

ROWAN COMPANIES INC  
Form DEF 14A  
March 14, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 14A**

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

**Exchange Act of 1934 (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:

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March 15, 2011

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of Rowan Companies, Inc. on April 28, 2011, 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 II directors to serve for three years and until their successors are duly elected and qualified;

Ratify the appointment of our independent auditors;

Approve an advisory resolution on the Company's executive compensation as reported in this proxy statement;

Approve an advisory resolution on the frequency of future advisory votes on executive compensation; 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 a 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 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,

H. E. Lentz  
*Chairman of the Board of Directors*

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**Rowan Companies, Inc.**

**2800 Post Oak Boulevard, Suite 5450**

**Houston, Texas 77056**

**Notice of Annual Meeting of Stockholders to be held April 28, 2011**

Rowan Companies, Inc., a Delaware corporation, will hold its Annual Meeting of Stockholders (the Annual Meeting ), on Thursday, April 28, 2011, at 9:00 a.m., local time, in the Beacon Room, Williams Tower, 2800 Post Oak Boulevard, 62nd Floor, Houston, Texas. The items of business are to:

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

Ratify the appointment of our independent auditors;

Approve an advisory resolution on the Company s executive compensation as reported in this proxy statement;

Approve an advisory resolution on the frequency of future advisory votes on executive compensation; and

Conduct other business as may properly come before the meeting or any adjournment or postponement thereof. Stockholders as of the close of business on Tuesday, March 1, 2011, are entitled to notice of and to vote at the meeting and at any adjournment or postponement of the meeting. A list of these stockholders is available at the offices of the Company in Houston, Texas.

Melanie M. Trent

Corporate Secretary

**Important Notice Regarding the Availability of**

**Proxy Materials for the Stockholder**

**Meeting to be Held on April 28, 2011**

The proxy statement and annual report to stockholders and the means to vote by Internet are available at [www.ProxyVote.com](http://www.ProxyVote.com).

**Your Vote is Important**

Please vote as promptly as possible by using the Internet or telephone or by signing, dating

and returning the proxy card mailed to those who receive paper copies of this proxy statement.

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.

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**PROXY STATEMENT**

This proxy statement relates to the solicitation of proxies by the Board of Directors of Rowan Companies, Inc. for use at the 2011 Annual Meeting of Stockholders to be held on Thursday, April 28, 2011, 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 of the meeting. In this proxy statement, we refer to Rowan Companies, Inc. as the Company, Rowan, we, our or us.

**The 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, form of proxy and voting instructions are being made available to stockholders on or about March 15, 2011, at [www.proxyvote.com](http://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](http://www.proxyvote.com); or (c) e-mail at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com). Our Annual Report, including consolidated financial statements for the year ended December 31, 2010, 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](http://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 1, 2011 are entitled to notice of, and to vote at, the meeting or any adjournment or postponement thereof. As of the record date, there were 126,425,835 shares of Rowan 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.

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**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:

<b>Proposal to be Voted Upon</b>		<b>Recommendation</b>
Proposal No. 1	Election of four Class II nominees to the Board of Directors	FOR Each Nominee
Proposal No. 2	Ratification of the Company's independent auditors	FOR
Proposal No. 3	Advisory vote on the Company's executive compensation	FOR
Proposal No. 4	Advisory vote on frequency of future advisory votes on executive compensation	FOR One Year

**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 Wednesday, April 27, 2011. 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 your proxy does not indicate your vote, the appointed proxies will vote your shares FOR the Board's director nominees, FOR the ratification of the appointment of our independent auditors, FOR approval of the advisory resolution regarding executive compensation and FOR one year with respect to the proposal on frequency of future advisory votes on executive compensation.

**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 proposals regarding ratification of the appointment of independent auditors, the advisory vote on the Company's executive compensation and the advisory vote on frequency of future advisory votes on executive compensation each require 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?**

Under New York Stock Exchange rules, the proposal to ratify the appointment of independent auditors is considered a discretionary item. This means that brokerage firms may vote in their discretion on this matter on behalf of clients who have not furnished voting instructions at least 10 days before the date of the meeting. In contrast, the election of directors, the advisory votes on executive compensation and frequency of such votes are non-discretionary items. This means brokerage firms that have not received



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voting instructions from their clients on these proposals may not vote on them. These so-called "broker non-votes" will be included in the calculation of the number of votes considered to be present at the meeting for purposes of determining a quorum, but will not be considered in determining the number of votes necessary for approval.

We will post preliminary results of voting at the meeting on our website promptly after the meeting.

### **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 any of the proposals.

### **Does Rowan offer electronic delivery of proxy materials?**

Yes. As permitted by Securities and Exchange Commission rules, we are making this proxy statement and our Annual Report available to stockholders electronically via the Internet on the Company's website at [www.rowancompanies.com](http://www.rowancompanies.com) under Investor Relations. On March 15, 2011, we began mailing to our stockholders a notice containing instructions on how to access this proxy statement and our Annual Report and how to vote online. If you received that notice, you will not receive a printed copy of the proxy materials unless you specifically request it by following the instructions contained on the notice or as set forth in the following paragraph. The notice is not a form for voting.

If you received a paper copy of this proxy statement by mail and you wish to receive a notice of the availability of future proxy statements either in paper form or electronically via e-mail, you can elect to receive a paper notice of availability by mail or an e-mail message that will provide a link to these documents on our website. By opting to receive the notice of availability and accessing your proxy materials online, you will save the Company the cost of producing and mailing documents to you, reduce the amount of mail you receive and help preserve environmental resources. To sign up for electronic delivery, please follow the instructions on your proxy card to vote by internet at [www.proxyvote.com](http://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 Report or proxy statement. 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, or if you have received multiple copies and prefer a single set, please make your request by calling 800-579-1639, using the website [www.proxyvote.com](http://www.proxyvote.com), or by e-mail at [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com), or in writing to Rowan Companies, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

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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 \$13,500 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 notice or proxy card?**

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

### **Who is the Transfer Agent?**

Our Transfer Agent is Wells Fargo Shareowner Services. 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 Shareowner Services at 800-468-9716 (U.S.), 651-450-4064 (outside the U.S.), [www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices) or in writing at P.O. Box 64874, St. Paul, MN 55164-0874.

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**CORPORATE GOVERNANCE**

**Recent Corporate Governance Actions**

Our Board of Directors has been very proactive in recent years, taking decisive actions including: implementing a new strategic plan, effecting numerous corporate governance improvements, engaging closely with stockholders, recruiting new talent and improving processes and procedures throughout the Company. Specific examples include:

Resolving that, commencing in 2013, any director standing for reelection would be elected for a one-year term;

Eliminating all supermajority voting provisions in the Company's certificate of incorporation in April 2010;

Terminating our Stockholder Rights Plan in November 2009;

Adopting a majority voting standard for routine director elections;

Electing in 2009 a new Chief Executive Officer from outside of the Company, W. Matt Ralls;

Separating the roles of Chief Executive Officer and Chairman of the Board;

Pursuing active discussions with a significant stockholder (Steel Partners) that led to the election of John J. Quicke as a member of our Board of Directors and his nomination for reelection at this Annual Meeting;

Engaging in a process to "refresh" the Board of Directors over the next few years by reducing the size of the Board to nine or ten members and replacing a number of members;

Adding two new independent directors with significant industry expertise, Thomas R. Hix and Suzanne P. Nimocks;

Creating a Board of Directors comprised completely of independent members, other than our CEO, Mr. Ralls; and

Effecting numerous changes to our Amended and Restated Corporate Governance Guidelines ( "Guidelines" ), Nominating & Corporate Governance Committee charter and Bylaws to provide better corporate governance.

**Corporate Governance Guidelines**

Our Board has adopted 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 website at [www.rowancompanies.com](http://www.rowancompanies.com) under "Investor Relations" Governance.

**Separation of Roles of Chairman and CEO**

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Effective January 1, 2009, the Board of Directors separated the roles of Chairman and CEO. Mr. Lentz serves as Chairman of our Board and Mr. Ralls serves as our CEO and President. At the time Mr. Ralls was hired, the Board determined to separate these roles to provide support and guidance to Mr. Ralls in his new position as CEO and President. Mr. Lentz had previously served as Lead Director.

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Our Guidelines provide that the non-executive Chairman shall have the following responsibilities:

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;

To facilitate information flow and communication between the Board and management, and to ensure that written information communicated by management to any director is readily available to all Board members;

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 make determinations regarding the engagement of outside consultants and advisors who report directly to the Board of Directors;

To preside over 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 has authority to call meetings of the independent directors.

**Executive Sessions**

During each of our Board of Directors regularly scheduled meetings, the non-management directors meet in executive session with our non-executive Chairman presiding.

**Specific Experience, Qualifications and Skills of the Members of Our Board of Directors**

Our Board of Directors is comprised of highly qualified individuals with unique and special skills that assist in effective management of the Company for the benefit of our stockholders. Each of our directors possesses certain experience, qualifications, attributes and skills, as further described below, that led to our conclusion that he or she should serve as a member of our Board of Directors. In addition to the biographical information with respect to each of our directors under the heading *Election of Directors Our Nominees for Class II Director* and *Election of Directors Our Continuing Directors*, the following table shows additional experience and qualifications of our individual directors:

<b>Director</b>	<b>Specific Qualifications and Skills</b>
Robert G. Croyle	<p>Over 30 years of experience in the oil services industry</p> <p>In-depth knowledge of the Company, served as an attorney, general counsel and Vice Chairman, oversaw manufacturing division</p> <p>Expertise in compensation and health, safety and environmental matters</p>

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Service on other boards including as presiding director and member of audit, nominating and corporate governance, and compensation committees

William T. Fox III

Financial expertise

Over 30 years in commercial banking, lending to energy companies

Service as chairman of a compensation and member of an audit committee on another board

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Sir Graham Hearne	<p>CEO or Chairman of independent exploration and production company for 18 years, with extensive international operations</p> <p>CFO of major UK public company for three years</p> <p>Over 40 years experience as an independent director of a number of public and private enterprises; significant experience as a member of compensation committees</p> <p>Extensive investment banking and legal experience</p>
Thomas R. Hix	<p>Many years of financial and mergers and acquisitions experience, including as CFO of public company in oil and gas services for 17 years</p> <p>Board member of public exploration and production company and public board service of 20 years</p> <p>Significant management experience in offshore contract drilling</p>
Robert E. Kramek	<p>Commandant of the United States Coast Guard</p> <p>President &amp; COO of American Bureau of Shipping; expertise with offshore rigs</p> <p>Led United States Delegation to the International Maritime Organization</p>
Frederick R. Lausen	<p>Over 40 years of experience at oil and gas exploration and production companies</p> <p>Extensive operational experience</p>
H. E. Lentz	<p>Significant investment banking experience</p> <p>Financial expertise</p> <p>Service on numerous public companies including audit, compensation and nominating committee experience</p>
Lord Colin Moynihan	<p>Former Minister of Energy, United Kingdom; significant government experience related to energy</p> <p>Executive positions, board service and consulting in oil and gas industry</p> <p>Significant health, safety and environment expertise; Minister responsible for implementing world leading offshore safety regulations</p> <p>Significant international experience in energy industry</p>
Suzanne P. Nimocks	<p>Over 20 years experience in a global management consulting firm, focusing on energy clients and strategic development</p> <p>Significant management expertise gained after managing a large office at a consulting firm</p>

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P. Dexter Peacock

Experience managing a large law firm; expertise in mergers/acquisitions and securities law; 35 years as a practicing attorney

Advisor to boards of directors of public companies for over 30 years

Extensive international transactional experience

Service on the boards of international and domestic companies

John J. Quicke

Board service on eight public companies, over 15 years

Significant operating experience for over 20 years

Financial and accounting expertise



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### **Director Independence**

The Board undertakes its annual review of director independence in January of each year. During the review, the Board considers transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates, including the relationship reported below. The purpose of this review is to determine whether any relationships or transactions existed that were inconsistent with a determination that the director is independent. Certain of our directors serve on boards of directors of companies we do business with, either as a customer or vendor. The Board reviewed the types of transactions, dollar amounts and significance to the Company of each relationship. The Board affirmatively determined that the transactions between the Company and those entities were not material to either party. As a result of this review, the Board affirmatively determined that all of the directors are independent of the Company and its management, with the exception of Mr. Ralls, our Chief Executive Officer.

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 sometimes relies on Andrews Kurth for corporate and securities law matters. During 2010, we paid Andrews Kurth approximately \$364,000 in legal fees, which the Company believes reflected market rates for services rendered. During 2010, the Company received legal services from over thirty law firms around the world. By fees paid, Andrews & Kurth ranked lower than seventh among such firms. In addition, the Company believes such fees represented less than one-fourth of one percent ( $\frac{1}{4}$  of 1%) of the law firm's 2010 revenues. The engagement of Andrews Kurth was approved by the Board of Directors. Mr. Peacock is paid a fixed amount of \$100,000 in an annual stipend as Of Counsel to the firm. Mr. Peacock does not actively practice law or participate in the earnings of the firm, and is not eligible for bonuses or other incentive payments from the firm.

### **Role of the Board in Risk Oversight**

The Board of Directors requires that an annual assessment of risk be performed and has delegated to the Audit Committee oversight of that process. The enterprise risk management assessment is designed to take a portfolio view of risk and to identify potential events that may affect the Company, manage risks to be within the Company's risk profile and to provide reasonable assurance regarding the achievement of Company objectives.

In 2010, the management team of the Company met to conduct a thorough assessment of potential risks facing the Company. Risks were rated as to severity and likelihood of threat, and management discussed the efforts in place to mitigate each risk. To the extent the management team believed that mitigation efforts were not sufficient with respect to a significant risk, an initiative to address such risk was assigned to the appropriate management representative. In January 2011, management presented the complete risk assessment to the Audit Committee, and the Committee reviewed the report and asked for modifications where it deemed necessary. The Audit Committee then provided a complete report to the Board of Directors.

The Compensation Committee is responsible for risks relating to employment policies and the Company's compensation and benefits systems. To assist it in satisfying these oversight responsibilities, the Committee has retained its own compensation consultant and meets regularly with management to understand the financial, human resources and stockholder implications of compensation decisions being made.

### **Director Selection Process**

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. Working closely with the full Board, the Nominating and Corporate Governance Committee develops criteria for open Board positions, taking into account such factors as it deems appropriate, which may include: the current composition of the Board; the range of talents, experiences and skills that

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would best complement those already represented on the Board; the desire for a substantial majority of independent directors; and the need for financial, industry, international or other specialized expertise. Applying these criteria, the Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. From time to time, the Committee also retains third-party executive search firms to identify and review candidates.

Once the Committee has identified a prospective nominee (including prospective nominees recommended by stockholders), it makes an initial determination as to whether to conduct a full evaluation. In making this determination, the Committee takes into account the information provided to the Committee with the recommendation of the candidate, as well as the Committee's own knowledge and information obtained through inquiries to third parties to the extent the Committee deems appropriate. The preliminary determination is based primarily on the need for additional Board members and the likelihood that the prospective nominee can satisfy the criteria that the Committee has established. If the Committee determines, in consultation with the Chairman of the Board and other directors as appropriate, that additional consideration is warranted, it may gather additional information about the prospective nominee's background and experience and report its findings to the Committee. The Committee then evaluates the prospective nominee against the specific criteria that it has established for the position.

If the Committee decides, on the basis of its preliminary review, to proceed with further consideration, members of the Committee, as well as other members of the Board as appropriate, interview the nominee. After completing this evaluation and interview, the Committee makes a recommendation to the full Board, which makes the final determination whether to nominate or appoint the new director after considering the Committee's report.

A stockholder who wishes to recommend a prospective nominee for the Board should notify the Company's Secretary or any member of the Nominating and Corporate Governance Committee in writing with whatever supporting material the stockholder considers appropriate. The Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of the Bylaws relating to stockholder nominations as described in *Stockholder Nominations for Director* below.

### **Stockholder Nominations for Director**

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 meet the criteria set by the Committee. 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.

### **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 2012 Annual Meeting of Stockholders must be submitted in writing before November 16, 2011 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, the proposal must be received at the above address not later than January 30, 2012 to be considered.

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timely for the purposes of Rule 14a-4(c) under the Exchange Act. 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 2011 Annual Meeting of Stockholders must be submitted, in accordance with the requirements of our Bylaws, not earlier than December 30, 2011 nor later than January 29, 2012. Stockholders are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

### **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.

### **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](http://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 and directors. Each of the transactions discussed below was reviewed by the Audit Committee and approved by the Board of Directors.

The Company employs an individual who is related to one of our named executive officers ( NEOs ). Since October 2008, Mr. Matt G. Keller has served as a marketing manager and is the brother of Mr. Mark A. Keller, our Executive Vice President, Business Development. Mr. Matt G. Keller previously served as the manager of certain of our properties used for business entertainment (from August 2006 until October 2008) and as a vice president of one of our manufacturing subsidiaries (from January 2002 to August 2006). In 2010, he received approximately \$182,000 in compensation (including approximately \$130,000 in base wages and \$52,000 in bonus).

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 one of our NEOs, John L. Buvens, our Executive Vice President, Legal. S&N was owned and operated by the family of Mr. Buvens brother-in-law. Mr. Buvens had 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 2010 and 2009, S&N sold the Company equipment totaling approximately \$1.5 million (approximately 4.2% of S&N sales) and \$2.7 million (approximately 7.5% of S&N sales). S&N was sold to a third party in late 2010 and is no longer a related party.

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**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 2013;

Class II has four directors who are standing for election in 2011; and

Class III has three directors who will stand for election in 2012.

The four nominees for Class II director standing for election at the 2011 Annual Meeting are: Messrs. Croyle, Moynihan, Ralls and Quicke. Information with respect to the nominees for Class II director and our continuing directors is set forth below. It is the intention of the proxies, unless otherwise instructed, to vote to elect each of the Class II 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 II Director**

**R. G. Croyle** Formerly Vice Chairman and Chief Administrative Officer of the Company from August 2002 to December 2006; retired in 2006. He also serves on the Board of Magellan Midstream Partners, L.P., and previously served on the Boards of Boots & Coots, Inc. and Magellan Midstream Holdings GP, LLC.

Age 68

Director since 1998

Class II

**Lord Moynihan** Executive Chairman of Pelamis Wave Energy since August 2005 and Senior Partner of London-based CMA, an energy advisory firm, since 1993. He served as Executive Director of Clipper Windpower Inc. and Chairman of Clipper Windpower Europe Limited, wind turbine technology companies, from 2004 to 2007. He has been an active member of the House of Lords since 1997 and serves as Chairman of the British Olympic Association.

Age 55

Director since 1996

Class II

**W. Matt Ralls** 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, Inc. and previously served on the Boards of El Paso Partners, Enterprise Products Partners L.P. and Enterprise Products, G.P.

Age 61

Director since 2009

Class II

**John J. Quicke** Mr. Quicke has served as a Managing Director and an operating partner of Steel Partners LLC, a global management firm, since 2005. He is currently President, CEO and a director of DGT Holdings Corp., an imaging and electronic systems company, and interim President and CEO and a director of ADPT Corporation, Inc. He previously served as a

Age 61

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Director since 2009

director of Angelica Corporation, Layne Christensen Company, NOVT Corporation and Handy & Harman Ltd. Previously, he served in various capacities at Sequa Corporation, a diversified manufacturer, including Vice Chairman and Executive Officer from 2004 to 2005, and as a director of the company from 1993 to 2005.

Class II

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**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 II director nominees at the Annual Meeting to serve until the 2014 Annual Meeting and until their successors are duly elected and qualified.**

**Our Continuing Directors**

<p><b>William T. Fox III</b></p> <p>Age 65</p> <p>Director since 2001</p> <p>Class I</p>	<p>Formerly Managing Director responsible for the global energy and mining businesses of Citigroup, a corporate banking firm, from 1994 to 2003; retired in 2003. Mr. Fox also serves on the Board of Cloud Peak Energy Inc.</p>
<p><b>Sir Graham Hearne</b></p> <p>Age 73</p> <p>Director since 2004</p> <p>Class I</p>	<p>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 and Braemar Shipping Services Group plc. He is a non-executive director of Vallar plc and formerly served as a director of N.M. Rothschild &amp; Sons Ltd. (1970 – 2010), Vetco International (2003 – 2007), Gallaher Group PLC (1997 – 2007), Stratic Energy Corporation (2005 – 2010) and Wellstream Holdings plc (2003 – 2011).</p>
<p><b>H. E. Lentz</b></p> <p>Age 66</p> <p>Director since 1990</p> <p>Class I</p>	<p>Chairman of the Board of Directors of the Company. Managing Director of Lazard Frères &amp; Co., an investment banking firm, since June 2009. Formerly Managing Director of Barclays Capital, an investment banking firm and successor to Lehman Brothers, from September 2008 to March 2009. Consultant to Lehman Brothers 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>
<p><b>P. Dexter Peacock</b></p> <p>Age 69</p> <p>Director since 2004</p> <p>Class I</p>	<p>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 &amp; Gas Corporation.</p>
<p><b>Thomas R. Hix</b></p> <p>Age 63</p> <p>Director since 2009</p> <p>Class III</p>	<p>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. He also serves on the Boards of El Paso Corporation and Health Care Service Corporation, and previously served on the Board of TODCO from 2004 until it was acquired in 2007.</p>
<p><b>Robert E. Kramek</b></p> <p>Age 71</p>	<p>Past President of the Society of Naval Architects and Marine Engineers from 2007 to 2009. President, Chief Operating Officer and Director of the American Bureau of Shipping from 2003 through 2006. Mr. Kramek also serves on the Board of First Command Financial Services, Inc., a financial planning company.</p>

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Director since 2007

Class III

**Frederick R. Lausen**

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

Age 73

Director since 2000

Class III

**Suzanne P. Nimocks**

Formerly a director (senior partner) with McKinsey & Company, a global management consulting firm, from June 1999 to March 2010, and was with the firm in various other capacities since 1989, including as a leader in the firm's Global Petroleum Practice, Electrical Power & Natural Gas Practice, Organization Practice and Risk Management Practice, she served as a member of the firm's worldwide personnel committees for many years and as the Houston Office Manager for eight years. Ms. Nimocks also serves on the Boards of Encana Corporation and Arcelor Mittal.

Age 52

Director since 2010

Class III

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**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors has five standing committees: Audit, Compensation, Health, Safety & Environment, Nominating and Corporate Governance and Executive. Information regarding these committees is provided below. The charters of the Audit, Compensation, and Nominating and Corporate Governance Committees are available on the Company's website, [www.rowancompanies.com](http://www.rowancompanies.com) under Investor Relations Governance and in print to any stockholder who requests them from the Company's Secretary.

The members of the **Audit Committee** are:

William T. Fox III, Chair

Thomas R. Hix

Robert E. Kramek

The Audit 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 consolidated financial statements. In addition, the committee oversees our financial and accounting processes, certain compliance matters, performance of our internal audit function and our risk management assessment. The Audit Committee met five times during 2010. All of the members of the Audit Committee are independent within the meaning of SEC regulations and the listing standards of the New York Stock Exchange. The Board has determined that each of Mr. Fox and Mr. Hix are qualified as audit committee financial experts within the meaning of SEC regulations, and that they have accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange.

The members of the **Compensation Committee** are:

P. Dexter Peacock, Chair

Sir Graham Hearne

Thomas R. Hix

H.E. Lentz

John J. Quicke

The Compensation Committee is responsible for reviewing and approving corporate goals and objectives relevant to the compensation of our NEOs, evaluating the performance of the NEOs and, either as a committee or together with the other independent members of the Board, determining and approving the compensation level for the chief executive officer and making recommendations regarding compensation of other executive officers and certain compensation plans to the Board (the Board has delegated to the Committee the responsibility for approving these arrangements). Additional information on the roles and responsibilities of the Compensation Committee is provided under the heading Compensation Discussion and Analysis, below. In 2010, the Compensation Committee met seven times. All of the members of the Committee are independent within the meaning of the listing standards of the New York Stock Exchange.

The members of the **Health, Safety & Environment Committee** are:

Lord Moynihan, Chair

Robert G. Croyle

Robert E. Kramek

The Health, Safety & Environment Committee reviews our performance and policies with respect to health, safety and environmental matters and makes recommendations to the Board regarding such





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matters. In 2010, the Health, Safety & Environment Committee met five times.

The members of the **Nominating and Corporate Governance Committee** are:

Sir Graham Hearne, Chair

William T. Fox III

Frederick R. Lausen

H.E. Lentz

Lord Moynihan

The Nominating and Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance, including reviewing and monitoring implementation of the Company's Guidelines. In addition, the Committee assists the Board in developing criteria for open Board positions, reviews background information on potential candidates and makes recommendations to the Board regarding such candidates. The Committee also supervises the Board's annual review of director independence and the Board's annual self-evaluation, makes recommendations to the Board with respect to Committee assignments and oversees the Board's director education practices. The Committee met four times during 2010. All of the members of the Nominating and Corporate Governance Committee are independent within the meaning of the listing standards of the New York Stock Exchange.

The members of the **Executive Committee** are:

W. Matt Ralls, Chair

William T. Fox

Sir Graham Hearne

H.E. Lentz

P. Dexter Peacock

The Executive Committee serves primarily as a means for taking action requiring Board approval between regularly scheduled meetings of the Board. The Executive Committee is authorized to act for the full Board on matters other than those specifically reserved by Delaware law to the Board. In practice, the Committee's actions are generally limited to matters such as the authorization of transactions including corporate credit facilities and borrowings. The Executive Committee did not meet in 2010.

### **DIRECTOR COMPENSATION AND ATTENDANCE**

In March 2010, the Compensation committee recommended, and the Board approved, the following compensation for our non-management directors, plus reimbursement for reasonable expenses:

	<b>Cash</b>
	<b>Annual Retainer</b>
Board of Directors	\$ 70,000
Chairman (additional retainer)	\$ 100,000
HSE and NCG Committee Chairs	\$ 10,000
Audit and Compensation Committee Chairs	\$ 15,000

In addition, on the date of the Annual Meeting, each director receives restricted stock units ( RSUs ) under the Company's 2009 Incentive Compensation Plan ( 2009 Plan ) equal in value to \$140,000. Such RSUs vest on the earlier of the first anniversary date of the grant or the date of

the next annual meeting,

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and are settled upon termination of service from the Board. Newly elected outside directors receive RSUs with a value of \$25,000 upon election. Directors no longer receive meeting fees. Prior to these revisions to director compensation, from January to March 2010, our non-management directors received meeting fees of \$2,000 for each committee or Board meeting and \$1,000 for each telephonic committee or Board meeting.

All of our incumbent directors attended 75% or more of the meetings of the Board and committees upon which they served during 2010. The Board of Directors held 13 meetings in 2010 (seven in-person meetings and six telephonic meetings). Directors are strongly encouraged to attend our Annual Meetings of Stockholders, and each of our directors attended our 2010 meeting.

In 2010, our non-employee directors received the compensation shown below, plus reimbursement for reasonable travel expenses. Mr. Ralls is an employee of the Company and does not receive any additional compensation for serving as a director.

**Director Compensation for Fiscal Year 2010**

Name	Fees		Total(\$)
	Earned in Cash\$(1)	Stock Awards(2)(3)(\$)	
R. G. Croyle	66,500	140,005	206,505
William T. Fox III	81,500	140,005	221,505
Sir Graham Hearne	82,500	140,005	222,505
Thomas R. Hix	70,500	140,005	210,505
Robert E. Kramek	72,500	140,005	212,505
Frederick R. Lausen	68,500	140,005	208,505
H. E. Lentz	172,500	140,005	312,505
Lord Moynihan	80,500	140,005	220,505
Suzanne P. Nimocks (4)	3,644	25,000	28,644
P. Dexter Peacock	84,250	140,005	224,255
John J. Quicke	70,500	140,005	210,505

- (1) Amounts reflect retainers and meeting fees earned in 2010.
- (2) The amount in the table reflects the aggregate grant date fair value related to the 2010 grants based upon the number of RSUs awarded and the fair market value of our common stock on the grant date calculated in accordance with FASB ASC Topic 718. We account for RSU awards as a liability award under ASC 718. A discussion of the assumptions used in calculating the grant date fair value is set forth in Note 8 of the Notes to Consolidated Financial Statements in our 2010 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.
- (3) No amounts were expensed in 2010 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.
- (4) Ms. Nimocks was elected to the Board in December 2010 and was paid a prorated portion of the annual retainer.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following tables show the beneficial ownership of outstanding shares of our common stock as of March 1, 2011 (based on 126,425,835 shares outstanding as of that date) for the following persons:

Each director or nominee;

Our principal executive officer, our principal financial officer and the other four 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 April 28, 2011 by the exercise of stock options or stock appreciation rights ( SARs ). As of March 1, 2011, 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/SARs (3)
<i>Directors:</i>				
R. G. Croyle	14,600	21,958	-	154,020
William T. Fox III	21,642	9,000	-	6,000
Sir Graham Hearne	18,475	1,000	-	10,000
Thomas R. Hix	8,473	-	-	-
Robert E. Kramek	14,600	-	-	-
Frederick R. Lausen(4)	21,642	23,000	-	6,000
H. E. Lentz(5)	21,642	39,100	-	6,000
Lord Moynihan(6)	21,642	7,000	-	6,000
Suzanne P. Nimocks	742	-	-	-
P. Dexter Peacock	18,475	3,500	-	10,000
John J. Quicke	8,473	-	-	-
W. Matt Ralls	178,230	19,214	-	42,233
<i>Other NEOs:</i>				
D. P. Russell	74,779	31,368	10,298	51,123
M. A. Keller	56,444	92,228	4,405	112,045
J. L. Buvens	44,681	40,868	-	93,192
W. H. Wells(7)	43,745	30,345	13,097	58,503
Thomas P. Burke	29,925	-	-	-
<i>All Directors and Executive Officers as a group (21 persons)(8)</i>	705,154	366,250	33,120	574,958

(1) For each of our non-employee directors, amounts shown are RSUs that 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.

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- (3) The number of shares issuable under SARs is based on the average of the high and low stock price on March 1, 2011 of \$42.34.
- (4) Mr. Lausen's shares are owned jointly with his wife.
- (5) 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.
- (6) Shares held by Lord Moynihan include 3,000 shares held indirectly through a pension trust.
- (7) Does not include 200 shares held by Mr. Wells' father-in-law; Mr. Wells disclaims beneficial ownership of such shares.
- (8) Aggregate amount beneficially owned represents 1.3 % of our outstanding shares of common stock.

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As of March 1, 2011, 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, LLC(2) 11400 West Olympic Blvd., Suite 1200 Los Angeles, CA 90064	7,094,500	5.6
BlackRock, Inc.(3) 40 East 52 <sup>nd</sup> Street New York, NY 10022	13,956,640	11.0
State Street Corporation(4) State Street Financial Center One Lincoln Street Boston, MA 02111	6,872,225	5.4

- (1) Based on 126,425,835 shares of common stock issued and outstanding as of March 1, 2011.
- (2) As reported on Schedule 13G (filed with the SEC on February 8, 2011) by First Pacific Advisors, LLC. ( FPA ), Robert L. Rodriguez, Managing Member of FPA and J. Richard Atwood, Managing Member of FPA and Steven T. Romick, 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, as in its capacity as investment adviser it has the power to dispose, direct the disposition of, and vote the shares of the issuer owned by its clients. Each of Messrs. Rodriguez, Atwood and Romick, as part-owners and Managing Members of FPA, is a controlling person of FPA and may be deemed to beneficially own such shares, and each disclaims beneficial ownership of such shares.
- (3) As reported on Schedule 13G (filed with the SEC on January 7, 2011) by BlackRock, Inc. and certain of its subsidiaries. BlackRock reports sole investment and sole dispositive power with respect to all shares reported above.
- (4) As reported on Schedule 13G (filed with the SEC on February 11, 2011) by State Street Corporation, acting in various fiduciary capacities. The reporting person has shared voting and dispositive power of the shares reported above, and disclaims beneficial ownership of such shares.

**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.

*The Compensation Committee of the Board of Directors*  
P. Dexter Peacock, Chairman  
Sir Graham Hearne  
Thomas R. Hix  
H. E. Lentz  
John J. Quicke





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**COMPENSATION DISCUSSION AND ANALYSIS**

**Objectives of Our Compensation Program**

The Compensation Committee has structured our executive compensation program to achieve the following key objectives:

**Pay For Performance**

Align our executive compensation with short-term and long-term performance of the Company and individuals

Set a significant portion of each NEO's total direct compensation to be in the form of variable compensation

**Stay True to Our Values**

Commit to an injury-free workplace and ensuring employee focus on safety through incentives

Uphold the highest level of integrity by providing limited executive perquisites and maintaining a clawback policy for compensation awards

Creating a culture of continuous improvement by using incentives to improve cost effectiveness in our bonus plan and through improvement goals under our long-term incentive plan

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

**Attract and Retain Talent**

Ensure that our compensation is competitive with the companies with which we compete for talent and capital so that we can retain and motivate our executives

Compete effectively for the highest quality people who will determine our long-term success

**Our Compensation Committee**

In 2010, our Committee was composed of five independent board members: Mr. Peacock (Chairman) and Messrs. Hearne, Hix, Lentz and Qicke. 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.

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 Senior Vice President & CFO and the Vice President, Human Resources to attend the Committee meetings. During each

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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 except Mr. Thomas P. Burke who is the President and CEO of our manufacturing subsidiary. In 2010, Mr. Burke participated in the Manufacturing Division's bonus plan. Employees of our Manufacturing Division (and Mr. Burke commencing in 2011) have compensation and benefit plans that are similar but not identical to our corporate employees and Drilling Division employees.

### **Role of the Compensation Consultant**

Each year, the Committee retains a compensation consultant to assist in the continual development and evaluation of compensation policies and the Committee's determinations of compensation awards. The

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Committee’s consultant attends Compensation Committee meetings, meets with the Committee without management present and provides third-party data, advice and expertise on proposed executive and director compensation and plan designs. At the direction of the Committee, the consultant reviews management recommendations and advises the Committee on the matters included in the materials, including the consistency of proposals with the Committee’s compensation philosophy and comparisons to programs at other companies. At the request of the Committee, the consultant also prepares its own analysis of compensation matters, including positioning of programs in the competitive market and the design of plans consistent with the Committee’s compensation philosophy.

In 2010, the Committee engaged Cogent Compensation Partners ( Cogent ) for advice on all executive compensation matters. Cogent is headquartered in Houston, Texas and provides independent compensation advice to companies in the Fortune 500, focusing on the energy industry. Cogent does not provide other services to the Company.

**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 and capital. In 2010, the Committee reviewed data from a group of reference companies. Cogent gathered and assessed compensation data from both publicly available and other sources of information to provide appropriate comparisons based on company size, complexity and performance, and individual roles and job content.

In 2010, the Committee utilized the following reference group:

- |                                 |                                |
|---------------------------------|--------------------------------|
| Atwood Oceanics                 | Bristow Group, Inc.            |
| Diamond Offshore Drilling, Inc. | Dresser-Rand Group, Inc.       |
| ENSCO Plc.                      | FMC Technologies, Inc.         |
| Helmerich & Payne               | Oceaneering International      |
| Noble Corp.                     | Oil States Intl Inc.           |
| Patterson-UTI Energy, Inc.      | Seacor Holdings, Inc.          |
| Pride International, Inc.       | Superior Energy Services, Inc. |
| Transocean Ltd.                 | Tidewater Inc.                 |
| Unit Corp.                      | Willbros Group Inc.            |

The Committee reviews the reference group at least annually and updates the group as appropriate to ensure the Committee is reviewing size-appropriate companies against which the Company competes for talent and capital. 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 target for compensation but rather subjectively considers each individual situation, including experience, tenure in current position and individual performance.

**Role of CEO in Compensation Decisions**

In 2010, our CEO performed the following functions in our compensation decision process:

Recommended, based on market data, certain changes to titles, base salaries and short-term and long-term incentive targets for the NEOs;

With the management team, developed short-term and long-term goals to be considered by the Committee for the short-term and long-term incentive plans;

Approved other elements of compensation or personnel matters including:

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- o Changes in pay or title to employees below the NEOs;
  
- o Levels of equity awards for executives below the NEO level and for key non-officer employees under the 2009 Plan; and
  
- o Agreements or arrangements relating to the terms of employment, continued employment or termination of employment with respect to certain employees below the officer 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.

## **Elements of Compensation**

An executive's compensation consists of:

Base salary paid in cash;

Annual incentive paid in cash;

Annual award under our long-term incentive plan;

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 and recent comparative statistics as well as anticipated trends in compensation with comparisons to the reference group. The Committee believes that the design of the Company's compensation program is generally appropriate and competitive.

**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 reference 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 2010, the following adjustments were made to base salaries of the NEOs, each effective on April 1: Russell from \$400,000 to \$425,000, Keller from \$350,000 to \$375,000; each of Buvens and Wells from \$318,000 to \$330,000.

**Annual Incentive Compensation.** In 2010, the NEOs participated in a targeted bonus plan (the 2010 Bonus Plan), which has approximately 325 participants. Each participant in the 2010 Bonus Plan has an incentive target that is a percentage of base salary. Awards are generally based on performance against certain metrics for our Drilling Division, which provides the large majority of the Company's earnings. The plan used five financial and operational metrics, as described below. The bonus pool could be as low as zero or as high as 200% of target depending on the achievement of the metrics. In 2010, there were no changes made to the incentive targets for the NEOs, except for Mr. Keller whose incentive target was increased from 60% to 65% of base salary.



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Metric	Percent of Possible Bonus Pool	Percent of Metric Achieved in 2010	Funding of Bonus Pool
Achievement of budgeted EBITDA for 2010(1)	25%	135%	33.7%
Actual costs compared to 2010 budget(2)	25%	147%	36.8%
Safety performance(3)	20%	0%	-
Capital projects(4):			
Newbuild construction	10%	200%	20.0%
Other capital projects	5%	0%	-
Contracted non-productive time(5)	15%	94%	14.1%
<b>Total:</b>	<b>100%</b>		<b>104.6%</b>

- (1) Our 2010 Drilling Division EBITDA (earnings before interest, taxes, depreciation and amortization) was 107.0% of our budget, which resulted in an achievement of 135% of the allocation of this metric.
- (2) Actual costs are Drilling Division's operating plus selling, general and administrative costs, excluding insurance costs and reimbursables. Our 2010 actual costs were 95.3% of budget, which resulted in an achievement of 147% of the allocation of this metric.
- (3) Safety performance is derived from Drilling Division internal incident reporting by comparing the trailing total recordable incident rate (TRIR) with Company goals. The target metric for safety was set as a 15% improvement over 2009 TRIR results, or a 1.3 TRIR. In 2010, the Drilling Division had a TRIR of 1.8 and there was no payout of this metric.
- (4) Of the 15% capital projects goal, 10% is based on construction of our newbuild offshore jack-up rigs remaining on time and on budget. During 2010, our newbuild projects, including rigs delivered, improved from 1.3% under budget to 2.0% under budget, and remained on schedule, which resulted in an achievement of 200% of the allocation of this portion of the metric. The remaining 5% of this capital projects goal is determined by other capital expenditure projects and adherence to schedule, budget, work readiness upon leaving the ship yard, use of our project software and certain other qualitative factors. The results of these capital projects were below the threshold level required for payout, which resulted in no payout of this metric.
- (5) Contracted non-productive time refers to any period when one of our rigs is on location and under contract but not operational due to equipment failure or other unplanned stoppage. In an effort to reduce non-productive time, the target for this metric was set at a 15% reduction from the 2009 level. We were able to reduce non-productive downtime by 14%, which resulted in an achievement of 94% of the allocation of this metric.

Once the Committee approved the calculation of the achievement of the metrics as shown above, the Committee funded the 2010 Bonus Plan pool at 104.6%. Given their responsibilities regarding our Manufacturing Division, 10% of the bonuses of Messrs. Ralls, Buvens and Wells and 100% of Mr. Burke's bonus are determined by the Manufacturing Division bonus plan. Slight rounding adjustments to the NEO bonuses were made and Mr. Burke's received a discretionary additional bonus of \$16,720.

The 2010 Manufacturing Division bonus plan applied to 136 employees, and each employee has an incentive target that is a percentage of base salary. Awards are based on performance against ten metrics. These metrics address safety, profitability, return on capital employed, inventory management, and aftermarket sales, with some measures at the business unit level, and some at both the business unit and the full division level. The weight given to each metric varies depending on the employee's function and scope of authority. Final individual bonus amounts are subject to discretionary adjustments approved by Mr. Burke, the division's CEO. The bonus pool could be as low as zero or as high as 200% of target

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depending on the achievement of the metrics and on Mr. Burke's discretionary adjustments, and must be no greater than 5% of the Manufacturing Division's pre-tax income.

The Committee then approved the 2010 bonus for our CEO, taking into account the Board's evaluation of Mr. Ralls' performance in 2010, and approved the bonuses to be paid to our NEOs. The CEO then allocated the remaining bonus pool among the Company's operating and corporate groups based on each group's performance.

### **Long-Term Incentive Compensation.**

As described below under "Adoption of Strategic Equity Scorecard Approach," the Committee employs a long-term incentive approach to ensure that management remains focused on achieving the Company's strategic objectives leading to long-term stockholder value creation.

Annual long-term incentive awards are expected to be made in the first quarter of each year. Any equity awards to newly hired executive officers below the NEO level are recommended by the CEO and approved by the Committee at the next regularly scheduled Committee meeting on or following the hire date. Since 2003, all option grants have had market-based exercise prices.

Long-term incentive awards for our NEOs are granted using a combination of performance-influenced restricted stock and SARs. For each NEO, 50% of his target award is granted in time-based restricted stock, the value of which is determined by a multiple of the individual's base salary and the Company's performance against the strategic equity scorecard described below. Once granted, the restricted stock vests pro rata over three years. The remaining 50% of the target award is granted in the form of SARs, with an exercise price equal to fair market value on the date of grant and vesting pro rata over three years. The value of SARs granted is determined using a Black-Scholes pricing model.

For performance in 2010, long-term incentive awards for our NEOs were made under the 2009 Plan. For 2011 and future years, Mr. Burke will receive awards under a newly adopted LeTourneau Plan under which certain executives of LeTourneau receive a combination of SARs and Performance Restricted Stock units based on performance against long term goals contained in a strategic equity scorecard very similar to Rowan's.

### **Adoption of Strategic Equity Scorecard Approach**

In 2009, the Committee revised the long-term incentive compensation program for the Company in order to more closely align executive behavior with the strategic long-term objectives of the Company. The Committee believes that the offshore drilling industry presents unique challenges in designing a long-term incentive program, such as:

Highly capital intensive;

Long lead times on capital decisions;

Very cyclical demand;

Tied to volatile commodity prices and demands;

Current managers live with capital decisions made by previous management teams; and

Operating results depend heavily on the stage of the industry cycle.

Despite these challenges, retaining and motivating managers through the cycle is critical to creating stockholder value over time. Due to the challenging cyclical nature of the drilling industry and the resulting stock price volatility, traditional long-term incentive equity approaches fall short of providing meaningful





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performance linkage for the Company and the executive. Traditional incentive-based awards, such as restricted stock, lack a sufficient motivational performance component, and performance-based equity relies too heavily on long-term goal setting or market-based results. Traditional performance-based awards also fail to measure significant progress towards multi-year strategic objectives and tend to focus only on the completion of long-term goals. The Committee considered traditional approaches to granting equity, but in 2009, chose the scorecard approach, which it believes is truly suited to the Company's current situation and the long-term benefit of its stockholders.

Scorecard Approach. The scorecard approach allows the Company to reward executives for decisions that maximize the long-term health of the Company and that translate into long-term stockholder value creation. The scorecard provides a meaningful tool for the Company to communicate critical strategic objectives to its executives and employees. This requires the executive to be accountable in the long-term for decisions made in the short-term.

The Committee uses the scorecard to measure financial and operational results and determines the executives' long-term incentive grant value based on Company-wide results. The scorecard approach permits the Committee to use a process whereby the restricted stock portion of the long-term incentive value is adjusted based on the Company's annual performance against strategic objectives.

Scorecard Process. The process for the strategic scorecard is:

In the first quarter of the year, the Company and the Committee agree on the top strategic priorities that will be included in the scorecard (typically three to five goals);

These priorities are outlined on a scorecard;

At the end of the year, the Committee evaluates the CEO's assessment of Company performance against these objectives and progress toward long-term priorities, with measurable criteria for each objective;

The Committee then determines a grade for each priority and an overall grade for the Company on the strategic objectives;

The overall Company grade is applied to the portion of target long-term incentive value that is payable in restricted stock for all participants (the highest grade would equate to 125% of target value, the lowest grade would equate to 75% of target value); and

Individual allocation to participants is based on individual performance.

2010 Goals. In 2010, the following strategic objectives were agreed upon by the Company and the Committee:

Grow and Diversify the Rig Fleet

Grow the Earnings Power of the Fleet

Enhance Leadership Development

Maximize Stockholder Value from Manufacturing Division

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### Enhance Tone at the Top

In February 2011, the Committee assessed performance against each of these strategic objectives and subjectively determined a grade for each priority and an overall Company grade. This grade was then used to set the long-term incentive value for participants' 2010 restricted stock portion of the long-term incentive award at 117% of target.

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### **Clawback Provision**

Our 2009 Plan contains a clawback provision that provides that, if within five years of the grant or payment of an award under the 2009 Plan, (1) the Company's reported financial or operating results are subject to a material negative restatement or (2) a participant engages in conduct which is fraudulent, negligent or not in good faith, and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Company or its affiliates (as determined in the sole discretion of the Committee), then in each case the Committee may, in its discretion, seek to recoup all or a portion of such grant or payment.

### **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:

<u>Position</u>	<u>Value to be Retained</u>
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 until his 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 elected instead to receive a car allowance of \$15,000 per year. In 2010, all of our NEOs other than Mr. Keller elected to receive the car allowance. Mr. Ralls does not use a Company vehicle and does not receive a car allowance. Effective April 1, 2011, all car allowances will be converted to base salary adjustments and no car allowances will be provided thereafter.

*Use of club membership:* The Company pays for the initiation fee and monthly membership fees for certain golf or social clubs for certain of our 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 airplanes:* Company-owned aircraft are periodically used in connection with the entertainment of customers and vendors. Occasionally, our employees are permitted to bring

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family members while entertaining third parties. None of the NEOs or their family members used Company-owned aircraft for personal travel in 2010.

*Executive physical program:* At our expense, each of the NEOs is encouraged to have a complete and professional personal physical exam periodically.

*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 100% of the first 6% of eligible salary contributed by the employee, a defined benefit pension plan, and medical, dental and term life insurance.

**Employment Contracts and Severance Arrangements**

We do not have any employment agreements or severance arrangements with our NEOs, other than related to a change in control as described below. For pension and benefit restoration plan (SERP) benefits payable as of December 31, 2010 upon a voluntary termination, involuntary termination or a change of control, please see the Potential Post-Employment Payment Table on page 32.

In December 2007, the Committee and the Board approved change in control agreements (CIC Agreements) with each of the executive officers, including the NEOs who were employees at that time. Upon commencement of employment with the Company, Mr. Ralls and Mr. Burke each received a CIC Agreement. The CIC Agreements provide that, in the event the employment of the executive officer is terminated or modified under certain circumstances following a change in control of the Company (so-called double trigger agreements), the Company will pay the executive officer:

A multiple of the sum of the executive officer's base salary and calculated bonus;

A calculated payment under the then current short-term incentive bonus opportunity;

An amount equal to any forfeited account balance or accrued benefit under tax qualified plans maintained by the Company; and

Any accrued but unused vacation pay.

The multiple of base salary and calculated bonus used for the change in control payment calculation is 2.99 for the chief executive officer, 2.5 for Mr. Burke, 2.0 for the other NEOs and one senior vice president and 1.0 for all other executive officers. The CIC Agreements for Messrs. Buvens, Keller, Ralls, Russell and Wells also provide for a parachute tax gross-up, medical coverage for a transition period and outplacement services. The CIC Agreement for Mr. Burke does not contain a gross-up provision and the Board has agreed that no future CIC agreement will contain a gross-up provision. A supplement to the CIC Agreements provides that equity awards held by the officer will become fully vested and exercisable upon a change in control. Stock options and stock appreciation rights will be exercisable until the earlier of the second anniversary of the change in control or the expiration of the original exercise period, and performance shares will be paid out at the target value of the award, with proration based on the timing of the change in control within the performance period. The Committee has committed not to include excise tax gross up provisions in future contractual arrangements with new NEOs.

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Set forth below are the actual payments that would be made to each listed executive under the CIC Agreements in the event his employment is terminated or modified following a change in control of the Company. The payments listed below assume a termination date of December 31, 2010.

<b>Payments</b>	<b>Ralls(1)</b>	<b>Russell</b>	<b>Keller</b>	<b>Buven</b>	<b>Wells</b>	<b>Burke</b>
Severance	\$5,783,976	\$1,612,480	\$1,375,000	\$1,219,578	\$1,194,630	\$1,440,000
Prorata Bonus Payment	842,400	290,063	255,938	208,494	208,494	233,280
Unvested Stock Options/SARs	4,501,868	1,101,468	815,520	633,184	633,184	-
Unvested Restricted	4,577,015	1,891,040	1,424,607	1,121,519	1,088,843	523,650
<b>Stock/Performance Shares</b>						
LTI Plan Payment	-	865,000	640,389	497,258	497,258	-
Retirement Benefit Payment	27,246	-	-	-	-	6,686
Welfare Benefit Values	26,981	20,675	17,987	20,675	17,987	17,987
Outplacement	25,000	25,000	25,000	25,000	25,000	25,000
Excise Tax & Gross-Up	3,228,768	1,116,045	809,124	-	-	-
<b>Aggregate Payments</b>	<b>\$ 19,013,254</b>	<b>\$ 6,921,771</b>	<b>\$ 5,363,565</b>	<b>\$ 3,725,708</b>	<b>\$ 3,665,396</b>	<b>\$ 2,246,603</b>

**Director Compensation**

In 2010, the Committee reviewed all aspects of non-management director compensation. After comparison to the reference group of companies, the Committee determined that the non-management director compensation was below market, and accordingly, made the following revisions:

Eliminated all meeting fees;

Increased the annual cash retainer to \$70,000;

Adjusted the annual RSU grant from a fixed number of units to a fixed dollar value of \$140,000; and

Adjusted the RSU grant to newly elected directors from a fixed unit amount to a fixed dollar value amount of \$25,000.

**Indemnification Agreements**

The Company has entered into an indemnification agreement with each of our NEOs and non-management directors (as well as certain other officers of the Company). These agreements provide for us to, among other things, indemnify the individual against certain liabilities that may arise by reason of his or her status or service as a director or officer, to advance expenses incurred as a result of certain proceedings and to cover him or her under our directors' and officers' liability insurance policy. These agreements are intended to provide indemnification rights to the fullest extent permitted under Delaware law and under our governing documents.

**Accounting for Stock-Based Compensation**

On January 1, 2006, the Company began accounting for stock-based compensation including its long-term incentive awards, in accordance with the requirements of SFAS No. 123R, now codified as FASB ASC Topic 718.



**Table of Contents****Limitation of Deductions**

Section 162(m) of the Internal Revenue Code generally limits the deductibility of executive compensation paid to the Company's NEOs to \$1 million per year for federal income tax purposes, but contains an exception for certain performance-based compensation. In making compensation decisions, the Committee considers the potential deductibility of proposed compensation to its executive officers and will continue to do so in the future. However, the Committee may elect to approve non-deductible compensation arrangements if the Committee believes that such arrangements are in the best interests of the Company and its stockholders.

**EXECUTIVE COMPENSATION**

The following table summarizes executive compensation received by our NEOs for 2008, 2009 and 2010.

Name and Principal Position	Year	Salary \$(2)	Bonus \$(3)	Stock Awards \$(4)	Option Awards \$(5)	Non-Equity Incentive Plan \$(6)	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation \$(8)	Total (\$)
							\$(7)		
W. Matt Ralls, President & CEO (1)	2010	800,000	842,400	1,979,165	1,411,578		200,390	14,700	5,248,233
	2009	800,000	1,134,440	1,500,000	1,410,928		63,855	7,350	4,916,573
	2008	60,605			716,000		3,014		779,619
David P. Russell, EVP, Drilling Operations	2010	425,000	290,000	677,125	611,688		277,602	35,974	2,317,389
	2009	400,000	365,000	650,000	611,394		148,715	25,211	2,200,320
	2008	400,000	306,393	1,452,939		75,807	315,739	30,474	2,581,352
Mark A. Keller, EVP, Business Development	2010	375,000	260,000	520,833	452,886		199,792	35,192	1,843,703
	2009	350,000	295,000	481,250	452,674		126,333	19,588	1,724,845
	2008	350,000	240,836	1,205,537		67,864	260,870	22,832	2,147,939
John L. Buvens, EVP, Legal	2010	330,000	208,000	416,666	351,624		254,430	29,700	1,590,420
	2009	318,000	275,000	373,650	351,466		150,220	19,288	1,487,624
	2008	318,000	219,043	547,787		61,433	284,796	23,050	1,454,109
William H. Wells, SVP & CFO	2010	330,000	208,000	390,646	351,624		160,683	29,700	1,470,653
	2009	318,000	265,000	373,650	351,466		93,142	19,288	1,420,546
	2008	318,000	219,289	547,787		61,187	145,002	23,050	1,314,315
Thomas P. Burke President & CEO, LeTourneau (9)	2010	360,000	250,000					8,269	618,269
	2009	19,446		355,530					374,976

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- (1) Mr. Ralls joined the Company in December 2008 and became President and CEO effective January 1, 2009.
- (2) Amounts reflect annual salaries effective April 1 of the year indicated, except the 2008 amount for Mr. Ralls and the 2009 amount for Mr. Burke, which reflect base wages earned in those periods.
- (3) Amounts shown for bonus awards reflect amounts earned for performance in that year, and were paid in March of the following year.
- (4) Amounts reflect aggregate grant-date fair values for restricted stock awards and performance share targets, which are computed in accordance with FASB ASC Topic 718. For 2010, each of the following restricted stock awards was valued at \$27.80 per share: Ralls 71,193 shares; Russell 24,357 shares; Keller 18,735 shares; Buvens 14,988 shares; and Wells 14,052 shares. For 2009, each of the following restricted stock awards was valued at \$16.69 per share: Ralls 89,874 shares; Russell 38,946 shares; Keller 28,836 shares; Buvens 22,389 shares; and Wells 22,389 shares. For 2008, each of the following restricted stock awards was valued at \$40.56 per share: Russell 11,544 shares; Keller 8,547 shares; Buvens 6,636 shares; and Wells 6,636 shares. Also in 2008, each of the following restricted stock awards was valued at \$14.71 per share: Russell 33,995 shares and Keller 33,995 shares; these shares were granted to Messrs. Russell and Keller as retention awards during our CEO transition period. Also shown in 2008 are performance share targets with a determination date of April 2011, which are based on probable outcome of performance conditions and valued at \$43.96 per share: Russell 11,026 shares; Keller 8,163 shares; Buvens 6,339 shares; and Wells 6,339 shares.
- (5) Amounts for each year reflect grant-date fair values for such awards, computed in accordance with FASB ASC Topic 718. The 2010 SAR awards were valued at \$14.00 per share: Ralls 100,827 shares; Russell 43,692 shares; Keller 32,349 shares; Buvens 25,116 shares; and Wells 25,116 shares. The 2009 SAR awards were valued at \$9.03 per share: Ralls 156,249 shares; Russell 67,707 shares; Keller 50,130 shares; Buvens 38,922 shares; and Wells 38,922 shares. The 2008 stock option award was valued at \$7.16 per share: Ralls 100,000 shares.
- (6) Amounts reflect awards under the 2008 Profit Sharing Plan that were paid in the first quarter of 2009. Each award was the maximum payout (20% of base salary) under the Profit Sharing Plan. There was no Profit Sharing Plan in 2009 or 2010.
- (7) Amounts reflect the aggregate increase during the applicable year in the actuarial present value of accumulated retirement plan benefits. The Company does not have a non-qualified deferred compensation plan. See pages 31 and 32 for further information regarding NEO retirement benefits.
- (8) All other compensation for 2010 included the following amounts:

Name	Personal Use of				Total
	Company	Company	Vehicle or Club Memberships (c)	Executive	
	Contributions to Savings Plan(a)	Allowance(b)		Physical	
Ralls	\$14,700	-	-	-	\$14,700
Russell	\$14,700	\$15,000	\$ 6,274	-	\$35,974
Keller	\$14,700	\$ 5,000	\$15,492	-	\$35,192
Buvens	\$14,700	\$15,000	-	-	\$29,700



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Wells	\$14,700	\$15,000	-	-	\$29,700
Burke	\$ 6,369	-	-	\$1,900	\$ 8,269

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- (a) Amounts reflect matching contributions made on behalf of each NEO in 2010 to the Savings Plan.
- (b) For Mr. Keller, the amount reflects the estimated cost of commuting miles driven during 2010 based upon the Company's per mile cost for each vehicle. Mr. Keller did not otherwise use the vehicle for personal use. For the other NEOs, amount reflects the car allowance received in 2010. Mr. Ralls did not receive a car allowance.
- (c) Amounts reflect payments made on behalf of or reimbursements made to each NEO during 2010 for memberships to dining, golf or country clubs. These club memberships are primarily for business use. The entire amount has been included, although we believe that only a portion of this cost represents a perquisite.
- (9) Mr. Burke was hired December 1, 2009, and was not eligible to participate in the LeTourneau Retirement Income Plan (RIP) before it was frozen.

**2010 Grants of Plan-Based Awards**

The following table shows potential non-equity incentive award payouts and grants of restricted stock and SARs during 2010 to our NEOs.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards (number of shares) (2)	All Other Option/Awards (number of securities underlying options)(3)	Grant-Date Fair Value of Stock and Option Awards (\$ per share)(4)
		Threshold(\$)	Target(\$)	Maximum(\$)	Threshold (#)	Target (# shares)	Maximum (# Shares)			
Ralls	03/05/2010	0	800,000	1,600,000	-	-	-	71,193	100,827	27.80/14.00
Russell	03/05/2010	0	276,275	552,500	-	-	-	24,357	43,692	27.80/14.00
Keller	03/05/2010	0	243,750	487,500	-	-	-	18,735	32,349	27.80/14.00
Buvenus	03/05/2010	0	198,000	396,000	-	-	-	14,988	25,116	27.80/14.00
Wells	03/05/2010	0	198,000	396,000	-	-	-	14,052	25,116	27.80/14.00
Burke	03/05/2010	0	216,000	432,000	-	-	-	-	-	-

- (1) Reflects the range of bonus that potentially could have been earned during 2010 based upon the achievement of performance goals under our 2010 Bonus Plan. The amounts actually earned in 2010 have been determined, were paid in March 2011, and are reflected in the Executive Compensation table on 27.
- (2) Reflects the number of shares of restricted stock granted in 2010 to our NEOs under our 2009 Plan. These awards vest pro rata over three years.
- (3) Reflects the number of SARs awarded in 2010 to our NEOs under our 2009 Plan. The SARs are exercisable at \$27.80 per share and vest pro rata over three years.
- (4) The dollar values disclosed in this column are the grant-date per-share fair values computed in accordance with FAS 123R. The assumptions used in calculating the grant date fair values are set forth in Note 8 of the Notes to Consolidated Financial Statements in our 2010 Annual Report on Form 10-K.



**Table of Contents****Outstanding Equity Awards at December 31, 2010**

The following table shows the number of shares underlying unexercised stock options and SARs and the number of shares and value of unvested restricted stock outstanding on December 31, 2010 for our NEOs.

Name	Option/SAR Awards(1)				Stock Awards			Equity Incentive Plan Awards: Market
	Number of Securities Underlying Exercisable	Number of Securities Underlying Unexercisable	Option Exercise Prices(\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (#)(3)	Value or Payout Value of Unearned Shares That Have Not Vested (\$)(2)
Ralls	0	100,000	\$15.31	12/2/2018	131,109	\$4,577,015	0	0
	52,083	104,166	\$17.39	5/5/2019				
	0	100,827	\$27.80	3/5/2020				
Russell	3,350	0	\$21.19	4/25/2013	54,169	\$1,891,040	24,778	\$865,000
	10,000	0	\$25.27	7/21/2014				
	13,100	0	\$24.98	5/17/2015				
	6,372	0	\$43.85	4/28/2016				
	22,569	45,138	\$17.39	5/5/2019				
	0	43,692	\$27.80	3/5/2020				
Keller	12,473	0	\$13.12	9/20/2011	40,808	\$1,424,607	18,344	\$640,389
	3,350	0	\$6.19	4/25/2013				
	6,700	0	\$21.19	4/25/2013				
	55,000	0	\$25.27	7/21/2014				
	14,600	0	\$24.98	5/17/2015				
	6,372	0	\$43.85	4/28/2016				
	16,710	33,420	\$17.39	5/5/2019				
	0	32,349	\$27.80	3/5/2020				
Buvens	6,700	0	\$21.19	4/25/2013	32,126	\$1,121,519	14,244	\$497,258
	55,000	0	\$25.27	7/21/2014				
	14,600	0	\$24.98	5/17/2015				
	6,372	0	\$43.85	4/28/2016				
	12,974	25,948	\$17.39	5/5/2019				
	0	25,116	\$27.80	3/5/2020				
Wells	5,025	0	\$21.19	4/25/2013	31,190	\$1,088,843	14,244	\$497,258
	25,000	0	\$25.27	7/21/2014				
	11,700	0	\$24.98	5/17/2015				
	6,258	0	\$43.85	4/28/2016				
	12,974	25,948	\$17.39	5/5/2019				
	0	25,116	\$27.80	3/5/2020				
Burke	n/a	n/a	n/a	n/a	15,000	\$523,650	0	0

(1) Amounts reflect outstanding stock options or SARs granted between April 27, 2000 and March 5, 2010 under the Company's equity plans. Stock options and SARs generally become exercisable pro rata over a three- or four-year service period, and all options or SARs not exercised expire ten years after the date of grant, except Mr. Ralls' 2008 stock option grant, which has a three-year cliff vesting.

(2)

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The amounts set forth in this column equal the number of shares indicated multiplied by the closing price of our common stock (\$34.91) on December 31, 2010.

- (3) Performance awards shown assume a target payout and are net of forfeitures. Such shares will not be paid out, if at all, until after the performance period ends on April 11, 2011.

**Table of Contents****2010 Option Exercises and Stock Vested**

The following table shows the number and value of stock options exercised and stock vested during 2010 for our NEOs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Ralls	0	0	29,958	865,487
Russell	0	0	59,336	1,764,264
Keller	32,000	272,320	53,780	1,605,792
Buvens	12,000	78,360	16,299	455,788
Wells	9,000	55,080	16,188	452,874
Burke	0	0	0	0

(1) The amounts set forth in this column equal the number of shares of stock acquired upon exercise during 2010 multiplied by the difference between the option exercise price and closing price of our common stock on the dates of exercise.

(2) The amounts set forth in this column equal the number of shares of restricted stock and performance-based stock awards that vested during 2010 multiplied by the closing price of our common stock on the date of vesting.

**Equity Compensation Plans Not Approved by Security Holders**

There are no equity compensation plans that have not been approved by our stockholders.

**Pension Benefits Table**

The table below shows the present value of accumulated benefit for each NEO at December 31, 2010. We have provided the present value of accumulated benefits at December 31, 2010 using a discount rate of 5.46% for the Rowan Pension Plan and Rowan benefit restoration plan ( SERP ) and a discount rate of 5.41% for the LeTourneau Retirement Income Plan ( RIP ) and LeTourneau SERP.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit(\$)	Payments During
				Last Fiscal Year(\$)
Ralls	Rowan Pension	2	28,168	0
	Rowan SERP	2	239,091	0
Russell	Rowan Pension	26	982,410	0
	Rowan SERP	26	411,632	0
Keller	Rowan Pension	18	955,431	0
	Rowan SERP	18	367,301	0
Buvens	Rowan Pension	30	1,382,996	0
	Rowan SERP	30	387,278	0
Wells	Rowan Pension	16	577,232	0
	Rowan SERP	16	165,117	0
Burke(1)	LeTourneau RIP	N/A	N/A	N/A

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LeTourneau SERP

N/A

N/A

N/A

- (1) Mr. Burke was hired December 1, 2009, and did not gain eligibility for the LeTourneau RIP before it was frozen.

**Table of Contents****Potential Post-Employment Payment Table**

The following table reflects benefits payable in the event of voluntary termination, involuntary termination or a change of control as if the termination date were December 31, 2010 under the Company's pension plans and SERPs:

	Plan name	Age at 12/31/2010	Frozen Plan benefit monthly annuity starting age 60	Frozen Plan benefit monthly annuity	Cash balance lump sum starting age 60	Cash balance lump sum starting January 1, 2011
				Starting January 1, 2011		
Ralls (1)	Rowan Pension	61.49	N/A	N/A	\$28,168	\$28,168
	Rowan SERP	61.49	N/A	N/A	239,091	239,091
Russell	Rowan Pension	49.61	\$7,827	\$3,756	86,603	52,040
	Rowan SERP	49.61	2,264	1,086	221,084	132,850
Keller	Rowan Pension	58.61	5,459	5,072	55,375	52,040
	Rowan SERP	58.61	1,542	1,433	105,478	99,126
Buvens	Rowan Pension	54.97	9,088	6,778	81,015	63,192
	Rowan SERP	54.97	1,883	1,404	128,900	100,543
Wells	Rowan Pension	48.69	4,741	2,080	71,513	40,889
	Rowan SERP	48.69	789	346	129,058	73,792
Burke (2)	LeTourneau RIP	43.27	N/A	N/A	N/A	N/A
	LeTourneau SERP	43.27	N/A	N/A	N/A	N/A

- (1) Mr. Ralls is not vested as of December 31, 2010; therefore, the amounts shown are for information purposes only.  
(2) Mr. Burke was hired December 1, 2009, and did not gain eligibility for the LeTourneau RIP before it was frozen.

**PROPOSAL NO. 2****RATIFICATION OF INDEPENDENT AUDITORS**

The firm of Deloitte & Touche LLP has been appointed as principal auditors for the Company for the year ending December 31, 2011. We are asking you to ratify that appointment. A representative of Deloitte & Touche LLP is expected to be present at the 2011 Annual Meeting of Stockholders and will be offered the opportunity to make a statement if he desires to do so. Such representative will also be available to respond to appropriate questions.

The Audit Committee approved the appointment of Deloitte & Touche LLP to conduct the audit of the Company's consolidated financial statements for 2011.

**Recommendation of the Board**

**The Board of Directors and Audit Committee recommend you vote FOR ratification of the appointment of Deloitte & Touche LLP as independent auditors.**



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**AUDIT COMMITTEE REPORT**

**Membership and Role of the Audit Committee**

Our Audit Committee members are all non-employee members of the Board of Directors: William T. Fox III (Chairman), Thomas R. Hix and Robert E. Kramek. The Audit Committee operates under a written charter adopted by the Board of Directors, which is available on the Company's website at [www.rowancompanies.com](http://www.rowancompanies.com) under Investor Relations Governance Audit Committee Charter and is available in print upon request. Each of the members of the Audit Committee meets the independence requirements of the New York Stock Exchange currently in effect and is financially literate as such qualifications are interpreted by the Board of Directors in its business judgment. However, the Audit Committee is not professionally engaged in the practice of accounting, auditing and evaluating auditor independence. The Audit Committee held five meetings during 2010.

**Review of the Company's Audited Financial Statements for the Year ended December 31, 2010**

The Audit Committee has reviewed and discussed with the Company's management the audited consolidated financial statements of the Company for the year ended December 31, 2010. The Audit Committee has also discussed with Deloitte & Touche LLP, the Company's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, regarding communication with audit committees, as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T.

The Audit Committee has also received the written disclosures and the letter from Deloitte & Touche required by the applicable requirements of the PCAOB regarding communications with the Audit Committee concerning independence, and the Audit Committee has discussed with Deloitte & Touche LLP its independence from management and the Company.

Based on the Audit Committee's review and discussions with management and the independent auditors, and subject to the limitations of the Audit Committee's role and responsibilities referred to above and in the Audit Committee Charter, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the Securities and Exchange Commission.

*The Audit Committee of the Board of Directors*  
William T. Fox III, Chairman  
Thomas R. Hix  
Robert E. Kramek

*February 24, 2011*

*The foregoing report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.*

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The table below sets forth the fees paid to Deloitte & Touche LLP over the past two years. All such audit, audit-related and tax services were pre-approved by the Audit Committee, which concluded that the provision of such services by Deloitte & Touche LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee has delegated to its Chairman the authority to pre-approve audit-related and non-audit services not prohibited by law to be performed by the Company's independent auditors and associated fees, provided that the Chairman shall report any decisions to pre-approve such audit-related and non-audit services and fees to the full Audit Committee at its next regular meeting.

Fees billed by Deloitte & Touche LLP in 2009 and 2010 were as follows:

	2010	2009
Audit fees(a)	\$ 2,047,157	\$ 3,387,459
Audit-related fees(b)	653,761	3,600
Tax fees(c)	845,449	1,460,405
All other fees		
<b>Total</b>	<b>\$ 3,546,367</b>	<b>\$ 4,851,464</b>

- (a) Fees for audit services billed in 2009 and 2010 consisted of:

Audit of the Company's annual financial statements;

Reviews of the Company's quarterly financial statements;

Statutory audits;

Services related to SEC matters; and

Attestation of management's assessment of internal controls, as required by Section 404 of the Sarbanes-Oxley Act.

- (b) Fees for audit-related services billed in 2009 consisted of subscriptions to an online technical library. Fees for audit-related services billed in 2010 consisted of a separate financial audit of the Company's manufacturing business, assistance with the Company's acquisition of Skeie Drilling and Production AS, and subscriptions to an online technical library.
- (c) Fees for tax services billed in 2009 and 2010 consisted of tax compliance and tax planning advice. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings.

**PROPOSAL NO. 3**

**ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION**

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We are asking stockholders to approve an advisory resolution on the Company's executive compensation as reported in this proxy statement. As described above in the Compensation Discussion and Analysis section of this proxy statement, the Compensation Committee has structured our executive compensation program to achieve the following key objectives:

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**Pay For Performance**

Align our executive compensation with short-term and long-term performance of the Company and individuals

Set a significant portion of each NEO's total direct compensation to be in the form of variable compensation

**Stay True to Our Values**

Commit to an injury-free workplace and ensuring employee focus on safety through incentives

Uphold the highest level of integrity by providing limited executive perquisites and maintaining a clawback policy for compensation awards

Creating a culture of continuous improvement by using incentives to improve cost effectiveness in our bonus plan and through improvement goals under our long-term incentive plan

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

**Attract and Retain Talent**

Ensure that our compensation is competitive with the companies with which we compete for talent and capital so that we can retain and motivate our executives

Compete effectively for the highest quality people who will determine our long-term success

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 18 of this proxy statement, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Executive Compensation Table and other related compensation tables and narrative appearing on pages 27 to 32, which provide detailed information on the compensation of our named executive officers.

The Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the Compensation Discussion and Analysis are effective in achieving our goals and that the compensation of NEOs reported in this proxy statement has contributed to the Company's recent and long-term success.

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended ( Exchange Act ), and as a matter of good corporate governance, we are asking stockholders to approve the following advisory resolution at the Annual Meeting:

RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's NEOs disclosed in the Compensation Discussion and Analysis, the Executive Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company's Annual Meeting.

This advisory resolution, commonly referred to as a say-on-pay resolution, is non-binding on the Board of Directors. Although non-binding, the Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

**Recommendation of the Board**

**The Board of Directors recommends a vote FOR the approval of the advisory resolution on executive compensation.**

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**PROPOSAL NO. 4**

**ADVISORY VOTE ON THE FREQUENCY OF FUTURE**

**ADVISORY VOTES ON EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Exchange Act, we are asking stockholders to vote on whether future advisory votes on executive compensation of the nature reflected in Proposal No. 3 above should occur every year, every two years or every three years.

After careful consideration and dialogue with our stockholders and other advisors, the Board of Directors has determined that holding an advisory vote on executive compensation every year is the most appropriate policy for the Company at this time, and recommends that stockholders vote for future advisory votes on executive compensation to occur every year.

While the Company's executive compensation programs are designed to promote a long-term connection between pay and performance, the Board of Directors recognizes that executive compensation disclosures are made annually. Given that the say-on-pay advisory vote provisions are new, holding an annual advisory vote on executive compensation provides the Company with more direct and immediate feedback on our compensation disclosures. However, stockholders should note that because the advisory vote on executive compensation occurs well after the beginning of the compensation year, and because the different elements of our executive compensation programs are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to change our executive compensation programs in consideration of any one year's advisory vote on executive compensation by the time of the following year's annual meeting of stockholders.

We believe that an annual advisory vote on executive compensation is consistent with our practice of seeking input and engaging in dialogue with our stockholders on corporate governance matters and our executive compensation philosophy, policies and practices.

This advisory vote on the frequency of future advisory votes on executive compensation is non-binding on the Board of Directors. Stockholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. Stockholders are not voting to approve or disapprove the Board's recommendation. Although non-binding, the Board and the Compensation Committee will carefully review the voting results. Notwithstanding the Board's recommendation and the outcome of the stockholder vote, the Board may in the future decide to conduct advisory votes on a less frequent basis and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

**Recommendation of the Board**

**The Board of Directors recommends stockholders vote to conduct future advisory votes on executive compensation each year.**

**ADDITIONAL INFORMATION**

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

All of Rowan's directors, executive officers and any greater than ten percent stockholders are required by Section 16(a) of the Exchange Act to file with the SEC initial reports of ownership and reports of changes in ownership of Rowan common stock and to furnish the Company with copies of such reports. Based on a review of those reports and written representations that no other reports were required, we believe that all applicable Section 16(a) filing requirements were complied with during the year ended December 31, 2010.

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**Form 10-K**

**The Company will furnish without charge to any person whose proxy is being solicited, upon written request of such person, a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC, including the financial statements and any financial statement schedules thereto. The Company will furnish to any such person any exhibit described in the list accompanying the Form 10-K, upon the payment, in advance, of reasonable fees related to the Company's furnishing such exhibit(s). All requests for copies of such report and/or exhibit(s) should be directed to Ms. Melanie M. Trent, Corporate Secretary, at the Company's principal address shown below.**

**Questions?**

If you have any questions or need more information about the Annual Meeting please write to us at our principal executive offices:

Melanie M. Trent  
Vice President & Corporate Secretary  
Rowan Companies, Inc.  
2800 Post Oak Boulevard, Suite 5450  
Houston, Texas 77056

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