

ENCORE ACQUISITION CO
Form 4
February 12, 2009

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
OLLE THOMAS

2. Issuer Name and Ticker or Trading Symbol
ENCORE ACQUISITION CO [EAC]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
777 MAIN STREET, SUITE 1400

(Street)

3. Date of Earliest Transaction (Month/Day/Year)
02/10/2009

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
VP, Strategic Solutions

FORT WORTH, TX 76102

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Price		
			Code	V	Amount		
Common Stock	02/10/2009		F		770	D	
					\$ 29.05		47,475
						D	
Common Stock	02/11/2009		F		457	D	
					\$ 26.62		47,018
						D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
OLLE THOMAS 777 MAIN STREET SUITE 1400 FORT WORTH, TX 76102			VP, Strategic Solutions	

Signatures

/s/ Robert C. Reeves
(attorney-in-fact) 02/12/2009

__Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ign="left" valign="bottom"> 0

Supplemental Executive Retirement Plan	68,438	68,438	68,438	68,438	68,438
Anti-Dilution Adjustment for Special Dividend(6)	22,500	22,500	22,500	0	0
Outplacement Services(7)	25,000	25,000	25,000	0	0
Total:	\$ 2,372,565	\$ 2,672,565	\$ 2,179,554	\$ 68,438	\$ 68,438

(1) This severance is payable not less frequently than in equal monthly installments following termination or, in the

case of the Named Executive Officer's death, in a lump sum.

- (2) This represents amounts payable under our Management Bonus Program, which generally provides for a lump sum payment in the event of any involuntary termination not for Cause (as defined in the Management Bonus Program), or due to death, Disability (as defined in the Management Bonus Program) or Retirement (as defined in the Management Bonus Program) at or after age 60.
- (3) This represents \$193,011 payable under our Management Bonus Program and \$300,000 payable under our Incentive Compensation Plan (based on the actual performance award paid for 2007). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before to the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award which is prorated to the date of cessation of employment, but based upon the Performance-Based Amount (as defined in the plan) for either the entire performance period or the portion thereof preceding such Retirement, death or Disability, as determined by the Compensation Committee.
- (4) Any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon involuntary termination without Cause, death or Disability of the Named Executive Officer or voluntary termination for Good Reason will be fully vested on the date of termination and be eligible for exercise as provided for in the Stock Option Plan. The amounts shown represent the value of newly vested stock options or SARs, calculated by multiplying the number of accelerated in-the-money options or SARs by the difference between the exercise price and the closing price (\$142.00) per share of our common stock on December 31, 2007.

Table of Contents

- (5) This value is based on the COBRA rate and assumes that coverage continues until the end of the term of the Named Executive Officer's employment agreement on December 31, 2009.
- (6) This is the amount payable pursuant to an anti-dilution adjustment under the terms of our Stock Option Plan based on unvested option and/or SAR awards outstanding as of November 2, 2007, assuming all such awards become fully vested on the date of termination.
- (7) This assumes the maximum payment under this obligation.

The following table describes the potential payments upon termination for Mr. John M. Vecchio, our Senior Vice President - Technical Services.

Executive Benefits & Payments Upon Termination	Involuntary Termination Without Cause	Death or Disability	Voluntary Termination for Good Reason	Voluntary Termination Without Good Reason	Involuntary Termination for Cause
Compensation:					
Base Salary (\$374,150)(1)	\$ 748,300	\$ 748,300	\$ 748,300	\$ 0	\$ 0
Annual Incentive Compensation	159,268(2)	421,268(3)	0	0	0
Unvested & Accelerated Stock Options(4)	561,900	561,900	561,900	0	0
Unvested & Accelerated SARs(4)	617,175	617,175	617,175	0	0
Benefits:					
Post-Termination Health Care(5)	16,614	16,614	16,614	0	0
Life and Disability Insurance Coverages	7,118	7,118	7,118	0	0
Supplemental Executive Retirement Plan	31,045	31,045	31,045	31,045	31,045
Anti-Dilution Adjustment for Special Dividend(6)	22,500	22,500	22,500	0	0
Outplacement Services(7)	25,000	25,000	25,000	0	0
Total:	\$ 2,188,920	\$ 2,450,920	\$ 2,029,652	\$ 31,045	\$ 31,045

- (1) This severance is payable not less frequently than in equal monthly installments following termination or, in the case of the Named Executive Officer's death, in a lump sum.
- (2) This represents amounts payable under our Management Bonus Program, which generally provides for a lump sum payment in the event of any involuntary termination not for Cause (as defined in the Management Bonus Program), or due to death, Disability (as defined in the Management Bonus Program) or Retirement (as defined in the Management Bonus Program) at or after age 60.
- (3) This represents \$159,268 payable under our Management Bonus Program and \$262,000 payable under our Incentive Compensation Plan (based on the actual performance award paid for 2007). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other

than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before to the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award which is prorated to the date of cessation of employment, but based upon the Performance-Based Amount (as defined in the plan) for either the entire performance period or the portion thereof preceding such Retirement, death or Disability, as determined by the Compensation Committee.

- (4) Any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon involuntary termination without Cause, death or Disability of the Named Executive Officer or voluntary termination for Good Reason will be fully vested on the date of termination and be eligible for exercise as provided for in the Stock Option Plan. The amounts shown represent the value of newly vested stock options or

Table of Contents

SARs, calculated by multiplying the number of accelerated in-the-money options or SARs by the difference between the exercise price and the closing price (\$142.00) per share of our common stock on December 31, 2007.

- (5) This value is based on the COBRA rate and assumes that coverage continues until the end of the term of the Named Executive Officer's employment agreement on December 31, 2009.
- (6) This is the amount payable pursuant to an anti-dilution adjustment under the terms of our Stock Option Plan based on unvested option and/or SAR awards outstanding as of November 2, 2007, assuming all such awards become fully vested on the date of termination.
- (7) This assumes the maximum payment under this obligation.

Chief Executive Officer. Our Chief Executive Officer, James S. Tisch, is not party to an employment agreement with our company; however, like our other executive officers, upon termination of his employment Mr. Tisch would be entitled to receive, to the extent not previously paid, his base salary through the date of termination, the amount of any compensation accrued as of the date of termination (except as he had otherwise previously requested) and any expense reimbursements and any other cash entitlements accrued as of the date of termination. Mr. Tisch is also a participant in our Incentive Compensation Plan and our Supplemental Executive Retirement Plan. Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before to the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award which is prorated to the date of cessation of employment, but based upon the Performance-Based Amount (as defined in the plan) for either the entire performance period or the portion thereof preceding such Retirement, death or Disability, as determined by the Compensation Committee. Assuming his employment had terminated on December 31, 2007, if the termination was due to his death or Disability, Mr. Tisch could have received a maximum award of \$300,000 under the Incentive Compensation Plan for 2007, although Mr. Tisch declined to accept any award under the Incentive Compensation Plan for 2007. In addition, under our Supplemental Executive Retirement Plan, Mr. Tisch would have been entitled to a payment in the amount of \$41,856 upon such termination for any reason.

STOCK OPTION PLAN

Our Stock Option Plan authorizes the issuance of options and/or SARs to acquire up to 1,500,000 shares of our common stock, of which 829,715 shares had been issued as of December 31, 2007. Stock options have a maximum term of ten years, subject to earlier termination under certain conditions, and, unless otherwise specified by the Board, Executive Committee or Compensation Committee at the time of the grant, vest in four equal, annual installments over four years. SARs have a maximum term of ten years, subject to earlier termination under certain conditions, and vest as specified by the Board, Executive Committee or Compensation Committee at the time of the grant. During 2007, options to acquire 6,500 shares of our common stock and 187,950 SARs were granted under the Stock Option Plan.

Table of Contents

The following table shows information regarding awards granted to each of our Named Executive Officers under our Stock Option Plan and amounts earned by each of our Named Executive Officers under our Incentive Compensation Plan and Management Bonus Program during the year ended December 31, 2007.

Grants of Plan-Based Awards for 2007

Name	Grant Date	Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		All Other Option/SAR Awards: Number of Securities Underlying Option/SAR Awards(1)	Exercise or Base Price of Awards(2)	Closing Market Price of Grant	Grant Date Fair Value of Stock and Option/SAR Awards(3)
			Target	Maximum				
James S. Tisch	04/02/07	4/02/07			7,500	\$ 81.42	\$ 82.22	\$ 275,400
	07/02/07	4/02/07			7,500	101.97	104.69	247,875
	10/01/07	4/02/07			7,500	114.21	114.06	256,200
	12/31/07	4/02/07			7,500	144.44	142.00	327,225
			\$ 300,000(4)	\$ 300,000(4)				
Gary T. Krenek	04/02/07	4/02/07			2,000	81.42	82.22	73,440
	07/02/07	4/02/07			2,000	101.97	104.69	66,100
	10/01/07	4/02/07			2,000	114.21	114.06	68,320
	12/31/07	4/02/07			2,000	144.44	142.00	87,260
			\$ 320,000(4)	\$ 320,000(4)				
Lawrence R. Dickerson	04/02/07	4/02/07			5,625	81.42	82.22	206,550
	07/02/07	4/02/07			5,625	101.97	104.69	185,906
	10/01/07	4/02/07			5,625	114.21	114.06	192,150
	12/31/07	4/02/07			5,625	144.44	142.00	245,419
			\$ 675,000(4)	\$ 675,000(4)				
John L. Gabriel, Jr.	04/02/07	4/02/07			2,000	81.42	82.22	73,440
	07/02/07	4/02/07			2,000	101.97	104.69	66,100
	10/01/07	4/02/07			2,000	114.21	114.06	68,320
	12/31/07	4/02/07			2,000	144.44	142.00	87,260
			\$ 400,000(4)	\$ 400,000(4)				
John M. Vecchio	04/02/07	4/02/07			2,000	81.42	82.22	73,440
	07/02/07	4/02/07			2,000	101.97	104.69	66,100
	10/01/07	4/02/07			2,000	114.21	114.06	68,320

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12/31/07	4/02/07		2,000	144.44	142.00	87,260
		\$ 350,000(4)	\$ 350,000(4)			

- (1) These amounts represent awards of SARs granted under our Stock Option Plan. In 2007 our Compensation Committee established an annual award in April authorizing the award of SARs to our executive officers in four increments over the year. These SARs vest with respect to 25% of the total number of securities underlying each grant on an annual basis commencing on the anniversary of the first grant date of the year. Please read our Compensation Discussion and Analysis above under the heading Stock Based Awards for more information concerning awards under our Stock Option Plan.
- (2) In accordance with our Stock Option Plan, the exercise prices per share were calculated in accordance with our Stock Option Plan by averaging the high and low sales prices of our common stock as traded on The New York Stock Exchange on the business day immediately preceding the grant date.
- (3) Represents the maximum fair value of each equity award recognizable in accordance with FAS 123(R) and does not include any estimates of forfeitures for service-based vesting.
- (4) These amounts represent the target and maximum awards, respectively, established under our Incentive Compensation Plan for 2007. The actual amounts paid for 2007, which were authorized for payment by our Compensation Committee in February 2008, are reported in the Summary Compensation Table above under the heading Non-Equity Incentive Plan Compensation. Awards under our Incentive Compensation Plan are not subject to thresholds. Please read our Compensation Discussion and Analysis above, under the heading

Table of Contents

Incentive Compensation Plan, for more information concerning awards under our Incentive Compensation Plan.

The following table shows information regarding awards granted to each of our Named Executive Officers under our Stock Option Plan outstanding as of December 31, 2007. All awards with expiration dates prior to January 2016 represent stock options, and all awards with expiration dates during or after January 2016 represent SARs.

Outstanding Equity Awards at Fiscal Year-End for 2007

Name	Number of Securities Underlying Unexercised Options/SARs Exercisable	Option/SAR Awards(1)		
		Number of Securities Underlying Unexercised Options/SARs Unexercisable	Option/SAR Exercise Price	Option/SAR Expiration Date
James S. Tisch		1,875	\$ 22.49	5/18/2014
		1,875	23.65	7/01/2014
		1,875	32.78	10/01/2014
		1,875	39.98	12/31/2014
		3,750	45.77	4/19/2015
		3,750	53.60	7/01/2015
		3,750	61.90	10/03/2015
		3,750	69.38	12/31/2015
		5,625	92.67	4/27/2016
		5,625	83.44	7/03/2016
		5,625	71.87	10/02/2016
		5,625	79.77	12/31/2016
		7,500	81.42	4/02/2017
		7,500	101.97	7/02/2017
		7,500	114.21	10/01/2017
	7,500	144.44	12/31/2017	
Gary T. Krenek		313	22.49	5/18/2014
		313	23.65	7/01/2014
		313	32.78	10/01/2014
		313	39.98	12/31/2014
		688	45.77	4/19/2015
		688	53.60	7/01/2015
		688	61.90	10/03/2015
		688	69.38	12/31/2015
	343	1,032	92.67	4/27/2016
		1,032	83.44	7/03/2016
		1,032	71.87	10/02/2016
		1,032	79.77	12/31/2016

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2,000	81.42	4/02/2017
2,000	101.97	7/02/2017
2,000	114.21	10/01/2017
2,000	144.44	12/31/2017

Table of Contents

Name	Number of Securities Underlying Unexercised Options/SARs	Option/SAR Awards(1)		Option/SAR Exercise Price	Option/SAR Expiration Date
		Number of Securities Underlying Unexercised Options/SARs	Unexercisable		
Lawrence R. Dickerson			1,407	\$ 22.49	5/18/2014
			1,407	23.65	7/01/2014
			1,407	32.78	10/01/2014
			1,407	39.98	12/31/2014
			2,813	45.77	4/19/2015
			2,813	53.60	7/01/2015
			2,813	61.90	10/03/2015
			2,813	69.38	12/31/2015
			4,219	92.67	4/27/2016
			4,219	83.44	7/03/2016
			4,219	71.87	10/02/2016
			4,219	79.77	12/31/2016
			5,625	81.42	4/02/2017
			5,625	101.97	7/02/2017
			5,625	114.21	10/01/2017
	5,625	144.44	12/31/2017		
John L. Gabriel, Jr.	500		500	22.49	5/18/2014
			500	23.65	7/01/2014
			500	32.78	10/01/2014
			500	39.98	12/31/2014
			1,000	45.77	4/19/2015
			1,000	53.60	7/01/2015
			1,000	61.90	10/03/2015
			1,000	69.38	12/31/2015
			1,500	92.67	4/27/2016
			1,500	83.44	7/03/2016
			1,500	71.87	10/02/2016
			1,500	79.77	12/31/2016
			2,000	81.42	4/02/2017
			2,000	101.97	7/02/2017
			2,000	114.21	10/01/2017
	2,000	144.44	12/31/2017		
John M. Vecchio			500	22.49	5/18/2014
			500	23.65	7/01/2014

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	500	32.78	10/01/2014
	500	39.98	12/31/2014
	1,000	45.77	4/19/2015
	1,000	53.60	7/01/2015
	1,000	61.90	10/03/2015
	1,000	69.38	12/31/2015
500	1,500	92.67	4/27/2016
	1,500	83.44	7/03/2016
	1,500	71.87	10/02/2016
	1,500	79.77	12/31/2016
	2,000	81.42	4/02/2017
	2,000	101.97	7/02/2017
	2,000	114.21	10/01/2017
	2,000	144.44	12/31/2017

- (1) Each stock option and SAR granted to the Named Executive Officers and reported above vests and becomes exercisable with respect to 25% of its underlying securities per year over the first four years of its term, and has or will commence vesting nine years prior to the first expiration date reported for stock options or SARs in each calendar year above.

Table of Contents

The following table shows information regarding the exercise of awards granted under our Stock Option Plan by those of our Named Executive Officers who exercised awards during the year ended December 31, 2007.

Option Exercises and Stock Vested for 2007

Name	Option Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise
James S. Tisch	150,000	\$ 9,656,692
Gary T. Krenek	10,277	\$ 518,282
Lawrence R. Dickerson	45,000	\$ 3,035,306
John L. Gabriel, Jr.	7,500	\$ 334,290
John M. Vecchio	9,500	\$ 454,307

TRANSACTIONS WITH RELATED PERSONS

We have a written policy that any transaction, regardless of the size or amount, involving us or any of our subsidiaries in which any of our directors, director nominees, executive officers, principal shareholders or any of their immediate family members has had or will have a direct or indirect material interest, be reviewed and approved or ratified by our Audit Committee, without the participation of any member who may be involved in the transaction. All such transactions are to be submitted to our General Counsel for review and reported to our Audit Committee for its consideration. In each case, the Audit Committee will consider, in light of all of the facts and circumstances it deems relevant, whether the transaction is fair and reasonable to us.

Transactions with Loews. Prior to the initial public offering of our common stock in October 1995, or the Initial Public Offering, we were a wholly owned subsidiary of Loews. In connection with the Initial Public Offering, we entered into agreements with Loews pursuant to which Loews provides certain management, administrative and other services to us and certain other obligations were assumed by the parties. These agreements, which are described below, were not the result of arm's length negotiations between the parties.

Services Agreement. We are party to a services agreement with Loews, or the Services Agreement, pursuant to which Loews performs certain administrative and technical services on our behalf. These services include personnel, telecommunications, purchasing, internal auditing, accounting, data processing and cash management services, in addition to advice and assistance with respect to preparation of tax returns and obtaining insurance. Under the Services Agreement, we are required to reimburse Loews for (i) allocated personnel costs (such as salaries, employee benefits and payroll taxes) of the Loews personnel actually providing such services and (ii) all out-of-pocket expenses related to the provision of such services. The Services Agreement may be terminated at our option upon 30 days notice to Loews and at the option of Loews upon six months' notice to us. In addition, we have agreed to indemnify Loews for all claims and damages arising from the provision of services by Loews under the Services Agreement unless due to the gross negligence or willful misconduct of Loews. We were charged \$0.4 million by Loews for these support functions during the year ended December 31, 2007.

Registration Rights Agreement. Under a Registration Rights Agreement dated as of October 16, 1995, as amended, between us and Loews, subject to certain limitations, we will file, upon the request of Loews, one or more registration

statements under the Securities Act of 1933, as amended, subject to a maximum of two remaining requests, in order to permit Loews to offer and sell any of our common stock that Loews may hold. Loews will bear the costs of any such registered offering, including any underwriting commissions relating to shares it sells in any such offering, any related transfer taxes and the costs of complying with non-U.S. securities laws, and any fees and expenses of separate counsel and accountants retained by Loews. We have the right to require Loews to delay any exercise by Loews of its rights to require registration and other actions for a period of up to 90 days if, in our judgment, any offering by us then being conducted or about to be conducted would be adversely affected. In addition, we have the right to require Loews to suspend the use of any resale prospectus or prospectus supplement included in a shelf registration statement for a reasonable period of time, not to exceed 90 days in any one instance or an aggregate of 120 days in any 12-month period, if we are conducting or about to conduct an underwritten public

Table of Contents

offering of our securities for our own account, or would be required to disclose information regarding our company not otherwise then required by law to be publicly disclosed where such disclosure would reasonably be expected to adversely affect any material business transaction or negotiation in which we are then engaged. Subject to certain conditions, we have also granted Loews the right to include its shares of our common stock in any registration statements covering offerings of our common stock by us, and we will pay all costs of such offerings other than underwriting commissions and transfer taxes attributable to the shares sold on behalf of Loews. We will indemnify Loews, and Loews will indemnify us, against certain liabilities in respect of any registration statement or offering covered by the registration rights agreement, as amended.

In addition, during 2007 we paid premiums and fees of approximately \$45,000 for four performance bonds that we purchased from Fianzas Monterrey, S.A., an indirect subsidiary of Loews, after obtaining competitive quotes. We purchased these performance bonds in support of our drilling operations offshore Mexico. Their aggregate penal sum was approximately \$81.2 million.

Transactions with Other Related Parties. During 2007, we hired marine vessels and helicopter transportation services at the prevailing market rate from subsidiaries of SEACOR Holdings Inc. Mr. Fabrikant, who is a member of our Board of Directors, is the Chairman of the Board of Directors, President and Chief Executive Officer of SEACOR Holdings Inc. For the year ended December 31, 2007, we paid \$4.6 million for the hire of such vessels and such services.

During the year ended December 31, 2007 we made payments of \$1.1 million to Ernst & Young LLP for tax and other consulting services. The wife of our President and Chief Operating Officer is an audit partner at this firm.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

(Proposal No. 2)

The Audit Committee of our Board of Directors has selected Deloitte & Touche LLP to serve as our independent auditors for 2008. Although it is not required to do so, our Board of Directors wishes to submit the selection of Deloitte & Touche LLP for ratification by our stockholders at the Annual Meeting. Even if this selection is ratified by stockholders at the Annual Meeting, the Audit Committee may in its discretion change the appointment at any time during the year if it determines that such a change would be in our best interests and the best interests of our stockholders. If our stockholders do not ratify the selection of Deloitte & Touche LLP, the Audit Committee will reconsider its selection.

We expect that representatives of Deloitte & Touche LLP will be present at the Annual Meeting, with an opportunity to make a statement should they desire to do so, and will be available to respond to appropriate questions from stockholders.

Audit Fees

Deloitte & Touche LLP and its affiliates billed the following fees for professional services rendered to us and our subsidiaries for the years ended December 31, 2007 and 2006:

	2007	2006
Audit Fees(1)	\$ 1,421,000	\$ 1,439,000
Audit-Related Fees(2)	60,000	40,000

Tax Fees(3)	136,000	68,000
All Other Fees		
Total	\$ 1,617,000	\$ 1,547,000

- (1) Includes the aggregate fees and expenses for the audit of our annual financial statements and internal control over financial reporting, reviews of our quarterly financial statements and various statutory audits of our foreign subsidiaries.
- (2) Includes the aggregate fees and expenses for the audit of our employee benefit plans.
- (3) Includes the aggregate fees and expenses for tax compliance and tax planning and consulting services.

Table of Contents

Auditor Engagement and Pre-Approval Policy

In order to assure the continued independence of our independent auditor, currently Deloitte & Touche LLP, the Audit Committee has adopted a policy requiring its pre-approval of all audit and non-audit services performed by the independent auditor. Under this policy, the Audit Committee annually pre-approves certain limited, specified recurring services which may be provided by Deloitte & Touche LLP, subject to maximum dollar limitations. All other engagements for services which may be provided by Deloitte & Touche LLP must be specifically pre-approved by the Audit Committee, or a designated committee member to whom this authority has been delegated. Since its adoption of this policy in July 2003, the Audit Committee or its designee has pre-approved all engagements by us and our subsidiaries for services of Deloitte & Touche LLP, including the terms and fees thereof, and concluded that such engagements were compatible with the continued independence of Deloitte & Touche LLP in serving as our independent auditor.

The Board of Directors recommends a vote FOR Proposal No. 2.

SOLICITATION EXPENSES

We will bear the cost of preparing, printing and mailing this Proxy Statement and the accompanying proxy card and of this solicitation of proxies on behalf of our Board of Directors. In addition to solicitation by mail, we may solicit proxies personally, by telephone or other means. Brokerage houses and other custodians and nominees will be asked whether other persons are beneficial owners of the shares of our common stock which they hold of record, and, if so, they will be supplied with additional copies of the proxy materials for distribution to the beneficial owners. We will reimburse banks, nominees, brokers and other custodians for the reasonable costs of sending the proxy materials to the beneficial owners of our common stock.

COMMUNICATIONS WITH DIAMOND OFFSHORE AND OTHERS

Interested parties, including stockholders, wishing to communicate directly with the Lead Director, other non-management directors or the Board as a whole may do so by writing to Diamond Offshore Drilling, Inc., 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary. Stockholders should clearly specify in each communication the name of the individual director or group of directors to whom the communication is addressed. We will deliver all such communications to the director or directors to whom they are addressed.

Stockholder proposals intended for inclusion in the proxy statement to be issued in connection with our 2009 annual meeting of stockholders must be addressed to: Diamond Offshore Drilling, Inc., 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary, and must be received no later than December 3, 2008.

Stockholder proposals submitted outside of the Commission's procedures for including such proposals in our proxy statement must be mailed or delivered to the attention of the Corporate Secretary at the address above and must be received by our Corporate Secretary no later than December 3, 2008. If a proposal is received after that date, our proxy for the 2009 annual meeting of stockholders may confer discretionary authority to vote on such matter without any discussion of such matter in the proxy statement for the 2009 annual meeting of stockholders.

OTHER MATTERS

While management has no reason to believe that any other business will be presented, if any other matters should properly come before the Annual Meeting, the proxies will be voted as to such matters in accordance with the best judgment of the proxy holders.

By Order of the Board of Directors

William C. Long
Senior Vice President, General Counsel and Secretary

Table of Contents

*DIAMOND OFFSHORE DRILLING, INC.
15415 KATY FREEWAY
HOUSTON, TX 77094*

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by Diamond Offshore Drilling, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Diamond Offshore Drilling, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: **DIAMO1** KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DIAMOND OFFSHORE DRILLING, INC.	For All	Withhold All	For All Except
1. Election of Directors			
NOMINEES: 01) James S. Tisch,	o	o	o
02) Lawrence R. Dickerson, 03) John R. Bolton, 04) Charles L. Fabrikant, 05) Paul G. Gaffney II, 06) Herbert C. Hofmann, 07) Arthur L. Rebell, and 08) Raymond S. Troubh			

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

For Against Abstain

Table of Contents

Important Notice Regarding Internet Availability of Proxy Materials for the 2008 Annual Meeting of Stockholders: The Notice of Annual Meeting and Proxy Statement are available at www.proxyvote.com.

DIAMOND OFFSHORE DRILLING, INC.

COMMON

This proxy is solicited on behalf of the Board of Directors for the
2008 Annual Meeting of Stockholders on May 20, 2008

The undersigned hereby appoints Lawrence R. Dickerson, William C. Long and Gary T. Krenek, and any one of them, and any substitute or substitutes, to be the attorneys and proxies of the undersigned at the 2008 Annual Meeting of Stockholders of Diamond Offshore Drilling, Inc. (the Company) to be held at the Regency Hotel, 540 Park Avenue, New York, New York 10021 at 11:30 a.m. local time, and at any adjournments or postponements of said meeting, and to vote at such meeting the shares of stock the undersigned held of record on the books of the Company on the record date for the meeting.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this Proxy will be voted FOR all nominees as directors, FOR the proposal to ratify the appointment of Deloitte & Touche LLP as the independent auditors of the Company for fiscal year 2008, and in accordance with the discretion of the persons designated above, with respect to any other business that may properly come before the meeting.