ 185,144	$ 2,362,471
	2007	$ 485,000	$ 0	$ 1,890,611	$ 0	$ 401,944	$ 0	$ 162,999	$ 2,940,554
Margaret K. Dorman(7) Former Executive Vice President, Chief Financial Officer and Treasurer	2009	$ 505,465	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,863,983	$ 3,369,448
	2008	$ 578,012	$ 0	$ 1,493,074	$ 0	$ 391,592	$ 0	$ 194,860	$ 2,657,538
	2007	$ 465,000	$ 0	$ 1,372,588	$ 0	$ 424,126	$ 0	$ 156,130	$ 2,417,844

(1) Performance-based cash bonuses paid pursuant to the AIP are included in column (g).

(2) The amounts in column (e) and (f) reflect the grant date fair value computed in accordance with FASB ASC Topic 718, based on the closing price of the

stock on the date of grant minus the present value of the dividend stream for the vesting period, assuming a 1-year, 2-year, 3-year and 4-year annual discount rate of 0.27%, 0.67%, 1.12% and 1.56%. The target, threshold and maximum value of equity awards granted during 2009 are shown below in the Grants of Plan-Based Awards Table.

(3) The amounts in column (g) reflect the cash bonus awards paid to the named individuals in 2009 for the 2010 performance year under the AIP, which is discussed in more detail under the heading Compensation Discussion and Analysis Annual Cash Bonus.

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(4) The amounts in column (i) for 2009, which include our contributions to the SERP and post-2004 SERP (disclosued collectively below as the SERP) and the 401(k) plan and perquisites, are itemized below:

	SERP	401(k)	Perquisite Allowance(a)	Life Insurance Premiums
D. Rock	$ 1,064,366	$ 18,375	$ 32,800	$ 18,897
J. Yearwood	$ 143,209	$ 11,025	$ 32,837	$ 5,631
W. Restrepo	$ 9,631	$ 2,523	$ 7,027	$ 438
C. Rivers	$ 89,303	$ 17,437(b)	$ 26,500	$ 6,407
N. Mckay	$ 11,555	$ 0	$ 41,527	$ 0
B. Dudman	$ 136,669	$ 13,475	$ 26,537	$ 5,416
M. Dorman(c)	$ 134,836	$ 11,025	$ 18,529	$ 2,079

(a) These amounts include a specified dollar amount for U.S. residents for an automobile allowance, financial planning and tax preparation, mobile phone, medical reimbursement, club memberships and legal counseling that may be used at the discretion of each individual and a $3,000 allowance for an annual physical that is paid for by the Company. All named executive officers except Mr. Mckay are U.S. residents. Mr. Mckay receives our non-U.S. resident perquisite package under which he received a U.S.$3,000 allowance for an annual physical that is paid for by the Company, a foreign service allowance of U.S.$12,500, a foreign cost of living allowance of U.S.$7,780, a car allowance of AED12,000 (U.S.$3,268) and a housing allowance of AED55,000 (U.S.$14,978). The car allowance and housing allowance were paid to Mr. Mckay in United Arab Emirates Dirham (AED) and converted into U.S. dollars for purposes of this disclosure based on the average conversion rate during the time that Mr. Mckay was employed by the Company in 2009. Perquisites are described in more detail under the heading Compensation Discussion and Analysis Perquisites.

(b) Mr. Rivers also participates in the M-I SWACO 401(k) Plan. This amount includes $3,206 in profit sharing contributions from M-I SWACO.

(c) Ms. Dorman also received a negotiated settlement of $2,697,514 pursuant to her separation agreement.

(5) During 2009, Mr. Rock was our executive Chairman of the Board, an executive officer position.

(6) Due to an increase in the discount rate used in the Smith International, Inc. Restated Pension Plan, the change in pension value for the 2007 fiscal year was a negative $752. It is reflected in the above table as being zero change. The change in pension value for 2008 and 2009 were both positive and included in the above table. The restated pension plan is discussed in the narrative to the Pension Benefits Table below.

(7) Effective October 16, 2009, Ms. Dorman retired from the Company.

Grants of Plan-Based Awards for Fiscal 2009

The following table provides information regarding incentive awards made to the named executive officers during the 2009 fiscal year.

Estimated Possible Payouts	Estimated Future Payouts	All Other Stock Awards: Number of	All Other Option Awards:	Exercise	Gr Date

	Grant Date (b)	Under Non-Equity Incentive Plan Awards(1) Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Under Equity Incentive Plan Awards(2) Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	Shares of Stock or Units (#)(3) (i)	Number of Securities Underlying Options (#) (j)	or Base Price of Option Awards ($/Sh) (k)	Valu Stock Opt Awa (4 (l)
ck	12/01/09	$ 312,000	$ 1,560,000	$ 3,120,000							
rwood	12/01/09	$ 200,000	$ 1,000,000	$ 2,000,000	84,238	168,476	252,714				$ 6,74
strepo	12/01/09	$ 58,500	$ 292,500	$ 585,000	13,995	27,989	41,984				$ 1,12
	10/21/09	$						23,385			$ 75
ers	12/01/09	$ 99,111	$ 495,557	$ 991,114	30,778	61,555	92,333				$ 2,46
kay	12/01/09	$ 85,000	$ 425,000	$ 850,000	30,778	61,555	92,333				$ 2,46
	11/02/09	$						74,122			$ 1,99
lman	12/01/09	$ 114,920	$ 574,600	$ 1,149,200	30,778	61,555	92,333				$ 2,46
rman		$									

(1) Amounts represent possible payouts for the 2009 performance year under the AIP, which is discussed in more detail under the heading Compensation Discussion and Analysis Annual Cash Bonus. The actual payout amount is included in column (g) of the summary compensation table.

(2) Amounts represent performance-based restricted stock unit (PBRSU) awards made in December 2009 for the 2010 performance year under the LTIP, which is discussed in more detail under the heading Compensation Discussion and Analysis Annual Restricted Stock Unit Award. If threshold levels of performance are not met, then no shares would be issued.

(3) Amounts represent new hire time-based restricted stock unit (TBRSU) awards made during 2009 under the LTIP, which is discussed in more detail under the heading Compensation Discussion and Analysis Annual Restricted Stock Unit Award.

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(4) The grant date fair market value was determined in accordance with FASB ASC Topic 718, based on the closing price of the stock on the date of grant minus the present value of the dividend stream for the vesting period, assuming a 1-year, 2-year, 3-year and 4-year annual discount rate of 0.27%, 0.67%, 1.12% and 1.56%.

Outstanding Equity Awards at Fiscal Year End for Fiscal 2009

The following table shows the number of shares covered by exercisable and unexercisable options and unvested restricted stock units held by the named executive officers on December 31, 2009. The market value of unvested awards is based on our closing market price of $27.17 per share on December 31, 2009.

		Option Awards					Stock Awards			
Name (a)	**Grant Date (b)**	**Number of Securities Underlying Unexercised Options (#) Exercisable (c)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (d)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (e)**	**Option Exercise Price ($) (f)**	**Option Expiration Date (g)**	**Number of Shares or Units of Stock That Have Not Vested (#) (h)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (i)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That have Not Vested (#) (j)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (k)**
D. Rock	12/04/2007						24,324(1)	$ 660,883		
	12/07/2004	21,500			$ 28.13	12/07/2014(2)				
J. Yearwood	12/01/2009								168,476(3)	$ 4,577,493
	12/01/2008						92,314(4)	$ 2,508,171		
	08/25/2008						4,414(1)	$ 119,928		
W. Restrepo	12/01/2009								27,989(3)	$ 760,461
	10/21/2009						23,385(5)	$ 635,370		
N. Mckay	12/01/2009								61,555(3)	$ 1,672,449

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