OCEANEERING INTERNATIONAL INC
Form 10-K
February 25, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-10945

OCEANEERING INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-2628227**
State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization	**Identification No.)**
11911 FM 529	
Houston, Texas	**77041**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (713) 329-4500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.25 par value	**New York Stock Exchange**
Rights to Purchase Series B Junior Participating Preferred Stock (currently traded with Common Stock)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ Yes ¨ No

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

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

Aggregate market value of the voting stock held by nonaffiliates of the registrant computed by reference to the closing price of $44.90 of the Common Stock on the New York Stock Exchange as of June 30, 2010, the last business day of the registrant s most recently completed second quarter: $2,415,511,000

Number of shares of Common Stock outstanding at February 11, 2011: 54,115,382

Documents Incorporated by Reference:

Portions of the proxy statement relating to the registrant s 2011 annual meeting of shareholders, to be filed on or before May 2, 2011 pursuant to Regulation 14A of the Securities Exchange Act of 1934, are incorporated by reference to the extent set forth in Part III, Items 10-14 of this report.

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Oceaneering International, Inc.

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PART I

Item 1. Business.

GENERAL DEVELOPMENT OF BUSINESS

Oceaneering International, Inc. is a global oilfield provider of engineered services and products primarily to the offshore oil and gas industry, with a focus on deepwater applications. Through the use of its applied technology expertise, Oceaneering also serves the defense, entertainment and aerospace industries. Oceaneering was organized as a Delaware corporation in 1969 out of the combination of three diving service companies founded in the early 1960s. Since our establishment, we have concentrated on the development and marketing of underwater services and products requiring the use of advanced deepwater technology. We are one of the world s largest underwater services contractors. The services and products we provide to the oil and gas industry include remotely operated vehicles, built-to-order specialty subsea hardware, engineering and project management, subsea intervention services, including manned diving, nondestructive testing and inspection, and mobile offshore production systems. We have locations in the United States and 20 other countries. Our international operations, principally in the North Sea, West Africa, Brazil, Australia and Asia, accounted for approximately 51% of our revenue, or $1.0 billion, for the year ended December 31, 2010.

Our business segments are contained within two businesses services and products provided to the oil and gas industry (Oil and Gas) and all other services and products (Advanced Technologies). Our four business segments within the Oil and Gas business are Remotely Operated Vehicles (ROVs), Subsea Products, Subsea Projects and Inspection. We report our Advanced Technologies business as one segment. Unallocated expenses are those not associated with a specific business segment. These consist of expenses related to our incentive and deferred compensation plans, including restricted stock and bonuses, as well as other general expenses.

Oil and Gas. The focus of our Oil and Gas business has been toward increasing our asset base for providing services and products for deepwater offshore operations and subsea completions.

ROVs. Prior to 1995, we purchased most of our ROVs, which are submersible vehicles operated from the surface and widely used in the offshore oil and gas industry. However, in response to increased demand for more powerful systems operating in deeper water, we expanded our capabilities and established an in-house facility to design and build work-class ROVs to meet the continued expansion of our ROV fleet. In 2007, we moved our ROV manufacturing operations to a larger facility in Morgan City, LA. This facility consolidated several separate facilities we had in the area. We have built over 200 ROV systems, and we are producing all our new ROVs in-house. For a few years leading into 2005, except for units we have purchased from other ROV operators, we had kept the number of our work-class ROVs at a constant level and built new systems for replacement and upgrade of our existing fleet. In 2004, we completed the acquisition of 34 additional work-class ROVs and related business operations from Stolt Offshore S.A. and 10 work-class ROVs and related equipment and business operations in North and South America from Fugro N.V. During the six-year period ended December 31, 2010, in response to increased demand in the deepwater market, we added 137 ROVs, including 134 that we built, and disposed of 45 ROVs. At December 31, 2010, we owned 260 work-class ROVs.

Subsea Products. Through our Oceaneering Intervention Engineering division, we construct a variety of built-to-order specialty subsea hardware. In 2005, we acquired Grayloc Products, L.L.C. and its subsidiary (together, Grayloc), an oil and gas industry supplier of high performance clamp connectors used in production manifold, flowline and valve installations, and in 2010 we acquired all the operating assets of SMX International Canada Inc., a Canadian manufacturer of clamp connectors, check valves, and universal ball joints to augment Grayloc s business. In 2007, we purchased Ifokus Engineering AS, a Norwegian designer and manufacturer of specialty subsea products, particularly ROV tooling. In 2008, we purchased GTO Subsea AS (GTO), a Norwegian rental provider of specialized subsea dredging equipment, including ROV-deployed units, to the offshore oil and gas industry.

Our Umbilical Solutions division, formerly named Oceaneering Multiflex, provides various types of subsea umbilicals. Offshore operators use umbilicals to control subsea wellhead hydrocarbon flow rates, monitor downhole and wellhead conditions and perform chemical injection. Subsea umbilicals are also used to provide power and additional fluid transfer to other subsea processing hardware, including pumps and gas separation equipment. We entered this market in 1994 through our purchase of the operating subsidiaries of Multiflex International Inc. During 1998, we constructed an umbilical plant in Brazil and relocated, modernized and increased the capabilities, including the production of steel tube umbilicals, of our umbilical manufacturing facility in Scotland. During 2004, we moved our U.S. facility to a new location, which has additional capacity and the capability of producing steel tube umbilicals, and added limited steel tube capability to our plant in Brazil. In 2006, we increased the thermoplastic umbilical capability at our Scotland facility. In 2010, we began to make modifications to our Brazil umbilical facility to increase its capacity and capabilities.

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Subsea Projects. Our Subsea Projects segment consists of our subsea installation, inspection, maintenance and repair services, primarily in the U.S. Gulf of Mexico, utilizing a fleet of two owned and two chartered dynamically positioned deepwater vessels with integrated high-specification work-class ROVs onboard, and shallow water diving vessels and assets. The deepwater vessels are equipped with thrusters that allow them to be dynamically positioned, which means they can maintain a constant position at a location without the use of anchors. They are used in pipeline or flowline tie-ins, pipeline crossings and subsea hardware interventions and installations. These vessels can carry and install coiled tubing or umbilicals required to bring subsea well completions into production (tie-back to production facilities). We occasionally charter vessels from others to augment our fleet. In 2006, we chartered a larger deepwater vessel, the *Ocean Intervention III*, for three years, with extension options for up to six additional years. The initial three-year term of the charter began in May 2007, and we have extended the term to May 2011. We also chartered an additional larger deepwater vessel, the *Olympic Intervention IV,* for an initial term of five years, which began in the third quarter of 2008. We outfitted each of these larger deepwater vessels with two of our high-specification work-class ROVs, and we have been utilizing these vessels to perform subsea hardware installation and inspection, repair and maintenance projects, and to conduct well intervention services in the ultra-deep waters of the U.S. Gulf of Mexico. We also charter or lease dynamically positioned vessels on a short-term basis. In 2010, we acquired a vessel, which we renamed the *Ocean Patriot*, and it is currently in a shipyard being outfitted for saturation diving service. We also placed an order to acquire a new, 12-man saturation (SAT) diving system to install on the *Ocean Patriot*. We anticipate the vessel will be available for SAT diving service in the second quarter of 2011.

The *Ocean Legend*, our last remaining mobile offshore production system, has been operating offshore Western Australia since 2001. The contract for the *Ocean Legend* is ending in 2011 and we plan to sell the system after that contract expires. We sold our floating production, storage and offloading system, the *Ocean Producer*, in December 2009. It had been operating off West Africa since 1991. With the sale of the Ocean Producer, our mobile offshore production systems business became insignificant to our overall performance. Consequently, our mobile offshore production systems results are now being reported in our Subsea Projects segment and our historical results have been conformed to the current year presentation.

In 2003, we purchased a 50% equity interest in Medusa Spar LLC, which owns 75% of a production spar platform. Medusa Spar LLC s revenue is derived from processing oil and gas production for a fee based on the volumes processed. The spar is currently located on the Medusa field in the U.S. Gulf of Mexico. Medusa Spar LLC has a contract covering production from the Medusa field and other nearby areas. Medusa Spar LLC financed its acquisition of its 75% interest in the production spar platform using approximately 50% debt and 50% equity from its equity holders. Medusa Spar LLC paid off the debt in 2008. For additional information regarding our interest in Medusa Spar LLC, see Management s Discussion and Analysis of Financial Condition and Results of Operation Results of Operations Other in Item 7 of Part II of this report.

Inspection. Our Inspection segment provides nondestructive testing and inspection and integrity management and assessment services. We supply inspection services to customers worldwide who are required to obtain third-party inspections to satisfy contractual structural specifications, internal safety standards or regulatory requirements.

General. We intend to continue our strategy of acquiring, as opportunities arise, additional assets or businesses, to improve our market position or expand into related service and product lines, either directly through merger, consolidation or purchase, or indirectly through joint ventures.

Advanced Technologies. In 1992 and 1993, we purchased two businesses that formed the basis of our Advanced Technologies segment. The first business designed, developed and operated robotic systems and ROVs specializing in non-oilfield markets and provided the basis for our expansion into commercial theme park animation and civil works projects. The second business designed, developed and fabricated spacecraft hardware and high-temperature insulation products.

FINANCIAL INFORMATION ABOUT SEGMENTS

For financial information about our business segments, please see the tables in Note 7 of the Notes to Consolidated Financial Statements in this report, which present revenue, income from operations, depreciation and amortization expense, equity earnings of unconsolidated affiliates and capital expenditures for 2010, 2009 and 2008, and identifiable assets, property and equipment and goodwill by business segment as of December 31, 2010 and 2009.

DESCRIPTION OF BUSINESS

Oil and Gas

Our Oil and Gas business consists of ROVs, Subsea Products, Subsea Projects and Inspection.

ROVs. ROVs are submersible vehicles operated from the surface. We use our ROVs in the offshore oil and gas industry to perform a variety of underwater tasks, including drill support, installation and construction support, pipeline inspection and surveys, and subsea production facility operation and maintenance. Work-class ROVs may be outfitted with manipulators, sonar, video cameras, specialized tooling packages and other equipment or features to facilitate the performance of specific underwater tasks. At December 31, 2010, we owned 260 work-class ROVs. We believe we operate the largest fleet of ROVs in the world. We also believe we are the industry leader in providing ROV services for drill support.

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ROV revenue:

	Amount *(in thousands)*	Percent of Total Revenue
2010	$ 662,105	34%
2009	649,228	35%
2008	625,921	32%

Subsea Products. We construct a variety of built-to-order specialty subsea hardware to ISO 9001 quality requirements. These products include:

- various types of subsea umbilicals utilizing thermoplastic hoses and steel tubes;
- ROV tooling and work packages;
- production control equipment;
- installation and workover control systems;
- clamp connectors;
- pipeline connector and repair systems;
- subsea and topside control valves;
- subsea chemical injection valves; and
- blowout preventer control systems.

We market these products under the trade names Oceaneering Umbilical Solutions, Oceaneering Intervention Engineering, Oceaneering Grayloc, Oceaneering Rotator and GTO Subsea.

Offshore well operators use subsea umbilicals and production control equipment to control subsea wellhead hydrocarbon flow rates, monitor downhole and wellhead conditions and perform chemical injection. They are also used to provide power and additional fluid transfer to other subsea processing hardware, including pumps and gas separation equipment. ROV tooling and work packages provide the operational link between an ROV and permanently installed equipment located on the sea floor. Valves are used to control and meter hydrocarbon production flow rates and to inject chemicals into production streams at the wellhead to enhance well flow characteristics.

Subsea Products revenue:

	Amount *(in thousands)*	Percent of Total Revenue
2010	$ 549,233	29%
2009	487,726	27%
2008	649,857	33%

Subsea Projects. We perform subsea intervention and hardware installation services, primarily in the U.S. Gulf of Mexico, from two owned and two chartered multiservice deepwater vessels. These services include: subsea well tie-backs; pipeline/flowline tie-ins and repairs; pipeline crossings; umbilical and other subsea equipment installations; subsea intervention; and inspection, repair and maintenance activities.

We supply commercial diving services to the oil and gas industry in the U.S. Gulf of Mexico using the traditional techniques of air, mixed gas and saturation diving, all of which use surface-supplied breathing gas. We do not use traditional diving techniques in water depths greater than 1,000 feet. On a limited basis, we also use atmospheric diving systems, which enclose the operator in a surface pressure diving suit, in water depths up to 2,300 feet.

The *Ocean Legend*, our last remaining mobile offshore production system, has been operating offshore Western Australia since 2001. The contract for the *Ocean Legend* is ending in 2011 and we plan to sell the system after that contract expires. We sold our floating production, storage and offloading system, the *Ocean Producer*, in December 2009. It had been operating off West Africa since 1991. With the sale of the Ocean Producer, our mobile offshore production systems business became insignificant to our overall performance. Consequently, our mobile offshore production systems results are now being reported in our Subsea Projects segment and our historical results have been conformed to the current year presentation.

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We own a 50% equity interest in Medusa Spar LLC, which owns 75% of a production spar platform. Medusa Spar LLC s revenue is derived from processing oil and gas production for a fee, based on the volumes processed. The spar is currently located on the Medusa field in the U.S. Gulf of Mexico. Medusa Spar LLC has a contract covering production from the Medusa field and other nearby areas. We report our interest in this entity s results in equity earnings of unconsolidated affiliates.

Subsea Projects revenue:

	Amount *(in thousands)*	Percent of Total Revenue
2010	$ 247,538	13%
2009	274,607	15%
2008	295,791	15%

Inspection. Through our Oceaneering Inspection division, we offer a wide range of inspection services to customers worldwide who are required to obtain third-party inspections to satisfy contractual structural specifications, internal safety standards or regulatory requirements. We provide these services principally to customers in the oil and gas, petrochemical and power generation industries. In the U.K., we provide Independent Inspection Authority services for the oil and gas industry, which includes first-pass integrity evaluation and assessment and nondestructive testing services. We use a variety of technologies to perform pipeline inspections, both onshore and offshore.

Inspection revenue:

	Amount *(in thousands)*	Percent of Total Revenue
2010	$ 223,469	12%
2009	216,140	12%
2008	249,109	12%

Advanced Technologies

Our Advanced Technologies segment provides engineering services and related manufacturing to meet a variety of industrial requirements, including ship and submarine husbandry, search and recovery, maintenance and repair, commercial theme park equipment and engineering services and products for the space industry.

We work for customers having specialized requirements in underwater or other hazardous environments outside the oil and gas industry. We provide support for the U.S. Navy, including underwater operations, data analysis, development of ocean-related computer software, and the design and development of new underwater tools and systems. We also install and maintain mechanical systems for the Navy s submarines, surface ships, offshore structures and moorings. We provide products and services to NASA and aerospace prime contractors. We manage the underwater activities for astronaut training at NASA s Neutral Buoyancy Laboratory and lead the development of a new Constellation Space Suit System. Our U.S. Navy and NASA-related activities substantially depend on continued government funding for space programs.

Advanced Technologies revenue:

	Amount *(in thousands)*	Percent of Total Revenue
2010	$ 234,700	12%
2009	194,380	11%

2008	156,743	8%

MARKETING

Oil and Gas. Oil and gas exploration and development expenditures fluctuate from year to year. In particular, budgetary approval for more expensive drilling and production in deepwater, an area in which we have a high degree of focus, may be postponed or suspended during periods when exploration and production companies reduce their offshore capital spending.

We market our ROVs, Subsea Products, Subsea Projects and Inspection services and products to domestic, international and foreign national oil and gas companies engaged in offshore exploration, development and production. We also provide services and products as a subcontractor to other oilfield service companies operating as prime contractors. Customers for these services typically award contracts on a competitive-bid basis. These contracts are typically less than one year in duration, although we enter into multi-year contracts from time to time.

In connection with the services we perform in our Oil and Gas business, we generally seek contracts that compensate us on a dayrate basis. Under dayrate contracts, the contractor provides the ROV or vessel and the required personnel to operate the unit and compensation is based on a rate per day for each day the unit is used. The typical dayrate depends on market conditions, the nature of the operations to be performed, the duration of the work, the equipment and services to be provided, the geographical areas involved and other variables. Dayrate contracts may also contain an alternate, lower dayrate that applies when a unit is moving to a new site or when operations are interrupted or restricted by equipment breakdowns, adverse weather or water conditions or other conditions beyond the contractor s control. Some dayrate contracts provide for revision of the specified dayrates in the event of material changes in the cost of labor or specified items. Sales contracts for our products are generally for a fixed price.

Advanced Technologies. We market our marine services and related engineering services to government agencies, major defense contractors, NASA and NASA prime contractors, and to construction, theme parks and other industrial customers outside the energy sector. We also market to insurance companies, salvage associations and other customers who have requirements for specialized operations in deep water.

Major Customers. Our top five customers in 2010, 2009 and 2008 accounted for 32%, 27% and 31%, respectively, of our consolidated revenue. All of our top five customers were oil and gas exploration and production companies served by our Oil and Gas business segments. In 2010, BP plc and subsidiaries accounted for 12% of our revenue. In 2009 and 2008, no single customer accounted for more than 10% of our consolidated revenue. While we do not depend on any one customer, the loss of one of our significant customers could, at least on a short-term basis, have an adverse effect on our results of operations and cash flows.

RAW MATERIALS

Most of the raw materials we use in our manufacturing operations, such as steel in various forms, copper, electronic components and plastics, are available from many sources. However, some components we use to manufacture subsea umbilicals are available from limited sources. With the exception of certain kinds of steel tube, where we are limited in the number of available suppliers, we can offer alternative materials or technologies in many cases, which depends on the requisite approval of our customers. While we have experienced some level of difficulty in obtaining certain kinds of steel tube in the past due to global demand outstripping capacity, an increase in supplier capacity, coupled with a drop in global demand, has resolved this issue, and we believe the situation is unlikely to recur in the near future. Additionally, the availability of certain grades of aramid fibers, which we use in the manufacture of our thermoplastic umbilicals, has been limited from time to time due to demand for military use. Presently, we are not experiencing such a shortage, and we do not anticipate a shortage in the foreseeable future.

COMPETITION

Our businesses operate in highly competitive industry segments.

Oil and Gas

We are one of several companies that provide underwater services and specialty subsea hardware on a worldwide basis. We compete for contracts with companies that have worldwide operations, as well as numerous others operating locally in various areas. We believe that our ability to provide a wide range of underwater services and products on a worldwide basis enables us to compete effectively in the oilfield exploration and development market. In some cases involving projects that require less sophisticated equipment, small companies have been able to bid for contracts at prices uneconomical to us.

ROVs. We believe we are the world s largest owner/operator of work-class ROVs employed in oil and gas related operations. We own 260 work-class ROVs, and estimate that this represents approximately 35% of the work-class ROVs utilized in the oil and gas service industry. We compete with several major companies on a worldwide basis and with numerous others operating locally in various areas.

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Competition for ROV services historically has been based on equipment availability, location of or ability to deploy the equipment, quality of service and price. The relative importance of these factors can vary over time based on market conditions. The ability to develop improved equipment and techniques and to train and retain skilled personnel is also an important competitive factor in our markets.

Subsea Products. There are many competitors offering specialized products. We are one of several companies that compete on a worldwide basis for the provision of thermoplastic and steel tube subsea control umbilicals, and compared to current market demand, we are faced with overcapacity in the umbilical manufacturing market.

Subsea Projects. We perform subsea intervention and hardware installation services, primarily in the U.S. Gulf of Mexico, from two owned and two chartered multiservice deepwater vessels. We are one of many companies that offer these services. In general, our competitors can move their vessels to the Gulf of Mexico from other locations with relative ease. We also have many competitors that supply commercial diving services to the oil and gas industry in the Gulf of Mexico.

Inspection. The worldwide inspection market consists of a wide range of inspection and certification requirements in many industries. We compete in only selected portions of this market. We believe that our broad geographic sales and operational coverage, long history of operations, technical reputation, application of various pipeline inspection technologies and accreditation to international quality standards enable us to compete effectively in our selected inspection services market segments.

Frequently, oil and gas companies use prequalification procedures that reduce the number of prospective bidders for their projects. In some countries, political considerations tend to favor local contractors.

Advanced Technologies

Engineering services is a very broad market with a large number of competitors. We compete in specialized areas in which we can combine our extensive program management experience, mechanical engineering expertise and the capability to continue the development of conceptual project designs into the manufacture of prototype equipment for customers.

SEASONALITY AND BACKLOG

A material amount of our consolidated revenue is generated from contracts for marine services in the U.S. Gulf of Mexico and the North Sea, which are usually more active from April through November compared to the rest of the year. Although most of our ROVs are engaged in providing drill support services, ROV activity in offshore construction and production field maintenance experiences seasonality, with the low point expected to be in the first quarter of the year. Our Inspection segment s operations remain more active from April through November as compared to the rest of the year. Revenues in our Subsea Products and Advanced Technologies segments are generally not seasonal.

The amounts of backlog orders we believed to be firm as of December 31, 2010 and 2009 were as follows (in millions):

	As of December 31, 2010		As of December 31, 2009	
	Total	1 + yr*	Total	1 + yr*
Oil and Gas				
ROVs	$ 1,144	$ 676	$ 942	$ 493
Subsea Products	384	46	321	77
Subsea Projects	54	5	65	
Inspection	200	76	226	86
Total Oil and Gas	1,782	803	1,554	656
Advanced Technologies	93	12	137	22
Total	$ 1,875	$ 815	$ 1,691	$ 678

* Represents amounts that were not expected to be performed within one year.

No material portion of our business is subject to renegotiation of profits or termination of contracts by the U.S. government.

PATENTS AND LICENSES

We currently hold a number of U.S. and foreign patents and have numerous pending patent applications. We have acquired patents and licenses and granted licenses to others when we have considered it advantageous for us to do so. Although in the aggregate our patents and licenses are important to us, we do not regard any single patent or license or group of related patents or licenses as critical or essential to our business as a whole. In general, we depend on our technological capabilities and the application of know-how rather than patents and licenses in the conduct of our operations.

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REGULATION

Our operations are affected from time to time and in varying degrees by foreign and domestic political developments and foreign, federal and local laws and regulations, including those relating to:

- operating from and around offshore drilling, production and marine facilities;
- national preference for local equipment and personnel;
- marine vessel safety;
- protection of the environment;
- workplace health and safety;
- taxation of earnings and earnings of expatriate personnel;
- license requirements for exportation of our equipment and technology; and
- currency conversion and repatriation.

In addition, our Oil and Gas business depends on the demand for our products and services from the oil and gas industry and, therefore, is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing offshore exploration and development drilling for oil and gas for economic and other policy reasons would adversely affect our operations by limiting demand for our services. We cannot determine the extent to which new legislation, new regulations or changes in existing laws or regulations may affect our future operations.

Our operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. These laws and regulations may also expose us to liability for the conduct of or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time such acts were performed.

Environmental laws and regulations that apply to our operations include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act (each, as amended) and similar laws that provide for responses to, and liability for, releases of hazardous substances into the environment. Environmental laws and regulations also include similar foreign, state or local counterparts to the above-mentioned federal laws, which regulate air emissions, water discharges, hazardous substances and waste, and require public disclosure related to the use of various hazardous substances. Our operations are also governed by laws and regulations relating to workplace safety and worker health, primarily, in the United States, the Occupational Safety and Health Act and regulations promulgated thereunder.

Compliance with federal, state and local provisions regulating the discharge of materials into the environment or relating to the protection of the environment has not had a material impact on our capital expenditures, earnings or competitive position. We cannot predict all of the environmental requirements or circumstances that will exist in the future but anticipate that environmental control and protection standards will become increasingly stringent and costly. Based on our experience to date, we do not currently anticipate any material adverse effect on our business or consolidated financial position, results of operations or cash flows as a result of future compliance with existing environmental laws and regulations. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by us, which may be material. Accordingly, there can be no assurance that we will not incur significant environmental compliance costs in the future.

Our quality management systems are registered as being in conformance with ISO 9001:2000 and cover:

- all our Oil and Gas products and services in the United Kingdom and Norway;
- our Remotely Operated Vehicle operations in the Gulf of Mexico, Brazil and Canada;
- our Inspection operations in the Western Hemisphere and Abu Dhabi;
- our Subsea Projects operations, except for shallow water diving;
- our Subsea Products segment; and
- the Oceaneering Space Systems, Oceaneering Technologies, Entertainment and Marine Services units of our Advanced Technologies segment.

ISO 9001 is an internationally recognized system for quality management established by the International Standards Organization, and the 2000 edition emphasizes customer satisfaction and continual improvement.

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EMPLOYEES

As of December 31, 2010, we had approximately 8,200 employees. Our workforce varies seasonally and peaks during the summer months. We consider our relations with our employees to be satisfactory.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

For financial information about our geographic areas of operation, please see the tables in Note 7 of the Notes to Consolidated Financial Statements in this report, which present revenue for 2010, 2009 and 2008 and long-lived assets as of December 31, 2010 and 2009 attributable to each of our major geographic areas. For a discussion of risks attendant to our foreign operations, see the discussion in Item 1A, Risk Factors under the heading Our international operations involve additional risks not associated with domestic operations.

AVAILABLE INFORMATION

Our Web site address is www.oceaneering.com. We make available through this Web site under Investor Relations SEC Financial Reports, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and Section 16 filings by our directors and executive officers as soon as reasonably practicable after we, or our executive officers or directors, as the case may be, electronically file those materials with, or furnish those materials to, the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information regarding the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a Web site, www.sec.gov, which contains reports, proxy and other information statements, and other information regarding issuers that file electronically with the SEC.

We have adopted, and posted on our Web site: our corporate governance guidelines; a code of ethics for our Chief Executive Officer and Senior Financial Officers; and charters for the Audit, Nominating and Corporate Governance and Compensation Committees of our Board of Directors.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive Officers. The following information relates to our executive officers as of February 22, 2011:

NAME	AGE	POSITION	OFFICER SINCE	EMPLOYEE SINCE
T. Jay Collins	64	President and Chief Executive Officer and Director	1993	1993
M. Kevin McEvoy	60	Executive Vice President and Chief Operating Officer	1990	1979
Marvin J. Migura	60	Senior Vice President and Chief Financial Officer	1995	1995
George R. Haubenreich, Jr.	63	Senior Vice President, General Counsel and Secretary	1988	1988
Kevin F. Kerins	57	Senior Vice President, ROVs	2006	1978
Knut Eriksen	60	Senior Vice President, Subsea Products	2010	2010
W. Cardon Gerner	56	Vice President and Chief Accounting Officer	2006	2006

Each executive officer serves at the discretion of our Chief Executive Officer and our Board of Directors and is subject to reelection or reappointment each year after the annual meeting of our shareholders. We do not know of any arrangement or understanding between any of the above persons and any other person or persons pursuant to which he was selected or appointed as an officer.

Business Experience. The following summarizes the business experience of our executive officers. Except where we otherwise indicate, each of these persons has held his current position with Oceaneering for at least the past five years.

T. Jay Collins, President and Chief Executive Officer, joined Oceaneering in 1993 as Senior Vice President and Chief Financial Officer. In 1995, he was appointed Executive Vice President Oilfield Marine Services. He was appointed our President and Chief Operating Officer in 1998 and our Chief Executive Officer in 2006. He was elected a director of Oceaneering in 2002.

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M. Kevin McEvoy, Executive Vice President and Chief Operating Officer, joined Oceaneering in 1984 when we acquired Solus Ocean Systems, Inc. Since 1984, he has held various senior management positions in each of our operating groups. He was appointed a Vice President in 1990, a Senior Vice President in 1998, Executive Vice President in 2006 and to the additional office of Chief Operating Officer in February 2010.

Marvin J. Migura, Senior Vice President and Chief Financial Officer, joined Oceaneering in 1995. From 1975 to 1994, he held various financial positions with Zapata Corporation, then a diversified energy services company, most recently as Senior Vice President and Chief Financial Officer from 1987 to 1994.

George R. Haubenreich, Jr., Senior Vice President, General Counsel and Secretary, joined Oceaneering in 1988.

Kevin F. Kerins, Senior Vice President, ROVs, joined Oceaneering in 1978. Since 1978, he has held a variety of positions of responsibility in ROV operations, marketing and administration in various geographic locations. He was appointed Vice President, Eastern Region ROVs in 2003, Vice President and General Manager, ROVs in 2006 and Senior Vice President, ROVs in August 2009.

Knut Eriksen joined Oceaneering in April 2010 as Senior Vice President, Subsea Products. He has over 30 years experience in the oil and gas industry, most recently with NATCO Group Inc., where he served as Senior Vice President, Global Execution from January 2006 to November 2009. The majority of his business experience is in deepwater engineering and offshore projects, and he previously held positions such as President of Engineering for Aker Maritime and Senior Vice President and head of Aker Kvaerner s Gulf of Mexico Deepwater Business Unit, both of which are now part of Aker Solutions ASA. He has also held the position of Vice President of Worldwide Deepwater Development at Unocal Corporation, which has since been acquired by Chevron Corp.

W. Cardon Gerner, Vice President and Chief Accounting Officer, joined Oceaneering in 2006. From 1999 to 2006, he held various financial positions with Service Corporation International, a global provider of death-care services, serving as Vice President Accounting from 2002 to 2006. He also served as Senior Vice President and Chief Financial Officer of Equity Corporation International 1995 to 1999. He is a Certified Public Accountant.

Item 1A. Risk Factors.

Investors in our company should consider the following matters, in addition to the other information we have provided in this report and the documents we incorporate by reference.

We derive most of our revenue from companies in the offshore oil and gas industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and gas prices.

We derive most of our revenue from customers in the offshore oil and gas exploration, development and production industry. The offshore oil and gas industry is a historically cyclical industry characterized by significant changes in the levels of exploration and development activities. Oil and gas prices, and market expectations of potential changes in those prices, significantly affect the levels of those activities. Worldwide political, economic and military events have contributed to oil and gas price volatility and are likely to continue to do so in the future. Any prolonged reduction in the overall level of offshore oil and gas exploration and development activities, whether resulting from changes in oil and gas prices or otherwise, could materially and adversely affect our financial condition and results of operations in our segments within our Oil and Gas business. Some factors that have affected and are likely to continue affecting oil and gas prices and the level of demand for our services and products include the following:

- worldwide demand for oil and gas;
- general economic and business conditions and industry trends;
- delays in deliveries of deepwater drilling rigs;

the ability of the Organization of Petroleum Exporting Countries, or OPEC, to set and maintain production levels;

the level of production by non-OPEC countries;

the ability of oil and gas companies to generate funds for capital expenditures;

domestic and foreign tax policy;

laws and governmental regulations that restrict exploration and development of oil and gas in various offshore jurisdictions;

rapid technological changes;

the political environment of oil-producing regions;

the price and availability of alternative fuels; and

overall economic conditions.

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Our operations could be adversely impacted by the effects of new regulations adopted by the U.S. government in response to the Macondo well incident.

On April 22, 2010, the drilling rig *Deepwater Horizon*, which was engaged in deepwater drilling operations in the U.S. Gulf of Mexico, sank after an explosion and fire. The incident resulted in a significant and uncontrolled oil spill off the coast of Louisiana. During 2010, the U.S. government established new regulations relating to the design of wells and testing of the integrity of wellbores, the use of drilling fluids, the functionality and testing of well control equipment, including blowout preventers, and other safety and environmental regulations. In addition, the U.S. government is requiring that operators demonstrate their compliance with the new regulations before commencing deepwater drilling operations. Compliance issues associated with the new regulations are significantly impacting deepwater drilling in the U.S. Gulf of Mexico. We cannot predict when operators in the U.S. Gulf of Mexico will be issued drilling permits under the new regulations. At this time, we cannot predict the full impact the Macondo well incident and the new regulations may have on the regulation of offshore oil and gas exploration and development activity, the cost or availability of insurance coverage to cover the risks of such operations, or what actions may be taken by our customers or other industry participants in response to the incident. Changes in laws or regulations regarding offshore oil and gas exploration and development activities, the cost or availability of insurance and decisions by customers or other industry participants could reduce demand for our services, which would have a negative impact on our operations.

Our international operations involve additional risks not associated with domestic operations.

A significant portion of our revenue is attributable to operations in foreign countries. These activities accounted for approximately 51% of our consolidated revenue in 2010. Risks associated with our operations in foreign areas include risks of:

- regional and global economic downturns;
- war and civil disturbances or other risks that may limit or disrupt markets;
- expropriation, confiscation or nationalization of assets;
- renegotiation or nullification of existing contracts;
- foreign exchange restrictions;
- foreign currency fluctuations;
- foreign taxation, including the application and interpretation of tax laws;
- the inability to repatriate earnings or capital;
- changing political conditions;
- changing foreign and domestic monetary policies; and

social, political, military and economic situations in foreign areas where we do business and the possibilities of civil distrubances, war, other armed conflict or terrorist attacks.

Additionally, in some jurisdictions we are subject to foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These regulations may adversely affect our ability to compete.

Our exposure to the risks we described above varies from country to country. In recent periods, political instability and civil unrest in West Africa, particularly Nigeria, has been our greatest concern. There is a risk that a continuation or worsening of these conditions could materially and adversely impact our future business, operations, financial condition and results of operations. Of our total consolidated revenue for 2010, we generated approximately 14% from our operations in West Africa.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future revenues and earnings.

There can be no assurance that the revenues included in our backlog will be realized or, if realized, will result in profits. Because of project cancellations or potential changes in the scope or schedule of our customers projects, we cannot predict with certainty when or if backlog will be realized. Material delays, suspensions, cancellations or payment defaults could materially affect our financial condition, results of operations and cash flows.

Reductions in our backlog due to cancellation by a customer or for other reasons would adversely affect, potentially to a material extent, the revenues and earnings we actually receive from contracts included in our backlog. Many of our ROV contracts have 30-day notice termination clauses. Some of the contracts in our backlog provide for cancellation fees in the event customers cancel projects. These cancellation fees usually provide for reimbursement of our out-of-pocket costs, revenues for work performed prior to cancellation and a varying percentage of the profits we would have realized had the contract been completed. We typically have no contractual right upon cancellation to the total contract revenues as reflected in our backlog. If we experience significant project terminations, suspensions or scope adjustments to contracts reflected in our backlog, our financial condition, results of operations and cash flows may be adversely impacted.

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A global financial crisis could impact our business and financial condition in ways that we currently cannot predict.

A recurrence of the credit crisis and related turmoil in the global financial system that occurred in 2008 and 2009 could have an impact on our business and our financial condition. In particular, the cost of capital increased substantially while the availability of funds from the capital markets diminished significantly. Although the capital markets have recovered, in a recurrence, our ability to access the capital markets in the future could be restricted or be available only on terms we do not consider favorable. Limited access to the capital markets could adversely impact our ability to take advantage of business opportunities or react to changing economic and business conditions and could adversely impact our ability to continue our growth strategy. Ultimately we could be required to reduce our future capital expenditures substantially. Such a reduction could have a material adverse effect on our business and our consolidated financial condition, results of operations and cash flows. A recurrence of such a global financial crisis could have further impacts on our business that we currently cannot predict or anticipate.

A global financial crisis or economic recession could have an impact on our suppliers and our customers, causing them to fail to meet their obligations to us, which could have a material adverse effect on our revenue, income from operations and cash flows.

If one or more of the lenders under our revolving credit facility were to become unable or unwilling to perform their obligations under that facility, our borrowing capacity could be reduced. Our inability to borrow under our revolving credit facility could limit our ability to fund our future operations and growth.

Employee, agent or partner misconduct or our overall failure to comply with laws or regulations could weaken our ability to win contracts, which could result in reduced revenues and profits.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one or more of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with the U.S. Foreign Corrupt Practices Act (FCPA), which prohibits companies and their intermediaries from making improper payments to non-U.S. officials, as well as the failure to comply with government procurement regulations, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting and various other applicable laws or regulations. The precautions we take to prevent and detect misconduct, fraud or non-compliance with applicable laws and regulations may not be effective, and we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines, penalties or other sanctions, which could have a material adverse effect on our business and our consolidated financial condition, results of operations and cash flows.

Our business strategy contemplates future acquisitions. Acquisitions of other businesses or assets present various risks and uncertainties.

We may pursue growth through the acquisition of businesses or assets that will enable us to broaden our product and service offerings and expand into new markets. We may be unable to implement this element of our growth strategy if we cannot identify suitable businesses or assets, reach agreement on potential strategic acquisitions on acceptable terms or for other reasons. Moreover, acquisitions involve various risks, including:

- difficulties relating to the assimilation of personnel, services and systems of an acquired business and the assimilation of marketing and other operational capabilities;
- challenges resulting from unanticipated changes in customer relationships subsequent to acquisition;
- additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;
- assumption of liabilities of an acquired business, including liabilities that were unknown at the time the acquisition transaction was negotiated;

- possible liabilities under the FCPA;
- diversion of management s attention from day-to-day operations;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- potentially substantial transaction costs associated with acquisitions; and
- potential impairment resulting from the overpayment for an acquisition.

Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in goodwill, it will reduce our tangible net worth, which might have an adverse effect on credit availability.

Additionally, an acquisition may bring us into businesses we have not previously conducted and expose us to additional business risks that are different from those we have previously experienced.

Our business strategy also includes development and commercialization of new technologies to support our growth. The development and commercialization of new technologies requires capital investment and involves various risks and uncertainties.

Our future growth will depend on our ability to continue to innovate by developing and commercializing new product and service offerings. Investments in new technologies involve varying degrees of uncertainties and risk. Commercial success depends on many factors, including the levels of innovation, the development costs and the availability of capital resources to fund those costs, the levels of competition from others developing similar or other competing technologies, our ability to obtain or maintain government permits or certifications, the effectiveness of production, distribution and marketing efforts, and the costs to customers to deploy and provide support for the new technologies. We may not achieve significant revenues from new product and service investments for a number of years, if at all. Moreover, new products and services may not be profitable, and, even if they are profitable, our operating margins from new products and services may not be as high as the margins we have experienced historically.

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The loss of the services of one or more of our key personnel, or our failure to attract, assimilate and retain trained personnel in the future, could disrupt our operations and result in loss of revenues.

Our success depends on the continued active participation of our executive officers and key operating personnel. The unexpected loss of the services of any one of these persons could adversely affect our operations.

Our operations require the services of employees having the technical training and experience necessary to obtain the proper operational results. As a result, if we should suffer any material loss of personnel to competitors or be unable to employ additional or replacement personnel with the requisite level of training and experience to adequately operate our equipment, our operations could be adversely affected. While we believe our wage rates are competitive and our relationships with our employees are satisfactory, a significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in wage rates, or both. If either of these events occurred for a significant period of time, our financial condition and results of operations could be adversely impacted.

We may not be able to compete successfully against current and future competitors.

Our businesses operate in highly competitive industry segments. Some of our competitors or potential competitors have greater financial or other resources than we have. Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than those of our products and services. This factor is significant to our segments operations, particularly in the segments within our Oil and Gas business, where capital investment is critical to our ability to compete.

Our offshore oilfield operations involve a variety of operating hazards and risks that could cause losses.

Our operations are subject to the hazards inherent in the offshore oilfield business. These include blowouts, explosions, fires, collisions, capsizings and severe weather conditions. These hazards could result in personal injury and loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage and suspension of operations. We may incur substantial liabilities or losses as a result of these hazards. While we maintain insurance protection against some of these risks, and seek to obtain indemnity agreements from our customers requiring the customers to hold us harmless from some of these risks, our insurance and contractual indemnity protection may not be sufficient or effective to protect us under all circumstances or against all risks. The occurrence of a significant event not fully insured or indemnified against or the failure of a customer to meet its indemnification obligations to us could materially and adversely affect our results of operations and financial condition.

Laws and governmental regulations may add to our costs or adversely affect our operations.

Our business is affected by changes in public policy and by federal, state, local and foreign laws and regulations relating to the offshore oil and gas industry. Offshore oil and gas exploration and production operations are affected by tax, environmental, safety and other laws, by changes in those laws, application or interpretation of existing laws, and changes in related administrative regulations. It is also possible that these laws and regulations may in the future add significantly to our operating costs or those of our customers or otherwise directly or indirectly affect our operations.

Environmental laws and regulations can increase our costs, and our failure to comply with those laws and regulations can expose us to significant liabilities.

Risks of substantial costs and liabilities related to environmental compliance issues are inherent in our operations. Our operations are subject to extensive federal, state, local and foreign laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. Permits are required for the operation of various facilities, and those permits are subject to revocation, modification and renewal. Governmental authorities have the power to enforce compliance with their regulations, and violations are subject to fines, injunctions or both. In some cases, those governmental requirements can impose liability for the entire cost of cleanup on any responsible party without regard to negligence or fault and impose liability on us for the conduct of or conditions others have caused, or for our acts that complied with all applicable requirements when we performed them. It is possible that other developments, such as stricter environmental laws and regulations, and claims for damages to property or persons resulting from our operations, would result in substantial costs and liabilities. Our insurance policies and the contractual indemnity protection we seek to obtain from our customers may not be sufficient or effective to protect us under all circumstances or against all risks involving compliance with environmental laws and regulations.

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Our internal controls may not be sufficient to achieve all stated goals and objectives.

Our internal controls and procedures were developed through a process in which our management applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. The design of any system of internal controls and procedures is based, in part, on various assumptions about the likelihood of future events. We cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

The use of estimates could result in future adjustments to our assets, liabilities and results of operations.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that our management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our certificate of incorporation authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred stock having such preferences, powers and relative, participating, optional and other rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

Provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company, even if that change would be beneficial to our shareholders.

The existence of some provisions in our corporate documents and Delaware law could delay or prevent a change in control of our company, even if that change would be beneficial to our shareholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult, including:

- provisions relating to the classification, nomination and removal of our directors;
- provisions regulating the ability of our shareholders to bring matters for action at annual meetings of our shareholders;
- provisions requiring the approval of the holders of at least 80% of our voting stock for a broad range of business combination transactions with related persons; and
- the authorization given to our board of directors to issue and set the terms of preferred stock.

In addition, we have adopted a shareholder rights plan that would cause extreme dilution to any person or group who attempts to acquire a significant interest in Oceaneering without advance approval of our board of directors. Also, the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We maintain office, shop and yard facilities in various parts of the world to support our operations. We consider these facilities, which we describe below, to be suitable for their intended use. In these locations, we typically own or lease office facilities for our administrative and engineering staff, shops equipped for fabrication, testing, repair and maintenance activities and warehouses and yard areas for storage and mobilization of equipment to work sites. All sites are available to support any of our business segments as the need arises. The groupings that follow associate our significant offices with the primary business segment they serve.

Oil and Gas. In general, our ROV, Subsea Projects and Inspection segments share facilities. Our location in Morgan City, Louisiana is the largest of these facilities and consists of ROV manufacturing and training facilities, vessel docking facilities, open and covered warehouse space and offices. The Morgan City facilities primarily support operations in the United States. We have regional support offices for our North Sea, West Africa, Brazil and Southeast Asia operations in: Aberdeen, Scotland; Stavanger, Norway; Dubai, U.A.E.; Macaé, Brazil; and Singapore. We also have operational bases in various other locations, the most significant of which are in Angola, Nigeria and India.

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We use workshop and office space in Houston, Texas in both our Subsea Products and Subsea Projects business segments. Our principal manufacturing facilities for our Subsea Products segment are located in or near: Houston, Texas; Panama City, Florida; Edinburgh, Scotland; Nodeland and Stavanger, Norway; and Rio de Janeiro, Brazil. Each of these manufacturing facilities is suitable for its intended purpose and has sufficient capacity to respond to increases in demand for our subsea products that may be reasonably anticipated in the foreseeable future. The Panama City, Florida facility has the capability to produce steel tube umbilicals. We also have limited steel tube capability in our plants in Brazil and in Scotland, and we significantly increased our thermoplastic capability in Scotland in 2006. Our operations in Australia are supported from our office in Perth, Australia.

Our principal manufacturing facilities are located on properties we own or hold under a long-term lease, expiring in 2014. The other facilities we use in our Oil and Gas business segments are on properties we lease.

Advanced Technologies. Our primary facilities for our Advanced Technologies segment are leased offices and workshops in Hanover, Maryland. We have regional support offices in Chesapeake, Virginia; Pearl Harbor, Hawaii; and San Diego, California, which support our services for the U.S. Navy. We also have an office in Orlando, Florida, which supports our commercial theme park animation activities, and facilities in Houston, Texas, which primarily support our space industry activities.

Item 3. Legal Proceedings.

In the ordinary course of business, we are subject to actions for damages alleging personal injury under the general maritime laws of the United States, including the Jones Act, for alleged negligence. We report actions for personal injury to our insurance carriers and believe that the settlement or disposition of those claims will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of our security holders, through the solicitation of proxies or otherwise, during the last three months of the year ended December 31, 2010.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS.

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the safe harbor protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential security holders about our company. These statements may include projections and estimates concerning the timing and success of specific projects and our future backlog, revenue, income and capital spending. Forward-looking statements are generally accompanied by words such as estimate, plan, project, predict, believe, expect, anticipate, plan, forecast, budget, goal, may, should, or other words that convey t events or outcomes. In addition, sometimes we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

In addition, various statements this report contains, including those that express a belief, expectation or intention are forward-looking statements. Those forward-looking statements appear in Part I of this report in Item 1 Business, Item 2 Properties and Item 3 Legal Proceedings and in I II of this report in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 7A Quantitative and Qualitative Disclosures About Market Risk and in the Notes to Consolidated Financial Statements incorporated into Item 8 and elsewhere in this report. These forward-looking statements speak only as of the date of this report, we disclaim any obligation to update these statements, and we caution you not to rely unduly on them. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

worldwide demand for and prices of oil and gas;

the effects of new regulations adopted by the U.S. government in response to the Macondo well incident.

the timing as to when operators will be issued drilling permits in the U.S. Gulf of Mexico;

the continued availability of qualified personnel;

general economic and business conditions and industry trends;

the volatility and uncertainties of credit markets;

the highly competitive nature of our businesses;

decisions about offshore developments to be made by oil and gas companies;

cancellations of contracts and the resulting adjustments to our backlog;

the increased use of subsea completions and our ability to capture associated market share;

- the continued strength of the industry segments in which we are involved;
- the levels of oil and gas production to be processed by the Medusa field production spar platform;
- our future financial performance, including availability, terms and deployment of capital;
- the consequences of significant changes in currency exchange rates;
- our ability to obtain raw materials and parts on a timely basis and, in some cases, from limited sources;
- operating risks normally incident to offshore exploration, development and production operations;
- hurricanes and other adverse weather conditions;
- delays in deliveries of deepwater drilling rigs;
- cost and time associated with drydocking of our vessels;
- changes in, or our ability to comply with, government regulations, including those relating to the environment;
- the risks associated with integrating businesses we acquire;
- rapid technological changes; and
- social, political, military and economic situations in foreign countries where we do business and the possibilities of civil disturbances, war, other armed conflicts or terrorist attacks.

We believe the items we have outlined above are important factors that could cause our actual results to differ materially from those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed most of these factors in more detail elsewhere in this report. These factors are not necessarily all the factors that could affect us. Unpredictable or unanticipated factors we have not discussed in this report could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potential important factor arises. We advise our security holders that they should (1) be aware that important factors we do not refer to above could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

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Part II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
Our common stock is listed on the New York Stock Exchange under the symbol OII. We submitted to the New York Stock Exchange during 2010 a certification of our Chief Executive Officer regarding compliance with the Exchange s corporate governance listing standards. We also included as exhibits to this annual report on Form 10-K, as filed with the SEC, the certifications of our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002.

The following table sets out, for the periods indicated, the high and low sales prices for our common stock as reported on the New York Stock Exchange (consolidated transaction reporting system):

	2010		2009	
	High	Low	High	Low
For the quarter ended:				
March 31	$ 66.12	$ 51.29	$ 41.62	$ 27.78
June 30	68.60	39.75	55.55	35.34
September 30	54.92	43.09	60.70	39.91
December 31	76.86	51.61	60.90	50.14

On February 11, 2011, there were 357 holders of record of our common stock. On that date, the closing sales price, as quoted on the New York Stock Exchange, was $76.27. We have not made any common stock dividend payments since 1977. Payment of future cash dividends will be at the discretion of our board of directors in accordance with applicable law after taking into account various factors, including our financial condition, earnings, capital requirements, legal requirements, regulatory constraints, industry practice and any other factors that our board of directors believes are relevant.

In February 2010, our Board of Directors approved a plan to repurchase up to 6,000,000 shares of our common stock. In 2010, under this plan, we repurchased 1,100,000 shares of our common stock for $49.5 million, all during the first three quarters of the year. We did not repurchase any shares of our common stock in 2009.

EQUITY COMPENSATION PLAN INFORMATION

The following presents equity compensation plan information as of December 31, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders		N/A	1,605,230
Equity compensation plans not approved by security holders		N/A	
Total		N/A	1,605,230

We had no outstanding options, warrants or rights at December 31, 2010.

At December 31, 2010, there were: (1) no shares of Oceaneering common stock under equity compensation plans not approved by security holders available for grant; and (2) 1,605,230 shares of Oceaneering common stock under equity compensation plans approved by security holders available for grant, in the form of stock options, stock appreciation rights or stock awards. The Compensation Committee of our Board of Directors has expressed its intention to refrain from using stock options as a component of employee compensation for our executive officers and other employees for the foreseeable future. Additionally, our Board of Directors has expressed its intention to refrain from using stock options as a component of nonemployee director compensation for the foreseeable future. For a description of the material features of each of these plans, see Note 8 of Notes to Consolidated Financial Statements.

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Item 6. Selected Financial Data.

The following table sets forth certain selected historical consolidated financial data and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operation and our Consolidated Financial Statements and Notes included in this report. The following information may not be indicative of our future operating results.

Results of Operations:

	Year Ended December 31,				
(in thousands, except per share amounts)	2010	2009	2008	2007	2006
Revenue	$ 1,917,045	$ 1,822,081	$ 1,977,421	$ 1,743,080	$ 1,280,198
Cost of services and products	1,450,725	1,384,355	1,512,621	1,329,795	984,077
Gross margin	466,320	437,726	464,800	413,285	296,121
Selling, general and administrative expense	156,820	145,610	147,242	123,662	101,785
Income from operations	$ 309,500	$ 292,116	$ 317,558	$ 289,623	$ 194,336
Net income	$ 200,531	$ 188,353	$ 199,386	$ 180,374	$ 124,494
Diluted earnings per share	3.65	3.40	3.56	3.22	2.26
Depreciation and amortization, including impairment charge in 2008	153,651	122,945	115,029	93,776	80,456
Capital expenditures, including business acquisitions	207,180	175,021	252,277	233,795	193,842

Other Financial Data:

	As of December 31,				
(in thousands, except ratios)	2010	2009	2008	2007	2006
Working capital ratio	2.24	2.25	2.09	1.98	1.87
Working capital	$ 543,646	$ 485,592	$ 390,378	$ 331,594	$ 243,939
Total assets	2,030,506	1,880,287	1,670,020	1,531,440	1,242,022
Long-term debt		120,000	229,000	200,000	194,000
Shareholders equity	1,390,215	1,224,323	967,654	915,310	696,764

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.
Certain statements in this annual report on Form 10-K, including, without limitation, statements regarding the following matters are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995:

- our business strategy;
- our plans for future operations;
- industry conditions;
- our expectations about 2011 earnings per share and segment operating results, and the factors underlying those expectations, including our expectations about demand for our deepwater oilfield services and products as a result of the factors we specify in the Overview below;
- projections relating to floating rigs to be placed in service and subsea tree orders;
- the adequacy of our liquidity and capital resources to support our operations and internally-generated growth initiatives;
- our projected capital expenditures for 2011;
- our plans to add ROVs to our fleet;
- our belief that our goodwill will not be impaired during 2011;
- the adequacy of our accruals for uninsured expected liabilities from workers compensation, maritime employer s liability and general liability claims;
- our expectation that our total unrecognized tax benefits will not significantly increase or decrease in the next 12 months;
- our expectations about the cash flows from our investment in Medusa Spar LLC, and the factors underlying those expectations;
- our backlog; and
- our expectations regarding the effect of inflation in the near future.

These forward-looking statements are subject to various risks, uncertainties and assumptions, including those we refer to under the headings Risk Factors and Cautionary Statement Concerning Forward-Looking Statements in Part I of this report. Although we believe that the expectations reflected in such forward-looking statements are reasonable, because of the inherent limitations in the forecasting process, as well as the relatively volatile nature of the industries in which we operate, we can give no assurance that those expectations will prove to have been correct. Accordingly, evaluation of our future prospects must be made with caution when relying on forward-looking information.

Overview

The table that follows sets out our revenue and profitability for 2010, 2009 and 2008.

	Year Ended December 31,		
(dollars in thousands)	2010	2009	2008
Revenue	$ 1,917,045	$ 1,822,081	$ 1,977,421
Gross Margin	466,320	437,726	464,800
Gross Margin %	24%	24%	24%
Operating Income	309,500	292,116	317,558
Operating Income %	16%	16%	16%
Net Income	200,531	188,353	199,386

During 2010, we generated approximately 88% of our revenue, and 96% of our operating income, from our services and products provided to the oil and gas industry. In 2010, our revenue increased by 5%, with the largest increase in our Subsea Products segment. Our Subsea Products segment revenue increased 13% from higher umbilical plant throughput and specialty product sales.

The $201 million consolidated net income we earned in 2010 was the highest in our history. The $12 million increase from 2009 net income was attributable to a higher profit contribution from our Subsea Products segment, which had $48 million more operating income on $62 million more revenue.

In 2010, we invested in the following major capital projects:

- additions of and upgrades to our work-class ROVs;
- expenditures for added capacity in our Subsea Products segment, including $17.5 million for a business acquisition; and
- purchase and outfitting of two vessels and a saturation diving system in our Subsea Projects business.

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We expect our 2011 diluted earnings per share to be in the range of $3.45 to $3.75, as compared to $3.65 in 2010. We anticipate deepwater drilling and field development and production activity will increase, particularly in West Africa and Asia. The major uncertainties we face in 2011 are when, at what pace, and to what level permits for U.S. Gulf of Mexico deepwater drilling projects will rebound in the aftermath of additional environmental and safety regulations that have been implemented by the U.S. Department of the Interior as a result of the Macondo well incident. Compared to 2010, in 2011 we are forecasting an increase in ROV operating income as a result of higher average fleet size and international demand for drill support services notwithstanding a lower profit contribution from our ROV services in the U.S. Gulf of Mexico. In the event U.S. Gulf of Mexico permitting is significantly lower than we expect, we believe more deepwater rigs will be moved to other geographic areas and that our ROV systems will stay onboard and work at their new drilling locations.

We use our ROVs in the offshore oil and gas industry to perform a variety of underwater tasks, including drill support, installation and construction support, pipeline inspection and surveys and subsea production facility inspection, repair and maintenance. The largest percentage of our ROVs has historically been used to provide drill support services. Therefore, the number of floating drilling rigs on hire is a leading market indicator for this business. The following table shows average floating rigs under contract and our ROV utilization.

	2010	2009	2008
Average number of floating rigs	220	208	201
ROV days on hire (in thousands)	69	69	65
ROV utilization	75%	79%	82%

Demand for floating rigs is our primary driver of future growth prospects. According to industry data published by ODS-Petrodata, at the end of 2010, there were 255 floating drilling rigs in the world, with 86% of the rigs under contract and 64% of the rigs contracted through 2011. Sixty additional floating rigs were on order and scheduled to be delivered through 2014, and 35 of these have been contracted long-term, for an average term of approximately 7.5 years. We estimate approximately 24 floating rigs will be placed in service during 2011, and we have ROV contracts on five of those. Competitors have the ROV contracts on 10 rigs, leaving nine contract opportunities.

In addition to floating rig demand, subsea tree completions are another leading indicator of the strength of the deepwater market and the primary demand driver for our Subsea Products lines. According to industry data published by Quest Offshore Resources, Inc., there were less than 600 subsea completions before 1990, approximately 1,100 in the decade of the 1990s, approximately 3,100 in the decade of the 2000s, and Quest forecasts over 4,500 for the decade of the 2010s. Additionally, the projected global market for subsea tree orders is expected to increase 40% in the 2011-2014 time period compared to the previous four years.

Critical Accounting Policies and Estimates

We have based the following discussion and analysis of our financial condition and results of operations on our consolidated financial statements, which we have prepared in conformity with accounting principles generally accepted in the United States. These principles require us to make various estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the periods we present. We base our estimates on historical experience, available information and other assumptions we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates; however, our actual results may differ from these estimates under different assumptions or conditions. The following discussion summarizes the accounting policies we believe (1) require our management s most difficult, subjective or complex judgments and (2) are the most critical to our reporting of results of operations and financial position.

Revenue Recognition. We recognize our revenue according to the type of contract involved. On a daily basis, we recognize revenue under contracts that provide for specific time, material and equipment charges, which we bill periodically, ranging from weekly to monthly.

We account for significant fixed-price contracts, which we enter into mainly in our Subsea Products segment, and occasionally in our Subsea Projects and Advanced Technologies segments, using the percentage-of-completion method. In 2010, we accounted for 14% of our revenue using the percentage-of-completion method. In determining whether a contract should be accounted for using the percentage-of-completion method, we consider whether:

- the customer provides specifications for the construction of facilities or production of goods or for the provision of related services;

we can reasonably estimate our progress towards completion and our costs;

the contract includes provisions as to the enforceable rights regarding the goods or services to be provided, consideration to be received and the manner and terms of payment;

the customer can be expected to satisfy its obligations under the contract; and

we can be expected to perform our contractual obligations.

Under the percentage-of-completion method, we recognize estimated contract revenue based on costs incurred to date as a percentage of total estimated costs. Changes in the expected cost of materials and labor, productivity, scheduling and other factors affect the total estimated costs. Additionally, external factors, including weather or other factors outside of our control, may also affect the progress and estimated cost of a project s completion and, therefore, the timing of income and revenue recognition. We routinely review estimates related to our contracts and reflect revisions to profitability in earnings immediately. If a current estimate of total contract cost indicates an ultimate loss on a contract, we recognize the projected loss in full when we determine it. In prior years, we have recorded adjustments to earnings as a result of revisions to contract estimates. Although we are continually striving to accurately estimate our contract costs and profitability, adjustments to overall contract costs could be significant in future periods.

We recognize the remainder of our revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, price is fixed or determinable and collection is reasonably assured.

Long-lived Assets. We evaluate our property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be appropriate. We base these evaluations on a comparison of the assets carrying values to forecasts of undiscounted cash flows associated with the assets or quoted market prices. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset. Our expectations regarding future sales and undiscounted cash flows are highly subjective, cover extended periods of time and depend on a number of factors outside our control, such as changes in general economic conditions, laws and regulations. Accordingly, these expectations could differ significantly from year to year. In 2010, we recorded a $5.2 million impairment charge as additional depreciation to adjust the carrying value of our vessel held for sale, *The Performer*, to its fair value less estimated costs to sell. We completed the sale in July 2010 for approximately the vessel s reduced carrying value. In 2008, we recorded an impairment charge of $5.7 million as additional depreciation to reduce our investment in the *Ocean Pensador,* an oil tanker we were holding for possible conversion, to its fair value. In 2009 we sold that asset at a further loss of $0.8 million. Both *The Performer* and the *Ocean Pensador* were assets in our Subsea Projects segment, and their respective impairments and results of sales are included in the gross margin and operating income in the Subsea Projects segment.

We charge the costs of repair and maintenance of property and equipment to operations as incurred, while we capitalize the costs of improvements.

Goodwill. We account for acquisitions using the purchase method of accounting, with the purchase price being allocated to the net assets acquired based on their fair market values at the date of acquisition. We test the goodwill attributable to each of our reporting units for impairment annually, or more frequently whenever events or changes in circumstances indicate that the carrying amounts may not be appropriate. Except for ROVs and Inspection, which are tested as single reporting units, our operating units are one level below our business segments. We estimate fair value of the reporting units using both an income approach, which considers a discounted cash flow model, and a market approach. Reductions in estimates of our future cash flows or adverse changes in market comparable information may result in goodwill impairments in the future. For reporting units with significant goodwill, we do not believe our goodwill will be impaired during 2011.

Loss Contingencies. We self-insure for workers compensation, maritime employer s liability and comprehensive general liability claims to levels we consider financially prudent, and beyond the self-insurance level of exposure, we carry insurance, which can be by occurrence or in the aggregate. We determine the level of accruals for claims exposure by reviewing our historical experience and current year claim activity. We do not record accruals on a present-value basis. We review larger claims with insurance adjusters and establish specific reserves for known liabilities. We establish an additional reserve for incidents incurred but not reported to us for each year using our estimates and based on prior experience. We believe we have established adequate accruals for uninsured expected liabilities arising from those obligations. However, it is possible that future earnings could be affected by changes in our estimates relating to these matters.

We are involved in various claims and actions against us, most of which are covered by insurance. We believe that our ultimate liability, if any, that may result from these claims and actions will not materially affect our financial position, cash flows or results of operations.

Income Taxes. We account for any applicable interest and penalties on uncertain tax positions as a component of our provision for income taxes on our financial statements. We charged $0.2 million to income tax expense in 2010 for penalties and interest for uncertain tax positions, which brought our total liabilities for penalties and interest on uncertain tax positions to $4.0 million on our balance sheet at December 31, 2010. Including associated foreign tax credits and penalties and interest, we have accrued a net total of $5.6 million in the caption other long-term liabilities on our balance sheet at December 31, 2010 for unrecognized tax benefits. All additions or reductions to those liabilities affect our effective income tax rate in the periods of change.

We do not believe that the total of unrecognized tax benefits will significantly increase or decrease in the next 12 months.

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Our tax provisions are based on our expected taxable income, statutory rates and tax-planning opportunities available to us in the various jurisdictions in which we operate. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws. We are at risk that a taxing authority s final determination of our tax liabilities may differ from our interpretation. Our effective tax rate may fluctuate from year to year as our operations are conducted in different taxing jurisdictions, the amount of pre-tax income fluctuates and our estimates regarding the realizability of items such as foreign tax credits may change. In 2010, 2009 and 2008, we recorded reductions of income tax expense of $1.0 million, $0.3 million and $0.6 million, respectively, resulting from the resolution of uncertain tax positions related to certain tax liabilities we recorded in prior years. Current income tax expense represents either nonresident withholding taxes or the liabilities expected to be reflected on our income tax returns for the current year, while the net deferred income tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reported on our balance sheet.

We establish valuation allowances to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future. We currently have no valuation allowances. While we have considered estimated future taxable income and ongoing prudent and feasible tax-planning strategies in assessing the need for the valuation allowances, changes in these estimates and assumptions, as well as changes in tax laws, could require us to adjust the valuation allowances for our deferred tax assets. These adjustments to the valuation allowance would impact our income tax provision in the period in which such adjustments are identified and recorded.

For a summary of our major accounting policies and a discussion of recently adopted accounting standards, please see Note 1 to our Consolidated Financial Statements.

Liquidity and Capital Resources

We consider our liquidity and capital resources adequate to support our operations and internally-generated growth initiatives. At December 31, 2010, we had working capital of $544 million, including cash and cash equivalents of $245 million. Additionally, we had $300 million available under our revolving credit facility, which currently extends to January 2012. We repaid our long-term debt in 2010 and had no borrowings under our revolving credit agreement at December 31, 2010. Although there were no borrowings outstanding at December 31, 2010, we made borrowings under our revolving credit facility at various times during the year. Our maximum borrowings and our total interest costs under the facility during the year ended December 31, 2010 were $100 million and $4.4 million (including $2.9 million to terminate an interest rate hedge), respectively. We plan to renew or replace our revolving credit agreement in 2011. Our net cash provided by operating activities was $442 million, $418 million and $248 million for 2010, 2009 and 2008, respectively.

Our capital expenditures, including business acquisitions, for 2010, 2009 and 2008 were $207 million, $175 million and $252 million, respectively. Capital expenditures for 2010 included expenditures for: additions and upgrades to our ROV fleet; two vessels and a saturation diving system in our Subsea Project segment; a business acquisition in our Subsea Products segment; and modifications to our Brazil umbilical manufacturing facility. Capital expenditures in 2009 included expenditures for: additions and upgrades to our ROV fleet; the construction of our own facility to produce control umbilicals for our ROVs; and expansion of our specialty subsea products business in foreign markets. Capital expenditures in 2008 included expenditures for: additions and upgrades to our ROV fleet; a Subsea Products acquisition for $40 million; vessel upgrades; and facility expansions for our specialty subsea products.

Our capital expenditures during 2010, 2009 and 2008 included $109 million, $147 million and $146 million, respectively, in our ROV segment, principally for additions and upgrades to our ROV fleet to expand the fleet and replace units we retired and for facilities infrastructure to support our growing ROV fleet size. We plan to continue adding ROVs at levels we determine appropriate to meet market opportunities as they arise. We added 22, 30 and 21 ROVs to our fleet and disposed of 10, nine and four units during 2010, 2009 and 2008, respectively, resulting in a total of 260 work-class systems in the fleet at December 31, 2010.

In 2006, we chartered a larger deepwater vessel, the *Ocean Intervention III*, for three years, with extension options for up to six additional years. The initial three-year term of the charter began in May 2007, and the term has been extended to May 2011. We also chartered an additional larger deepwater vessel, the *Olympic Intervention IV*, for an initial term of five years, which began in the third quarter of 2008. We outfitted each of these larger deepwater vessels with two of our high-specification work-class ROVs, and we expect to utilize these vessels to perform subsea hardware installation and inspection, repair and maintenance projects, and to conduct well intervention services in the ultra-deep waters of the U.S. Gulf of Mexico.

We have not guaranteed any debt not reflected on our consolidated balance sheet. In 2003, we acquired a 50% interest in Medusa Spar LLC. At formation, Medusa Spar LLC borrowed $84 million, or approximately 50% of its total capitalization, from a group of banks. The loan was repaid in 2008. We expect the majority of the positive net cash flow generated in the future by Medusa Spar LLC will be distributed to the equity holders. We received $7.7 million, $8.5 million and $2.5 million of cash distributions from Medusa Spar LLC and recognized $2.1 million, $3.2 million and $1.9 million of equity in the earnings of Medusa Spar LLC in 2010, 2009 and 2008, respectively. Medusa Spar LLC is a variable interest entity under accounting rules. We are accounting for our investment in Medusa Spar LLC using the equity method of accounting. At December 31, 2010, our investment in Medusa Spar LLC was $51.8 million.

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Our principal source of cash from operating activities is our net income, adjusted for the non-cash expenses of depreciation and amortization, deferred income taxes and noncash compensation under our restricted stock plans. Our $442 million, $418 million and $248 million of cash provided from operating activities in 2010, 2009 and 2008, respectively, were affected by cash increases/(decreases) of $12 million, $12 million and ($72 million), respectively, of changes in accounts receivable and ($22 million), $14 million and ($16 million), respectively, of changes in inventory and other current assets. The 2008 change in accounts receivable was due to the change in revenue in the fourth quarter of 2008 as compared to the fourth quarter of 2007. In 2010, the change in inventory and other current assets related to increases in refundable income taxes and prepaid expenses. In 2009 and 2008, the changes in inventory and other current assets principally related to ROV requirements and Subsea Products raw materials. The increases in ROV inventory related to equipment waiting for assembly into ROVs to be placed in service in subsequent years and increases in parts to be used for servicing our growing ROV fleet.

In 2010, we used $192 million in investing activities, including $109 million to upgrade and add additional units to our ROV fleet, $42 million to increase our Subsea Products capabilities, including an acquisition for $17 million, and $44 million in our Subsea Projects segment, including expenditures for an additional vessel equipped with a saturation diving system and a replacement diving service vessel.

In 2009, we used $162 million in investing activities, including $147 million on growing and upgrading our ROV operations.

In 2008, we used $246 million in investing activities, including $146 million to upgrade and add additional units to our ROV fleet and $78 million to increase our Subsea Products capabilities, including an acquisition for $40 million.

In 2010, 2009 and 2008, we received $0.7 million, $1.9 million and $1.7 million, respectively, in cash flow from financing activities as proceeds from the sale of our common stock pursuant to the exercise of employee stock options. At December 31, 2010, we no longer had any stock options outstanding. In addition, in 2010, 2009 and 2008, we received $1.7 million, $2.5 million and $6.8 million, respectively, of tax benefit realized from tax deductions in excess of financial statement expense related to our stock-based compensation plans. For a description of our incentive plans, please see Note 8 to our Consolidated Financial Statements.

In 2002, our Board of Directors approved a plan to repurchase up to 6,000,000 shares of our common stock, subject to a $75 million aggregate purchase price limitation. During 2008, we completed the authorized repurchases under the plan by repurchasing 986,400 shares at a total cost of $54.9 million, which is reflected in our cash used in financing activities. Under the 2002 stock repurchase plan, we repurchased 2,782,000 shares of common stock from 2002 through 2008 at a total cost of $75 million. In February 2010, our Board of Directors approved a plan to repurchase up to an additional 6,000,000 shares of our common stock. The timing and amount of any repurchases will be determined by our management. We expect that any shares repurchased under the new plan will be held as treasury stock for future use. The 2010 plan does not obligate us to repurchase any particular number of shares. In 2010, we repurchased 1,100,000 shares at a cost of $49.5 million under the 2010 plan. Through December 31, 2010, we had reissued all but 1,301,662 of the shares repurchased since 2002, primarily in connection with stock-based compensation plans.

Because of our significant foreign operations, we are exposed to currency fluctuations and exchange rate risks. We generally minimize these risks primarily through matching, to the extent possible, revenue and expense in the various currencies in which we operate. Cumulative translation adjustments as of December 31, 2010 relate primarily to our net investments in, including long-term loans to, our foreign subsidiaries. A stronger U.S. dollar against the U.K. pound sterling and the Norwegian kroner would result in lower operating income. See Item 7A Quantitative and Qualitative Disclosures About Market Risk. Inflation has not had a material effect on our revenue or income from operations in the past three years, and no such effect is expected in the near future.

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Results of Operations

Information on our business segments is shown in Note 7 of the Notes to Consolidated Financial Statements included in this report.

Oil and Gas. The table that follows sets out revenue and profitability for the business segments within our Oil and Gas business.

	Year Ended December 31,		
(dollars in thousands)	2010	2009	2008
Remotely Operated Vehicles			
Revenue	$ 662,105	$ 649,228	$ 625,921
Gross Margin	247,619	237,023	221,270
Gross Margin %	37%	37%	35%
Operating Income	211,725	207,683	190,343
Operating Income %	32%	32%	30%
Days available	91,667	86,527	79,052
Utilization %	75%	79%	82%
Subsea Products			
Revenue	549,233	487,726	649,857
Gross Margin	161,081	115,056	146,747
Gross Margin %	29%	24%	23%
Operating Income	108,522	60,526	96,046
Operating Income %	20%	12%	15%
Backlog at end of period	384,000	321,000	298,000
Subsea Projects			
Revenue	247,538	274,607	295,791
Gross Margin	56,165	84,657	89,895
Gross Margin %	23%	31%	30%
Operating Income	46,910	75,404	79,546
Operating Income %	19%	27%	27%
Inspection			
Revenue	223,469	216,140	249,109
Gross Margin	41,698	41,125	48,518
Gross Margin %	19%	19%	19%
Operating Income	25,893	26,443	31,017
Operating Income %	12%	12%	12%
Total Oil and Gas			
Revenue	$ 1,682,345	$ 1,627,701	$ 1,820,678
Gross Margin	506,563	477,861	506,430
Gross Margin %	30%	29%	28%
Operating Income	393,050	370,056	396,952
Operating Income %	23%	23%	22%

In response to continued increasing demand to support deepwater drilling and construction and production maintenance work, we have continued to build new ROVs. These new vehicles are designed for use around the world in water depths of 10,000 feet or more. We added 22, 30 and 21 ROVs in 2010, 2009 and 2008, respectively, while disposing of 23 units over the three-year period. We plan to continue adding ROVs at levels we determine appropriate to meet market opportunities.

For 2010, our ROV revenue and operating income increased 2% over 2009 from increased revenue per day-on-hire. Good cost controls helped us keep margin percentages flat despite lower utilization. For 2009, our ROV revenue increased 4% over 2008 from the growth in days on hire for our larger work-class fleet, as our revenue per day-on-hire decreased approximately 2%. Our operating margin percentage increased as a result of cost controls and our operating income increased by 9%. We grew our ROV fleet size to 260 at December 31, 2010 from 248 at December 31, 2009 and 227 at December 31, 2008.

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We anticipate ROV operating income to increase in 2011 as a result of an increase in days on hire, with an increase in international demand and fewer days on hire in the U.S. Gulf of Mexico. In the U.S. Gulf of Mexico, we started 2011 onboard 26 rigs, consisting of ROVs at full rate on 11 rigs, ROVs at a lower rate on six rigs, and ROVs at zero rate on nine rigs, compared to ROVs at full rate on 31 rigs before the Macondo well incident. Since the Macondo well incident, eight deepwater rigs either have left, or announcements have been made they will leave, the U.S. Gulf of Mexico. We had contracts on seven of the rigs and have retained contracts to remain on those seven rigs. For our 2011 estimates, we have assumed that, by year end, we will be at full rate on 20 to 25 rigs working in the U.S. Gulf of Mexico. In addition to having a full year of service from the units we added during 2010, we expect to add 15 to 20 ROVs in 2011 and retire approximately five ROVs. We expect our operating margin percentage to decline slightly in 2011 due to a change in geographic mix.

Our Subsea Products operating income and margin percentage for 2010 increased over 2009, due to manufacturing process improvements and cost reductions, improved umbilical plant throughput, and higher demand for subsea field development hardware, ROV tooling rentals, and installation and workover control system (IWOCS) services. Our Subsea Products revenue for 2009 declined 25% from 2008 from decreased demand for our specialty subsea products and lower umbilical plant throughput. Our operating margin percentage decreased from 15% in 2008 to 12% in 2009 due to a decrease in demand for our specialty subsea products and lower umbilical plant throughput. Our operating income and margins were also adversely affected by $5.5 million of unexpected costs we incurred in the third quarter of 2009 on two blowout preventer control systems.

We anticipate our Subsea Products segment operating income in 2011 to be about the same as 2010, as we expect increased throughput in our umbilical plants and lower sales of IWOCS services. Because of a different mix in products and services, we anticipate a lower operating margin percentage for Subsea Products in 2011. Our Subsea Products backlog was $384 million at December 31, 2010, 20% more than our $321 million Subsea Products backlog at December 31, 2009.

Our 2010 Subsea Projects revenue and operating income declined from 2009 due to lower demand for our services on hurricane damage-related repair projects and our phased exit of the mobile offshore production systems business. Our 2009 Subsea Projects revenue and operating income declined from 2008 due to a softer market for our diving and shallow water vessel services and competitive pressure in our deepwater vessel market due to an increase in vessel availability.

We anticipate our 2011 operating income for Subsea Projects to be less than in 2010, as we completed Macondo-related project work in 2010, and we foresee a reduced level of subsea activity in the U.S. Gulf of Mexico in 2011 as a result of additional regulations implemented by the U.S. Department of the Interior.

Our Inspection segment operating income results in 2010 were similar to those in 2009. Our Inspection operating income decreased in 2009 compared to 2008 due to a lower exchange rate for the U.K. pound sterling against the U.S. dollar and decreased demand for our services.

We expect that our Inspection segment revenue and operating income will be slightly higher in 2011.

Advanced Technologies. The table that follows sets out revenue and profitability for this segment.

	Year Ended December 31,		
(dollars in thousands)	2010	2009	2008
Revenue	$ 234,700	$ 194,380	$ 156,743
Gross Margin	32,510	25,128	21,596
Gross Margin %	14%	13%	14%
Operating Income	16,934	12,366	9,773
Operating Income %	7%	6%	6%

Our Advanced Technologies segment s 2010 revenue and operating income were higher than 2009 due to higher levels of entertainment industry contracts, U.S. Navy engineering services and Department of Defense manufacturing projects. This segment s 2009 revenue and operating income were higher than 2008 due to an escalation in work on entertainment industry projects and the award of the NASA Constellation Space Suit System contract.

We anticipate our Advanced Technologies 2011 operating income will be approximately the same as 2010.

Unallocated Expenses. Our unallocated expenses, *i.e.*, those not associated with a specific business segment, within gross margin consist of expenses related to our incentive and deferred compensation plans, including restricted stock and bonuses, as well as other general expenses. Through 2010, a portion of our restricted stock expense varied with the market price of our common stock. Our unallocated expenses within operating income consist of those within gross margin plus general and administrative expenses related to corporate functions.

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The table that follows sets out our unallocated expenses.

	Year Ended December 31,		
(dollars in thousands)	2010	2009	2008
Gross margin expenses	$ (72,753)	$ (65,263)	$ (63,226)
% of revenue	4%	4%	3%
Operating expenses	(100,484)	(90,306)	(89,167)
% of revenue	5%	5%	5%

Our unallocated gross margin and operating expenses increased in each of 2010 and 2009, primarily due to higher compensation related to incentive plans.

Other. The table that follows sets forth our significant financial statement items below the operating income line.

	Year Ended December 31,		
(dollars in thousands)	2010	2009	2008
Interest income	$ 580	$ 694	$ 907
Interest expense, net of amounts capitalized	(6,010)	(7,781)	(13,485)
Equity earnings of unconsolidated affiliates:			
Medusa Spar LLC	2,078	3,242	1,894
Other			25
Other income (expense), net	(926)	1,504	321
Provision for income taxes	104,691	101,422	107,834

Interest expense decreased in 2010 and 2009, primarily from lower interest rates on LIBOR-based borrowings under our revolving credit agreement and term loan, and lower debt levels. We capitalized $0.3 million of interest in 2010 and less than $0.1 million of interest in each of 2009 and 2008.

We earn equity income from our 50% investment in Medusa Spar LLC, which we acquired in 2003. Medusa Spar LLC owns 75% of a production spar in the U.S. Gulf of Mexico and earns its revenue from fees charged on production processed through the facility. In 2008, we experienced a decrease in equity in earnings of unconsolidated affiliates from our investment in Medusa Spar LLC due to lower production throughput at the spar. In 2009, Medusa Spar LLC s net income was higher due to increased throughput from the original blocks dedicated to be processed at the Medusa Spar, throughput from third parties and the elimination of interest expense, as Medusa Spar LLC repaid its debt during 2008. Throughput from the original blocks was higher in 2009 than 2008 due to less downtime from hurricanes in 2009. Throughput decreased in 2010 due to normal production declines.

We expect Medusa Spar LLC revenue will decline in 2011 due to normal rates of well decline. Medusa Spar LLC s revenue could be increased if the operator of the producing wells receives regulatory approval to start producing from other zones in the existing wells, which are anticipated to have higher flow rates than the currently-producing zones, or is able to connect more wells to the spar.

Included in other income (expenses), net are foreign currency transaction gains/(losses) of ($2.8 million), $2.0 million and $0.7 million for 2010, 2009 and 2008, respectively. In 2010, we also earned a fee of $2.1 million for serving as the stalking horse bidder on an asset auction proceeding.

Our effective tax rate, including foreign, state and local taxes, was 34.3%, 35.0% and 35.1% for 2010, 2009 and 2008, respectively, which included favorable resolutions of uncertain tax positions of $1.0 million, $0.3 million and $0.6 million, respectively, related to certain tax liabilities we recorded in prior years. We anticipate our effective tax rate in 2011 will approximate that of 2010.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by SEC rules.

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Contractual Obligations

At December 31, 2010, we had payments due under contractual obligations as follows:

(dollars in thousands)	Payments due by period				
	Total	2011	2012-2013	2014-2015	After 2015
Long-term Debt	$	$	$	$	$
Operating Leases	141,216	38,269	52,207	14,738	36,002
Purchase Obligations	168,730	168,730			
Other Long-term Obligations reflected on our balance sheet under GAAP	53,311	1,368	2,867	3,067	46,009
TOTAL	$ 363,257	$ 208,367	$ 55,074	$ 17,805	$ 82,011

At December 31, 2010, we had outstanding purchase order commitments totaling $54 million, including approximately $27 million for specialized steel tubes to be used in our manufacturing of steel tube umbilicals by our Subsea Products segment, $17 million for ROV winches and control umbilicals for ROV units and $10 million for vessels and a saturation diving system in our Subsea Projects segment. We have ordered the specialized steel tubes in advance to meet expected sales commitments. The diving vessel is being built as a replacement for another vessel. The winches and ROV umbilicals have been ordered for new ROVs and for anticipated replacements due to normal wear and tear. Should we decide not to accept delivery of the steel tubes, we would incur cancellation charges of at least 10% of the amount canceled.

In 2001, we entered into an agreement with our Chairman (the Chairman) who was also then our Chief Executive Officer. That agreement was amended in 2006 and in 2008. Pursuant to the amended agreement, the Chairman relinquished his position as Chief Executive Officer in May 2006 and began his post-employment service period on December 31, 2006. The agreement provides for a specific service period ending no later than August 15, 2011, during which the Chairman, acting as an independent contractor, has agreed to serve as nonexecutive Chairman of our Board of Directors for so long as our Board of Directors desires that he shall continue to serve in that capacity. The agreement provides the Chairman with post-employment benefits for ten years following the sooner to occur of August 15, 2011 or the termination of his services to us. The amendment in 2006 included a lump-sum cash buyout, paid in 2007, of the Chairman s entitlement to perquisites and administrative assistance during that ten-year period (expected to run from 2011 to 2021). As a result, we recorded $2.8 million of associated expense in the fourth quarter of 2006. The agreement also provides for medical coverage on an after-tax basis to the Chairman, his spouse and children during his service with us and thereafter for their lives. We are recognizing the net present value of the post-employment benefits over the expected service period. If the service period is terminated for any reason (other than the Chairman s refusal to continue serving) on or prior to August 11, 2011, we will recognize all the previously unaccrued benefits in the period in which that termination occurs. Our total accrued liabilities, current and long-term, under this post-employment benefit were $7.6 million and $6.3 million at December 31, 2010 and 2009, respectively.

Effects of Inflation and Changing Prices

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, using historical U.S. dollar accounting, or historical cost. Statements based on historical cost, however, do not adequately reflect the cumulative effect of increasing costs and changes in the purchasing power of the dollar, especially during times of significant and continued inflation.

In order to minimize the negative impact of inflation on our operations, we attempt to cover the increased cost of anticipated changes in labor, material and service costs, either through an estimate of those changes, which we reflect in the original price, or through price escalation clauses in our contracts.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are currently exposed to certain market risks arising from transactions we have entered into in the normal course of business. These risks relate to interest rate changes and fluctuations in foreign exchange rates. We do not believe these risks are material. We have not entered into any market risk sensitive instruments for speculative or trading purposes. We currently have no outstanding hedges or similar instruments. We currently have no long-term debt. We typically manage our exposure to interest rate changes through the use of a combination of fixed- and floating-rate debt. See Note 5 of Notes to Consolidated Financial Statements included in this report for a description of our revolving credit facility and interest rates on our borrowings. We believe significant interest rate changes would not have a material near term impact on our future earnings or cash flows.

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Because we operate in various oil and gas exploration and production regions in the world, we conduct a portion of our business in currencies other than the U.S. dollar. The functional currency for several of our international operations is the applicable local currency. A stronger U.S. dollar against the U.K. pound sterling and the Norwegian kroner would result in lower operating income. We manage our exposure to changes in foreign exchange rates principally through arranging compensation in U.S. dollars or freely convertible currency and, to the extent possible, by limiting compensation received in other currencies to amounts necessary to meet obligations denominated in those currencies. We use the exchange rates in effect as of the balance sheet date to translate assets and liabilities as to which the functional currency is the local currency, resulting in translation adjustments that we reflect as accumulated other comprehensive income or loss in the shareholders equity section of our Consolidated Balance Sheets. We recorded adjustments of $2 million, $56 million and ($106 million) to our equity accounts in 2010, 2009 and 2008, respectively. Negative adjustments reflect the net impact of the strengthening of the U.S. dollar against various foreign currencies for locations where the functional currency is not the U.S. dollar. Conversely, positive adjustments reflect the effect of a weakening dollar.

We recorded foreign currency transaction gains (losses) of ($2.8 million), $2.0 million and $0.7 million which are included in Other income (expense), net in our Consolidated Income Statements in 2010, 2009 and 2008, respectively.

Item 8. Financial Statements and Supplementary Data.

In this report, our consolidated financial statements and supplementary data appear following the signature page to this report and are incorporated in this item by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2010 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. There has been no change in our internal control over financial reporting that occurred during the year ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. We developed our internal control over financial reporting through a process in which our management applied its judgment in assessing the costs and benefits of various controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. You should note that the design of any system of controls is based in part on various assumptions about the likelihood of future events, and we cannot assure you that any system of controls will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive, financial and accounting officers, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included a review of the documentation surrounding our financial reporting controls, an evaluation of the design effectiveness of these controls, testing of the operating effectiveness of these controls and an evaluation of our overall control environment. Based on that evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2010.

Ernst & Young LLP, an independent registered public accounting firm, has audited our internal control over financial reporting, as stated in their report which follows.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Oceaneering International, Inc.

We have audited Oceaneering International, Inc. and Subsidiaries internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Oceaneering International, Inc. and Subsidiaries management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Oceaneering International, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Oceaneering International, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, cash flows, and shareholders equity and comprehensive income for each of the three years in the period ended December 31, 2010 and our report dated February 25, 2011 expressed an unqualified opinion thereon.

Houston, Texas
February 25, 2011

/s/ ERNST & YOUNG LLP

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Item 9B. Other Information.

We have no other information to report for the fourth quarter of this year covered by this annual report on Form 10-K that would have been required to be, and was not, reported on a Form 8-K.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information with respect to the directors and nominees for election to our Board of Directors is incorporated by reference from the section Election of Directors in our definitive proxy statement to be filed on or before May 2, 2011, relating to our 2011 Annual Meeting of Shareholders.

Information concerning our Audit Committee and the audit committee financial experts is incorporated by reference from the sections entitled Election of Directors Corporate Governance and The Audit Committee in the proxy statement referred to in this Item 10. Information concerning our Code of Ethics is incorporated by reference from the section entitled Election of Directors Code of Ethics for the Chief Executive Officer and Senior Financial Officers in the proxy statement referred to in this Item 10.

The information with respect to our executive officers is provided under the heading Executive Officers of the Registrant following Item 1 of Part I of this report. There are no family relationships between any of our directors or executive officers.

The information with respect to the reporting by our directors and executive officers and persons who own more than 10% of our Common Stock under Section 16 of the Securities Exchange Act of 1934 is incorporated by reference from the section entitled Election of Directors Section 16(a) Beneficial Ownership Reporting Compliance in the proxy statement referred to in this Item 10.

Item 11. Executive Compensation.

The information required by Item 11 is incorporated by reference from the sections entitled Election of Directors Compensation Committee Interlocks and Insider Participation, Compensation Discussion and Analysis, Report of the Compensation Committee, Compensation of Executive Officers, and Director Compensation in the proxy statement referred to in Item 10 above.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is incorporated by reference from (1) the Equity Compensation Plan Information table appearing in Item 5 Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities in Part II of this report and (2) the section Election of Directors Security Ownership of Management and Certain Beneficial Owners in the proxy statement referred to in Item 10 above.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is incorporated by reference from the sections entitled Election of Directors Corporate Governance and Certain Relationships and Related Transactions in the proxy statement referred to in Item 10 above.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is incorporated by reference from the section entitled Ratification of Appointment of Auditors Fees Incurred by Oceaneering for Ernst & Young LLP in the proxy statement referred to in Item 10 above.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of this report.

1. Financial Statements.

(i) Report of Independent Registered Public Accounting Firm

(ii) Consolidated Balance Sheets

(iii) Consolidated Statements of Income

(iv) Consolidated Statements of Cash Flows

(v) Consolidated Statements of Shareholders Equity and Comprehensive Income

(vi) Notes to Consolidated Financial Statements

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2. Financial Statement Schedules

All schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission have been omitted because they are not required under the relevant instructions or because the required information is not significant.

3. Exhibits:

		Registration or File Number	Form of Report	Report Date	Exhibit Number
*3.01	Restated Certificate of Incorporation	1-10945	10-K	Dec. 2000	3.01
*3.02	Certificate of Amendment to Restated Certificate of Incorporation	1-10945	8-K	May 2008	3.1
*3.03	Amended and Restated Bylaws	1-10945	8-K	Dec. 2007	3.1
*4.01	Specimen of Common Stock Certificate	1-10945	10-K	March 1993	4(a)
*4.02	Amended and Restated Shareholder Rights Agreement dated as of November 16, 2001	1-10945	8-K	Nov. 2001	4.1
*4.04	Amended and Restated Credit Agreement ($250,000,000 Revolving Credit Facility with Accordion to $300,000,000) dated as of January 2, 2004	1-10945	10-K	Dec. 2003	4.05
*4.05	First Amendment to Amended and Restated Credit Agreement dated January 22, 2007	1-10945	8-K	Jan. 2007	4.2
*4.06	$200,000,000 Private Shelf Facility dated as of September 9, 2009 between Oceaneering International, Inc. and Prudential Investment Management, Inc.	1-10945	8-K	Sept. 2009	10.1

We and certain of our consolidated subsidiaries are parties to debt instruments under which the total amount of securities authorized does not exceed 10% of our total consolidated assets. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, we agree to furnish a copy of those instruments to the Securities and Exchange Commission on request.

*10.01+	Defined Contribution Master Plan and Trust Agreement and Adoption Agreement for the Oceaneering International, Inc. Retirement Investment Plan	1-10945	10-K	Dec. 2009	10.01
10.02+	Amendments dated November 5 and December 14, 2010 to Oceaneering International, Inc. Retirement Investment Plan				
*10.03+	Amended and Restated Service Agreement dated as of December 21, 2006 between Oceaneering and John R. Huff	1-10945	8-K	Dec. 2006	10.01
*10.04+	Modification to Service Agreement dated as of December 21, 2006 between Oceaneering and John R. Huff	1-10945	8-K	Dec. 2008	10.9
*10.05+	Trust Agreement dated as of May 12, 2006 between Oceaneering and United Trust Company, National Association	1-10945	8-K	May 2006	10.02
*10.06+	First Amendment to Trust Agreement dated as of May 12, 2006 between Oceaneering International, Inc. and Bank of America National Association, as successor trustee	1-10945	8-K	Dec. 2008	10.10
*10.07+	2002 Non-Executive Incentive Plan	1-10945	10-Q	Sept. 2002	10.03
*10.08+	First Amendment to 2002 Non-Executive Incentive Plan of Oceaneering International, Inc.	1-10945	10-K	Dec. 2008	10.7
*10.09+	Oceaneering International, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009	1-10945	8-K	Dec. 2008	10.5
*10.10+		1-10945	8-K	Dec. 2008	10.6

	Amended and Restated Oceaneering International, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2000				
*10.11+	Change-of-Control Agreements dated as of November 16, 2001 between Oceaneering and John R. Huff, T. Jay Collins, Marvin J. Migura, M. Kevin McEvoy and George R. Haubenreich, Jr.	1-10945	10-K	Dec. 2001	10.06
*10.12+	Form of First Amendment to Change-of-Control Agreement with T. Jay Collins, M. Kevin McEvoy, Marvin J. Migura and George R. Haubenreich, Jr.	1-10945	8-K	Dec. 2008	10.7
*10.13+	First Amendment to Change-of-Control Agreement with John R. Huff.	1-10945	8-K	Dec. 2008	10.8
*10.14+	First Amendment to 2002 Incentive Plan of Oceaneering International, Inc.	1-10945	8-K	Dec. 2008	10.2
*10.15+	Form of Indemnification Agreement dated November 16, 2001 between Oceaneering and each of its Directors, Marvin J. Migura, M. Kevin McEvoy and George R. Haubenreich, Jr.	1-10945	10-K	Dec. 2001	10.12

*10.16+	2002 Incentive Plan	1-10945	10-Q	June 2002	10.01
*10.17+	Oceaneering International, Inc. 2010 Cash Bonus Award Program	1-10945	10-Q	March 2010	10.01
*10.18+	Amended and Restated 2002 Restricted Stock Unit Award Agreements with John R. Huff and Executive Officers	1-10945	10-Q	Sept. 2002	10.04
*10.19+	Form of First Amendment to Oceaneering International, Inc. Amended and Restated 2002 Restricted Stock Unit Award Incentive Agreement with Executive Officers	1-10945	8-K	Dec. 2008	10.3
*10.20+	First Amendment to Oceaneering International, Inc. Amended and Restated 2002 Restricted Stock Unit Award Incentive Agreement with John R. Huff	1-10945	8-K	Dec. 2008	10.4
*10.21+	2005 Incentive Plan	1-10945	10-K	Dec. 2009	10.20
*10.22+	First Amendment to 2005 Incentive Plan of Oceaneering International, Inc.	1-10945	8-K	Dec. 2008	10.1
*10.23+	2010 Incentive Plan	333-166612	S-8	May 2010	4.6
*10.24+	Form of 2007 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2007	10.1
*10.25+	Form of 2007 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2007	10.3
*10.26+	Form of 2007 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2007	10.2
*10.27+	Form of 2007 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2007	10.4
*10.28+	2007 Performance Award: Goals and Measures, relating to the Form of 2007 Performance Unit Agreement and Form of Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2007	10.5
*10.29+	Form of 2008 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2008	10.1
*10.30+	Form of 2008 Nonemployee Director Restricted Stock Agreement for Jerold J. DesRoche, David S. Hooker, D Michael Hughes and Harris J. Pappas	1-10945	8-K	Feb. 2008	10.6
*10.31+	Form of 2008 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2008	10.3
*10.32+	Form of 2008 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2008	10.2
*10.33+	Form of 2008 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2008	10.4
*10.34+	2008 Performance Award: Goals and Measures, relating to the form of 2008 Performance Unit Agreement and Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2008	10.5
*10.35+	Form of 2009 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2009	10.1
*10.36+	Form of 2009 Nonemployee Director Restricted Stock Unit Agreement for Jerold J. DesRoche, David S. Hooker, D. Michael Hughes and Harris J. Pappas	1-10945	8-K	Feb. 2009	10.6
*10.37+	Form of 2009 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2009	10.3
*10.38+	Form of 2009 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2009	10.2
*10.39+	Form of 2009 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2009	10.4
*10.40+	2009 Performance Award: Goals and Measures, relating to the form of 2009 Performance Unit Agreement for its executive officers and 2009 Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2009	10.5
*10.41+	Form of 2010 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2010	10.1
*10.42+	Form of 2010 Nonemployee Director Restricted Stock Unit Agreement for Jerold J. DesRoche, David S. Hooker, D. Michael Hughes and Harris J. Pappas	1-10945	8-K	Feb. 2010	10.6
*10.43+	Form of 2010 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2010	10.3
*10.44+	Form of 2010 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2010	10.2

*10.45+	Form of 2010 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2010	10.4
*10.46+	2010 Performance Award: Goals and Measures, relating to the form of 2010 Performance Unit Agreement and 2010 Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2010	10.5
21.01	Subsidiaries of Oceaneering				
23.01	Consent of Independent Registered Public Accounting Firm				
31.01	Rule 13a 14(a)/15d 14(a) certification of Chief Executive Officer				
31.02	Rule 13a 14(a)/15d 14(a) certification of Chief Financial Officer				
32.01	Section 1350 certification of Chief Executive Officer				
32.02	Section 1350 certification of Chief Financial Officer				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				

* Exhibit previously filed with the Securities and Exchange Commission, as indicated, and incorporated herein by reference.
\+ Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OCEANEERING INTERNATIONAL, INC.

Date: February 25, 2011

By: /s/ T. JAY COLLINS
T. Jay Collins
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ T. JAY COLLINS **T. Jay Collins**	Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2011
/s/ MARVIN J. MIGURA **Marvin J. Migura**	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 25, 2011
/s/ W. CARDON GERNER **W. Cardon Gerner**	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2011
/s/ JOHN R. HUFF **John R. Huff**	Chairman of the Board	February 25, 2011
/s/ JEROLD J. DESROCHE **Jerold J. DesRoche**	Director	February 25, 2011
/s/ DAVID S. HOOKER **David S. Hooker**	Director	February 25, 2011
/s/ D. MICHAEL HUGHES **D. Michael Hughes**	Director	February 25, 2011
/s/ HARRIS J. PAPPAS **Harris J. Pappas**	Director	February 25, 2011

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All schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission have been omitted because they are not required under the relevant instructions or because the required information is not significant.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Oceaneering International, Inc.

We have audited the accompanying consolidated balance sheets of Oceaneering International, Inc. and Subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, cash flows, and shareholders equity and comprehensive income for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oceaneering International, Inc. and Subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Oceaneering International Inc. and Subsidiaries internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 25, 2011

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OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	December 31, **2010**	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 245,219**	$ 162,351
Accounts receivable, net of allowances for doubtful accounts of $5,655 and $274	**424,014**	435,151
Inventory	**236,517**	232,217
Other current assets	**77,752**	44,420
Total Current Assets	**983,502**	874,139
Property and Equipment, at cost	**1,631,109**	1,501,243
Less accumulated depreciation	**844,736**	734,882
Net Property and Equipment	**786,373**	766,361
Other Assets:		
Goodwill	**143,234**	130,820
Investments in unconsolidated affiliates	**51,820**	58,736
Other	**65,577**	50,231
Total Other Assets	**260,631**	239,787
Total Assets	**$ 2,030,506**	$ 1,880,287
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	**$ 85,572**	$ 86,484
Accrued liabilities	**314,410**	255,704
Income taxes payable	**39,874**	46,359
Total Current Liabilities	**439,856**	388,547
Long-term Debt		120,000
Other Long-term Liabilities	**200,435**	147,417
Commitments and Contingencies		
Shareholders Equity:		
Common Stock, par value $0.25 per share; 180,000,000 shares authorized; 55,417,044 shares issued	**13,854**	13,854
Additional paid-in capital	**207,132**	212,788
Treasury stock; 1,301,662 and 499,292 shares, at cost	**(61,385)**	(27,796)
Retained earnings	**1,239,574**	1,039,043
Accumulated other comprehensive income	**(8,960)**	(13,566)
Total Shareholders Equity	**1,390,215**	1,224,323

Total Liabilities and Shareholders Equity	**$ 2,030,506**	$ 1,880,287

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Year Ended December 31, **2010**	2009	2008
Revenue	**$ 1,917,045**	$ 1,822,081	$ 1,977,421
Cost of services and products	**1,450,725**	1,384,355	1,512,621
Gross Margin	**466,320**	437,726	464,800
Selling, general and administrative expense	**156,820**	145,610	147,242
Income from Operations	**309,500**	292,116	317,558
Interest income	**580**	694	907
Interest expense, net of amounts capitalized	**(6,010)**	(7,781)	(13,485)
Equity earnings of unconsolidated affiliates	**2,078**	3,242	1,919
Other income (expense), net	**(926)**	1,504	321
Income before Income Taxes	**305,222**	289,775	307,220
Provision for income taxes	**104,691**	101,422	107,834
Net Income	**$ 200,531**	$ 188,353	$ 199,386
Basic Earnings per Share	**$ 3.66**	$ 3.42	$ 3.59
Diluted Earnings per Share	**$ 3.65**	$ 3.40	$ 3.56

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, **2010**	2009	2008
Cash Flows from Operating Activities:			
Net income	**$ 200,531**	$ 188,353	$ 199,386
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**153,651**	122,945	115,029
Deferred income tax provision	**31,184**	21,631	45,876
Net gain on sales of property and equipment	**(2,758)**	(305)	(5,460)
Noncash compensation	**8,490**	6,369	7,956
Distributions from unconsolidated affiliates greater than earnings	**5,569**	5,194	725
Increase (decrease) in cash from:			
Accounts receivable, net	**12,104**	11,568	(71,903)
Inventory and other current assets	**(21,656)**	14,073	(15,968)
Other assets	**(9,245)**	(9,506)	4,527
Currency translation effect on working capital	**6,519**	16,215	(44,224)
Accounts payable	**(912)**	(6,027)	14,602
Accrued liabilities	**57,012**	14,063	10,265
Income taxes payable	**(6,485)**	25,578	(7,618)
Other long-term liabilities	**7,846**	8,083	(5,279)
Total adjustments to net income	**241,319**	229,881	48,528
Net Cash Provided by Operating Activities	**441,850**	418,234	247,914
Cash Flows from Investing Activities:			
Purchases of property and equipment	**(185,262)**	(175,021)	(209,301)
Business acquisitions, net of cash acquired	**(21,918)**		(42,976)
Dispositions of property and equipment and equity investment	**15,284**	12,535	5,886
Net Cash Used in Investing Activities	**(191,896)**	(162,486)	(246,391)
Cash Flows from Financing Activities:			
Net (payments) proceeds from revolving credit facility	**(100,000)**	(4,000)	(36,000)
Payments of 6.72% Senior Notes	**(20,000)**	(20,000)	(20,000)
Proceeds (payments) from Term Loan		(85,000)	85,000
Proceeds from issuance of common stock	**693**	1,880	1,726
Excess tax benefits from stock-based compensation	**1,741**	2,523	6,770
Purchases of treasury stock	**(49,520)**		(54,929)
Net Cash Used in Financing Activities	**(167,086)**	(104,597)	(17,433)
Net Increase (Decrease) in Cash and Cash Equivalents	**82,868**	151,151	(15,910)
Cash and Cash Equivalents Beginning of Period	**162,351**	11,200	27,110
Cash and Cash Equivalents End of Period	**$ 245,219**	$ 162,351	$ 11,200

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

	Common Stock Issued						Accumulated Other Comprehensive Income (Loss)			
(in thousands)	Shares	Amounts	Additional Paid-in Capital	Unearned Compens-ation	Treasury Stock	Retained Earnings	Fair Value of Hedging Instruments	Currency Translation Adjustments	Pension	Total
Balance, December 31, 2007	**55,075**	**$ 13,769**	**$ 210,497**	**$ (109)**	**$**	**$ 651,304**	**$ 76**	**$ 42,584**	**$ (2,811)**	**$ 915,310**
Comprehensive Income:										
Net Income						199,386				199,386
Change in fair value of interest rate hedge and other, net of tax							(3,133)			(3,133)
Pension-related adjustments, net of tax									641	641
Translation adjustments								(106,073)		(106,073)
Total Comprehensive Income						199,386	(3,133)	(106,073)	641	90,821
Restricted stock expense	224	56	5,965	1,935						7,956
Restricted stock grant	32	8	1,984	(1,992)						
Stock options exercised	86	21	(805)		2,510					1,726
Tax benefits from stock plans			6,770							6,770
Treasury stock purchases, 986,400 shares					(54,929)					(54,929)
Balance, December 31, 2008	55,417	13,854	224,411	(166)	(52,419)	850,690	(3,057)	(63,489)	(2,170)	967,654
Comprehensive Income:										
Net Income						188,353				188,353
Change in fair value of interest rate hedge and other, net of tax							629			629
Pension-related adjustments, net of tax									(1,812)	(1,812)
Translation adjustments								56,333		56,333
Total Comprehensive Income						188,353	629	56,333	(1,812)	243,503
Restricted stock expense			(9,066)	1,077	16,752					8,763
Restricted stock grant			(787)	(994)	1,781					
Stock options exercised			(4,210)		6,090					1,880
Tax benefits from stock plans			2,523							2,523
Balance, December 31, 2009	55,417	13,854	212,871	(83)	(27,796)	1,039,043	(2,428)	(7,156)	(3,982)	1,224,323
Comprehensive Income:										
Net Income						200,531				200,531
Change in fair value of interest rate hedge and other, net of tax							2,428			2,428
Pension-related adjustments, net of tax									285	285

Translation adjustments								1,893		1,893
Total Comprehensive Income						200,531	2,428	1,893	285	205,137
Restricted stock expense			(5,845)	1,818	11,868					7,841
Restricted stock grant			112	(1,893)	1,781					
Stock options exercised			(1,589)		2,282					693
Tax benefits from stock plans			1,741							1,741
Treasury stock purchases, 1,100,000 shares					(49,520)					(49,520)
Balance, December 31, 2010	**55,417**	**$ 13,854**	**$ 207,290**	**$ (158)**	**$ (61,385)**	**$ 1,239,574**	**$**	**$ (5,263)**	**$ (3,697)**	**$ 1,390,215**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of Oceaneering International, Inc. and our 50% or more owned and controlled subsidiaries. We also consolidate entities that are determined to be variable interest entities if we determine that we are the primary beneficiary; otherwise, we account for these entities using the equity method of accounting. We use the equity method to account for our investments in unconsolidated affiliated companies of which we own an equity interest of between 20% and 50% and as to which we have significant influence, but not control, over operations. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that our management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Reclassifications. Certain amounts from prior periods have been reclassified to conform with the current year presentation.

Cash and Cash Equivalents. Cash and cash equivalents include demand deposits and highly liquid investments with original maturities of three months or less from the date of the investment.

Accounts Receivable Allowances for Doubtful Accounts. We determine the need for allowances for doubtful accounts using the specific identification method. We do not generally require collateral from our customers.

Inventory. Inventory is valued at lower of cost or market. We determine cost using the weighted-average method.

Property and Equipment. We provide for depreciation of property and equipment on the straight-line method over estimated useful lives of eight years for ROVs, three to 20 years for marine services equipment (such as vessels and diving equipment), up to 12 years for mobile offshore production equipment and three to 25 years for buildings, improvements and other equipment.

We charge the costs of repair and maintenance of property and equipment to operations as incurred, while we capitalize the costs of improvements.

We capitalize interest on assets where the construction period is anticipated to be more than three months. We capitalized $0.3 million of interest in 2010 and less than $0.1 million of interest in each of 2009 and 2008. We do not allocate general administrative costs to capital projects. Upon the disposition of property and equipment, the related cost and accumulated depreciation accounts are relieved and any resulting gain or loss is included as an adjustment to cost of services and products.

Our management periodically, and upon the occurrence of a triggering event, reviews the realizability of long-lived assets, excluding goodwill and indefinite-lived intangibles, which are held and used by us, to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, we base our evaluation on impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, we determine whether an impairment has occurred through the use of an undiscounted cash flows analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset. For assets held for sale or disposal, the fair value of the asset is measured using fair market value less cost to sell. Assets are classified as held-for-sale when we have a plan for disposal of certain assets and those assets meet the held for sale criteria. In 2010, we recorded a $5.2 million impairment charge to adjust the carrying value of our vessel held for sale, *The Performer*, to its fair value less estimated costs to sell. We completed the sale in 2010 for approximately the vessel s reduced carrying value. In 2008, we recorded an impairment charge of $5.7 million to reduce our investment in the *Ocean Pensador,* an oil tanker we were holding for possible conversion, to its fair value, based on quoted steel commodity prices. These impairment charges were recorded in our cost of services and products in our Subsea Projects segment.

Business Acquisitions. In March 2008, we purchased GTO Subsea AS (GTO), a Norwegian rental provider of specialized subsea dredging equipment, including ROV-deployed units, to the offshore oil and gas industry for $40 million. We accounted for this acquisition using the purchase method of accounting, with the purchase price being allocated to the net assets acquired based on their fair market values at the date of acquisition. Our goodwill, all nondeductible for income tax purposes, associated with the acquisition was $23.2 million, and other intangible assets were $8.1 million. The results of operations of GTO are included in our consolidated statements of income from the date of acquisition.

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We also made several smaller acquisitions during the periods presented.

The above acquisitions were not material. As a result, we have not included pro forma information related to the acquisitions in this report.

Goodwill and Intangible Assets. We tested the goodwill attributable to each of our reporting units for impairment as of December 31, 2010, 2009 and 2008 and concluded that there was no impairment. Our reporting units are the operating units one level below our business segments, except for ROVs and Inspection, which are tested as single reporting units. We estimated fair value using discounted cash flow methodologies and market comparable information. The only changes in our reporting units goodwill during the periods presented are from business acquisitions, as discussed above, and currency exchange rate changes. For more information regarding goodwill by business segment, see Note 7.

Within our balance sheet caption Other Assets: Other, at December 31, 2010 and 2009, we had $22.2 million and $20.1 million, respectively, of intangible assets, primarily acquired in connection with business combinations. These intangible assets include trade names, intellectual property and customer relationships, and are being amortized with a weighted average remaining life of approximately 10 years.

Revenue Recognition. We recognize our revenue according to the type of contract involved. On a daily basis, we recognize revenue under contracts that provide for specific time, material and equipment charges, which we bill periodically, ranging from weekly to monthly.

We account for significant fixed-price contracts, which we enter into mainly in our Subsea Products segment, and to a lesser extent in our Subsea Projects and Advanced Technologies segments, using the percentage-of-completion method. In 2010, we accounted for 14% of our revenue using the percentage-of-completion method. In determining whether a contract should be accounted for using the percentage-of-completion method, we consider whether:

- the customer provides specifications for the construction of facilities or production of goods or for the provision of related services;
- we can reasonably estimate our progress towards completion and our costs;
- the contract includes provisions as to the enforceable rights regarding the goods or services to be provided, consideration to be received and the manner and terms of payment;
- the customer can be expected to satisfy its obligations under the contract; and
- we can be expected to perform our contractual obligations.

Under the percentage-of-completion method, we recognize estimated contract revenue based on costs incurred to date as a percentage of total estimated costs. Changes in the expected cost of materials and labor, productivity, scheduling and other factors affect the total estimated costs. Additionally, external factors, including weather or other factors outside of our control, also affect the progress and estimated cost of a project s completion and, therefore, the timing of income and revenue recognition. We routinely review estimates related to our contracts and reflect revisions to profitability in earnings immediately. If a current estimate of total contract cost indicates an ultimate loss on a contract, we recognize the projected loss in full when we determine it. Although we are continually striving to accurately estimate our contract costs and profitability, adjustments to overall contract costs could be significant in future periods.

We recognize the remainder of our revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, price is fixed or determinable and collection is reasonably assured.

Revenue in Excess of Amounts Billed is classified as accounts receivable and relates to recoverable costs and accrued profits on contracts in progress. Billings in Excess of Revenue Recognized on uncompleted contracts are classified in accrued liabilities.

Revenue in Excess of Amounts Billed on uncompleted fixed-price contracts accounted for using the percentage-of-completion method is summarized as follows:

(in thousands)	December 31, 2010	2009
Revenue recognized	$ 262,602	$ 164,296
Less: Billings to customers	(238,473)	(146,241)
Revenue in excess of amounts billled	$ 24,129	$ 18,055

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Billings in Excess of Revenue Recognized on uncompleted fixed-price contracts accounted for using the percentage-of-completion method are summarized as follows:

	December 31,	
(in thousands)	2010	2009
Amounts billed to customers	$ 90,315	$ 28,361
Less: Revenue recognized	(45,144)	(15,371)
Billings in excess of revenue recognized	$ 45,171	$ 12,990

Stock-Based Compensation. We recognize all share-based payments to directors, officers and employees, including grants of stock options, over their vesting periods in the income statement based on their estimated fair values.

The Compensation Committee of our Board of Directors has expressed its intention to refrain from using stock options as a component of compensation for our executive officers and other employees for the foreseeable future. Additionally, our Board of Directors has expressed its intention to refrain from using stock options as a component of nonemployee director compensation for the foreseeable future. No stock options have been granted since 2005, and we no longer have any stock options outstanding. For more information on our employee benefit plans, see Note 8.

Income Taxes. We provide income taxes at appropriate tax rates in accordance with our interpretation of the respective tax laws and regulations after review and consultation with our internal tax department, tax advisors and, in some cases, legal counsel in various jurisdictions. We provide for deferred income taxes for differences between carrying amounts of assets and liabilities for financial and tax reporting purposes. Our policy is to provide for deferred U.S. income taxes on foreign income only to the extent such income is not to be invested indefinitely in the related foreign entity. We provide a valuation allowance against deferred tax assets when it is more likely than not that the asset will not be realized.

We recognize the benefit for a tax position if the benefit is more likely than not to be sustainable upon audit by the applicable taxing authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. We account for any applicable interest and penalties on uncertain tax positions as a component of our provision for income taxes on our financial statements.

Foreign Currency Translation. The functional currency for several of our foreign subsidiaries is the applicable local currency. Results of operations for foreign subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars using average exchange rates during the period. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, and the resulting translation adjustments are accumulated as a component of shareholders equity. All foreign currency transaction gains and losses are recognized currently in the Consolidated Statements of Income. We recorded ($2.8 million), $2.0 million and $0.7 million of foreign currency gains (losses) in 2010, 2009 and 2008, respectively, and those amounts are included as a component of Other income (expense), net.

Earnings Per Share. In 2008, the Financial Accounting Standards Board (the FASB) issued a staff position on determining whether instruments granted in share-based payment transactions are participating securities, stating that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and, therefore, need to be included in the earnings allocation in computing earnings per share. Certain of our share-based payments contain such rights to dividends or dividend equivalents and are considered participating securities under this staff position. We adopted the staff position as of January 1, 2009, as required. The table that follows presents our earnings per share calculations in accordance with this staff position.

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	Year Ended December 31, 2010	2009	2008
	(in thousands, except per share data)		
Basic earnings per share:			
Net income per consolidated statements of income	$ 200,531	$ 188,353	$ 199,386
Income allocable to participating securities	(709)	(1,324)	(2,118)
Earnings allocable to common shareholders	$ 199,822	$ 187,029	$ 197,268
Basic shares outstanding	54,560	54,766	54,949
Basic earnings per share	$ 3.66	$ 3.42	$ 3.59
Basic earnings per share, as previously reported	N/A	N/A	$ 3.63
Diluted earnings per share:			
Net income per consolidated statements of income	$ 200,531	$ 188,353	$ 199,386
Income allocable to participating securities	(706)	(1,318)	(2,102)
Earnings allocable to diluted common shareholders	$ 199,825	$ 187,035	$ 197,284
Diluted shares outstanding	54,767	55,026	55,374
Diluted earnings per share	$ 3.65	$ 3.40	$ 3.56
Diluted earnings per share, as previously reported	N/A	N/A	$ 3.58

Financial Instruments. We recognize all derivative instruments as either assets or liabilities in the balance sheet and measure those instruments at fair value. Subsequent changes in fair value are reflected in current earnings or other comprehensive income, depending on whether a derivative instrument is designated as part of a hedge relationship and, if it is, the type of hedge relationship. As of December 31, 2010, we had no derivative instruments in effect.

Pension and Postretirement Benefits. We recognize the funded status of the pension and postretirement plans in our balance sheet, along with a corresponding noncash, after-tax adjustment to shareholders equity. Funded status is determined as the difference between the fair value of plan assets and the projected benefit obligation. We determine the fair value of our pension plan assets using Level 2 inputs, primarily the quoted market prices of the underlying securities of the Plan investments. Changes in the funded status will be recognized in other comprehensive income (loss).

Subsequent Events. We have evaluated events and transactions through the issuance of these financial statements for possible recognition or disclosure.

New Accounting Standards. The following is a summary of recent accounting pronouncements that are applicable to us.

In June 2009, the FASB issued an updated accounting principle regarding accounting for variable interest entities, specifically to:

- require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity;

- eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, which was based on determining which enterprise absorbs the majority of the entity s expected losses, receives a majority of the entity s expected residual returns, or both;

- change certain guidance for determining whether an entity is a variable interest entity;

- add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity s economic performance; and

- require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity.

We adopted these principles and requirements as of January 1, 2010, as required.

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In October 2009, the FASB issued a release regarding accounting for revenue involving multiple-deliverable arrangements to enable sellers to account for products or services (deliverables) separately rather than as a combined unit.

This release establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence nor third-party evidence is available. The release also replaces the term fair value in the revenue allocation guidance with selling price to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant.

The release eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The relative selling price method allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable s selling price.

The release requires that a seller determine its best estimate selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis. The release does not prescribe any specific methods that sellers must use to accomplish this objective, but provides guidance.

For us, the release will be effective prospectively for revenue arrangements entered into or materially modified on or after January 1, 2011.

2. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Our investments in unconsolidated affiliates consisted of the following:

		December 31,	
(in thousands)	2010	2009	2008
Medusa Spar LLC	$ 51,820	$ 57,388	$ 62,583
Other		1,348	1,347
	$ 51,820	$ 58,736	$ 63,930

In 2003, we purchased a 50% equity interest in Medusa Spar LLC for $43.7 million. Medusa Spar LLC owns a 75% interest in a production spar platform in the U.S. Gulf of Mexico. Medusa Spar LLC s revenue is derived from processing oil and gas production for a fee based on the volumes processed through the platform (throughput). Medusa Spar LLC financed its acquisition of its 75% interest in the production spar platform using approximately 50% debt and 50% equity from its equity holders. The debt was repaid in 2008. We believe our maximum exposure to loss from our investment in Medusa Spar LLC is our $52 million investment. Medusa Spar LLC is a variable interest entity. We are not the primary beneficiary under of Medusa Spar LLC, since we own 50%, do not manage the operations of the asset it owns and another owner guaranteed the revenue stream necessary for it to repay its debt. As we are not the primary beneficiary, we are accounting for our investment in Medusa Spar LLC under the equity method of accounting. Summarized 100% financial information relative to Medusa Spar LLC and a reconciliation of the underlying equity in net assets to our carrying value follows.

	000000	000000	000000
		December 31,	
(in thousands)	2010	2009	2008
Medusa Spar LLC			
Condensed Balance Sheets			
ASSETS			
Cash and cash equivalents	$ 217	$ 949	$ 3,520
Other current assets	3,189	4,116	2,456
Property and Equipment, net	100,551	110,028	119,506

Total Assets	$ 103,957	$ 115,093	$ 125,482
LIABILITIES AND MEMBERS EQUITY			
Current Liabilities	$ 18	$ 17	$ 17
Members Equity	103,939	115,076	125,465
Total Liabilities and Members Equity	$ 103,957	$ 115,093	$ 125,482
Condensed Statements of Operations			
Revenue	$ 13,816	$ 16,143	$ 14,455
Depreciation	(9,478)	(9,478)	(9,478)
General and Administrative	(71)	(70)	(118)
Interest			(832)
Net Income	$ 4,267	$ 6,595	$ 4,027

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Our 50% share of the underlying equity of the net assets of Medusa Spar LLC is approximately equal to its carrying value. Our 50% share of the cumulative undistributed earnings of Medusa Spar LLC was $10.2 million and $15.7 million at December 31, 2010 and 2009, respectively. We received cash distributions of $7.7 million, $8.5 million and $2.5 million from Medusa Spar LLC in 2010, 2009 and 2008, respectively.

3. INCOME TAXES

We recognize the benefit for a tax position if the benefit is more likely than not to be sustainable upon audit by the applicable taxing authority. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement.

We account for any applicable interest and penalties on uncertain tax positions as a component of our provision for income taxes on our financial statements. We charged $0.2 million, $0.5 million and $0.4 million to income tax expense in 2010, 2009 and 2008, respectively, for penalties and interest taken on our financial statements on uncertain tax positions, which brought our total liabilities for penalties and interest on uncertain tax positions to $4.0 million and $3.8 million on our balance sheet at December 31, 2010 and 2009, respectively. Including associated foreign tax credits and penalties and interest, we have accrued a net total of $5.6 million in the caption other long-term liabilities on our balance sheet for unrecognized tax benefits at December 31, 2010. All additions or reductions to those liabilities affect our effective income tax rate in the periods of change.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits, not including associated foreign tax credits and penalties and interest, is as follows:

	000000	000000	000000
	Year Ended December 31,		
(in thousands)	2010	2009	2008
Beginning of year	$ 9,488	$ 8,402	$ 7,450
Additions based on tax positions related to the current year	1,296	1,361	1,354
Reductions for expiration of statutes of limitations	(793)	(81)	(402)
Settlements		(194)	
Balance at end of year	$ 9,991	$ 9,488	$ 8,402

We do not believe that the total of unrecognized tax benefits will significantly increase or decrease in the next 12 months.

We file a consolidated U.S. federal income tax return for Oceaneering International, Inc. and our domestic subsidiaries, including acquired companies from their respective dates of acquisition. We conduct our international operations in a number of locations that have varying laws and regulations with regard to income and other taxes, some of which are subject to interpretation. Our management believes that adequate provisions have been made for all taxes that will ultimately be payable, although final determination of tax liabilities may differ from our estimates.

Income before income taxes is as follows:

	Year Ended December 31,		
(in thousands)	2010	2009	2008
Domestic	$ 87,776	$ 65,174	$ 105,591
Foreign	217,446	224,601	201,629
Income before income taxes	$ 305,222	$ 289,775	$ 307,220

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Our provisions for income taxes and our cash taxes paid are as follows:

(in thousands)	Year Ended December 31, 2010	2009	2008
Current:			
Domestic	$ 16,501	$ 10,659	$ 11,190
Foreign	57,006	69,132	50,768
Total current	73,507	79,791	61,958
Deferred:			
Domestic	19,730	12,029	42,219
Foreign	11,454	9,602	3,657
Total deferred	31,184	21,631	45,876
Total provision for income taxes	$ 104,691	$ 101,422	$ 107,834
Cash taxes paid	$ 101,304	$ 42,520	$ 66,594

As of December 31, 2010 and 2009, our worldwide deferred tax assets, liabilities and net deferred tax liabilities were as follows:

(in thousands)	December 31, 2010	2009
Deferred tax assets:		
Deferred compensation	$ 24,791	$ 22,185
Deferred income	19,808	7,271
Accrued expenses	6,675	6,512
Other	5,360	7,389
Foreign tax credit carryforwards		3,773
Gross deferred tax assets	56,634	47,130
Valuation allowance		
Total deferred tax assets	$ 56,634	$ 47,130
Deferred tax liabilities:		
Property and equipment	$ 74,832	$ 67,409
Unremitted foreign earnings	62,373	35,291
Basis difference in equity investments	17,177	16,599
Other	13,580	5,958
Total deferred tax liabilities	$ 167,962	$ 125,257
Net deferred income tax liability	$ 111,328	$ 78,127

Our net deferred tax liability is reflected within our balance sheet as follows:

	00000000	00000000
	December 31,	
(in thousands)	2010	2009
Deferred tax liabilities	$ 139,822	$ 94,219
Current deferred assets	(28,494)	(16,092)
Net deferred income tax liability	$ 111,328	$ 78,127

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We have $17 million of earnings of our Swiss subsidiary, Oceaneering International AG, that we consider indefinitely reinvested outside the United States and that we do not expect to repatriate. None of our foreign tax credits are scheduled to expire before December 31, 2020.

We believe it is more likely than not that all our deferred tax assets are realizable. We conduct business through several foreign subsidiaries and, although we expect our consolidated operations to be profitable, there is no assurance that profits will be earned in entities or jurisdictions that have NOLs available. The primary difference between our 2010 effective tax rate of 34.3% and the federal statutory rate of 35% is the lessor federal tax rate applied to our U.S. manufacturing profits. Income taxes, computed by applying the federal statutory income tax rate to income before income taxes, are not materially different than our actual provisions for income taxes for 2009 and 2008.

We conduct our operations in a number of locations that have varying laws and regulations with regard to income and other taxes, some of which are subject to interpretation. Our tax returns are subject to audit by taxing authorities in multiple jurisdictions. These audits often take years to complete and settle. The following lists the earliest tax years open to examination by tax authorities where we have significant operations:

Jurisdiction	Periods
United States	2007
United Kingdom	2008
Norway	2000
Angola	2005
Nigeria	2004
Brazil	2005
Australia	2007
Canada	2007

4. SELECTED BALANCE SHEET ACCOUNTS

The following is information regarding selected balance sheet accounts:

	00000000	00000000
	December 31,	
(in thousands)	2010	2009
Inventory:		
Inventory for remotely operated vehicles	$ 119,106	$ 110,043
Other inventory, primarily raw materials	117,411	122,174
Total	$ 236,517	$ 232,217
Other Current Assets:		
Deferred income taxes	$ 28,494	$ 16,092
Prepaids and other	49,258	28,328
Total	$ 77,752	$ 44,420
Accrued Liabilities:		
Payroll and related costs	$ 168,476	$ 153,256
Accrued job costs	50,323	48,541
Deferred revenue, including billings in excess of revenue recognized	68,131	28,311
Other	27,480	25,596
Total	$ 314,410	$ 255,704

Other Long-Term Liabilities:		
Deferred income taxes	$ 139,822	$ 94,219
Supplemental Executive Retirement Plan	32,341	25,547
Accrued post-employment benefit obligations	14,245	14,176
Other	14,027	13,475
Total	$ 200,435	$ 147,417

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5. DEBT

Long-term Debt consisted of the following:

(in thousands)	December 31, 2010	December 31, 2009
6.72% Senior Notes, maturing September 2010	$	$ 20,000
Revolving credit facility, maturing January 2012		100,000
Long-term Debt	$	$ 120,000

As of December 31, 2010, we had a $300 million revolving credit facility under an agreement (the Credit Agreement) that currently extends to January 2012. We have to pay a commitment fee ranging from 0.125% to 0.175% on the unused portion of the facility, depending on our debt-to-capitalization ratio. The commitment fees are included as interest expense in our consolidated financial statements. Under the Credit Agreement, we have the option to borrow at LIBOR plus a margin ranging from 0.50% to 1.25%, depending on our debt-to-capitalization ratio, or at the agent bank s prime rate. At December 31, 2010, we had no borrowings outstanding under the Credit Agreement and $300 million available for borrowing. The weighted average interest rate on all our outstanding borrowings was 4.3% at December 31, 2009.

We made cash interest payments of $7.2 million, $8.9 million and $13.6 million in 2010, 2009 and 2008, respectively. Cash interest payments, and interest expense, in 2010 include $2.9 million to terminate an interest rate hedge.

6. COMMITMENTS AND CONTINGENCIES

Lease Commitments

At December 31, 2010, we occupied several facilities under noncancellable operating leases expiring at various dates through 2025. Future minimum rentals under all of our operating leases, including vessel rentals, are as follows:

(in thousands)	
2011	$ 38,269
2012	31,510
2013	20,697
2014	8,526
2015	6,212
Thereafter	36,002
Total Lease Commitments	$ 141,216

The above table includes $40 million related to the remainder of a five-year time charter of a vessel and crew, which began in the third quarter of 2008. Rental expense, which includes hire of vessels, specialized equipment and real estate rental, was approximately $69 million, $74 million and $79 million 2010, 2009 and 2008, respectively.

Insurance

We self-insure for workers compensation, maritime employer s liability and comprehensive general liability claims to levels we consider financially prudent, and beyond the self-insurance level of exposure, we carry insurance, which can be by occurrence or in the aggregate. We determine the level of accruals for claims exposure by reviewing our historical experience and current year claim activity. We do not record accruals on a present-value basis. We review larger claims with insurance adjusters and establish specific reserves for known liabilities. We establish an additional reserve for incidents incurred but not reported to us for each year using our estimates and based on prior experience. We believe we have established adequate accruals for uninsured expected liabilities arising from those obligations. However, it is possible that future earnings could be affected by changes in our estimates relating to these matters.

Litigation

Various actions and claims are pending against us, most of which are covered by insurance. Although we cannot predict the ultimate outcome of these matters, we believe the ultimate liability, if any, that may result from these actions and claims will not materially affect our results of operations, cash flow or financial position.

Letters of Credit

We had $30 million and $36 million in letters of credit outstanding as of December 31, 2010 and 2009, respectively, as guarantees in force for self-insurance requirements and various performance and bid bonds, which are usually for the duration of the applicable contract.

Financial Instruments and Risk Concentration

In the normal course of business, we manage risks associated with foreign exchange rates and interest rates through a variety of strategies, including the use of hedging transactions. As a matter of policy, we do not use derivative instruments unless there is an underlying exposure.

Other financial instruments that potentially subject us to concentrations of credit risk are principally cash and cash equivalents and accounts receivable. The carrying values of cash and cash equivalents and bank borrowings approximate their fair values due to the short maturity of those instruments or the short-term duration of the associated interest rate periods. Accounts receivable are generated from a broad group of customers, primarily from within the energy industry, which is our major source of revenue. Due to their short-term nature, carrying values of our accounts receivable and accounts payable approximate fair market value.

One customer in Angola owed us $56 million at December 31, 2010 and $50 million at December 31, 2009, all of which is overdue. We completed the work on the contracts related to this receivable in the first quarter of 2010. Based on our past history with this customer, we believe this receivable ultimately will be collected.

7. OPERATIONS BY BUSINESS SEGMENT AND GEOGRAPHIC AREA

Business Segment Information

We are a global oilfield provider of engineered services and products, primarily to the offshore oil and gas industry, with a focus on deepwater applications. Through the use of our applied technology expertise, we also serve the defense and aerospace industries. Our Oil and Gas business consists of Remotely Operated Vehicles (ROVs), Subsea Products, Subsea Projects and Inspection. Our ROV segment provides submersible vehicles operated from the surface to support offshore oil and gas exploration, production and construction activities. Our Subsea Products segment supplies a variety of built-to-order specialty subsea hardware. Our Subsea Projects segment provides multiservice vessels, oilfield diving and support vessel operations, which are used primarily in inspection, repair and maintenance and installation activities, and mobile offshore production systems, one of which we own and through a 50% interest in an entity which holds a 75% interest in a system. Our Inspection segment provides customers with a wide range of third-party inspection services to satisfy contractual structural specifications, internal safety standards and regulatory requirements. Our Advanced Technologies business provides project management, engineering services and equipment for applications in non-oilfield markets. Unallocated Expenses are those not associated with a specific business segment. These consist of expenses related to our incentive and deferred compensation plans, including restricted stock and bonuses, as well as other general expenses, including corporate administrative expenses.

With the sale of the *Ocean Producer* in late 2009, our Mobile Offshore Production Systems (MOPS) business is no longer significant to our overall performance. Consequently, our MOPS results are now being reported in our Subsea Projects segment, and our historical segment results have been conformed to the current year presentation.

There are no differences in the basis of segmentation or in the basis of measurement of segment profit or loss in the year ended December 31, 2010 from those used in our consolidated financial statements for the years ended December 31, 2009 and 2008, except for the above-mentioned combination of our MOPS business into our Subsea Projects segment.

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The table that follows presents Revenue, Income from Operations, Depreciation and Amortization Expense and Equity Earnings of Unconsolidated Affiliates by business segment:

	Year Ended December 31,		
(in thousands)	2010	2009	2008
Revenue			
Oil and Gas			
Remotely Operated Vehicles	$ 662,105	$ 649,228	$ 625,921
Subsea Products	549,233	487,726	649,857
Subsea Projects	247,538	274,607	295,791
Inspection	223,469	216,140	249,109
Total Oil and Gas	1,682,345	1,627,701	1,820,678
Advanced Technologies	234,700	194,380	156,743
Total	$ 1,917,045	$ 1,822,081	$ 1,977,421
Income from Operations			
Oil and Gas			
Remotely Operated Vehicles	$ 211,725	$ 207,683	$ 190,343
Subsea Products	108,522	60,526	96,046
Subsea Projects	46,910	75,404	79,546
Inspection	25,893	26,443	31,017
Total Oil and Gas	393,050	370,056	396,952
Advanced Technologies	16,934	12,366	9,773
Unallocated Expenses	(100,484)	(90,306)	(89,167)
Total	$ 309,500	$ 292,116	$ 317,558
Depreciation and Amortization Expense			
Oil and Gas			
Remotely Operated Vehicles	$ 86,232	$ 68,022	$ 55,948
Subsea Products	27,956	24,133	22,016
Subsea Projects	25,826	19,011	27,819
Inspection	4,098	3,794	3,691
Total Oil and Gas	144,112	114,960	109,474
Advanced Technologies	4,588	2,526	1,425
Unallocated Expenses	4,951	5,459	4,130
Total	$ 153,651	$ 122,945	$ 115,029
Equity Earnings of Unconsolidated Affiliates			
Subsea Projects	$ 2,078	$ 3,242	$ 1,894
Advanced Technologies			25
Total	$ 2,078	$ 3,242	$ 1,919

We determine income from operations for each business segment before interest income or expense, other income (expense) and provision for income taxes. We do not consider an allocation of these items to be practical.

Depreciation and amortization expense for Subsea Projects in 2010 includes an impairment charge of $5.2 million in the first quarter to reduce the carrying value of our vessel held for sale, *The Performer*, to its fair value, less estimated costs to sell. In the third quarter of 2010, we sold the vessel for approximately its reduced carrying value. Depreciation and amortization expense for Subsea Projects in 2008 includes an impairment charge of $5.7 million to reduce our investment in the *Ocean Pensador* to fair value.

During 2010, revenue from one customer, BP plc and subsidiaries in our oil and gas business segments, accounted for 12% of our total consolidated revenue. No individual customer accounted for more than 10% of our consolidated revenue during 2009 or 2008.

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The following table presents Assets, Property and Equipment and Goodwill by business segment as of the dates indicated:

(in thousands)	December 31, 2010	December 31, 2009
Assets		
Oil and Gas		
Remotely Operated Vehicles	$ 774,011	$ 755,612
Subsea Products	511,406	516,239
Subsea Projects	249,259	233,866
Inspection	90,357	76,513
Total Oil and Gas	1,625,033	1,582,230
Advanced Technologies	54,378	62,193
Corporate and Other	351,095	235,864
Total	$ 2,030,506	$ 1,880,287
Property and Equipment, net		
Oil and Gas		
Remotely Operated Vehicles	$ 488,581	$ 470,975
Subsea Products	159,505	160,214
Subsea Projects	109,761	102,455
Inspection	15,238	14,574
Total Oil and Gas	773,085	748,218
Advanced Technologies	6,143	7,546
Corporate and Other	7,145	10,597
Total	$ 786,373	$ 766,361
Goodwill		
Oil and Gas		
Remotely Operated Vehicles	$ 27,125	$ 27,083
Subsea Products	87,492	78,481
Inspection	18,163	14,802
Total Oil and Gas	132,780	120,366
Advanced Technologies	10,454	10,454
Total	$ 143,234	$ 130,820

All assets specifically identified with a particular business segment have been segregated. Cash and cash equivalents, certain other current assets, certain investments and other assets have not been allocated to particular business segments and are included in Corporate and Other.

The following table presents Capital Expenditures, including business acquisitions, by business segment for the periods indicated:

(in thousands)	Year Ended December 31, 2010	2009	2008
Capital Expenditures			

Oil and Gas			
Remotely Operated Vehicles	$ 109,377	$ 146,707	$ 146,363
Subsea Products	41,802	13,694	78,424
Subsea Projects	43,506	2,817	12,938
Inspection	9,551	6,611	6,558
Total Oil and Gas	204,236	169,829	244,283
Advanced Technologies	2,351	3,234	2,806
Corporate and Other	593	1,958	5,188
Total	$ 207,180	$ 175,021	$ 252,277

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Capital expenditures in the table include the costs of business acquisitions.

Geographic Operating Areas

The following table summarizes certain financial data by geographic area:

(in thousands)	Year Ended December 31, 2010	2009	2008
Revenue			
Foreign:			
West Africa	$ 260,377	$ 280,707	$ 284,523
Norway	212,854	230,874	231,632
United Kingdom	156,114	156,748	251,660
Asia and Australia	136,518	135,721	129,315
Brazil	135,510	97,401	116,919
Other	72,157	60,610	48,530
Total Foreign	973,530	962,061	1,062,579
United States	943,515	860,020	914,842
Total	$ 1,917,045	$ 1,822,081	$ 1,977,421
Long-Lived Assets			
Foreign:			
West Africa	$ 106,028	$ 95,326	$ 88,895
Norway	165,942	170,617	141,123
United Kingdom	70,730	63,334	58,371
Asia and Australia	76,835	76,622	78,082
Brazil	79,484	63,653	32,745
Other	28,569	20,490	17,406
Total Foreign	527,588	490,042	416,622
United States	483,078	487,453	486,264
Total	$ 1,010,666	$ 977,495	$ 902,886

Revenue is based on location where services are performed and products are manufactured.

Additional Income Statement Detail

The following schedule shows our revenue, costs and gross margins by services and products:

(in thousands)	Year Ended December 31, 2010	2009	2008
Revenue:			
Services	$ 1,277,795	$ 1,275,263	$ 1,311,149
Products	639,250	546,818	666,272

Total revenue	1,917,045	1,822,081	1,977,421
Cost of Services and Products:			
Services	916,495	897,654	935,752
Products	461,477	421,438	513,643
Unallocated expenses	72,753	65,263	63,226
Total cost of services and products	1,450,725	1,384,355	1,512,621
Gross margin:			
Services	361,300	377,609	375,397
Products	177,773	125,380	152,629
Unallocated expenses	(72,753)	(65,263)	(63,226)
Total gross margin	$ 466,320	$ 437,726	$ 464,800

8. EMPLOYEE BENEFIT PLANS AND SHAREHOLDER RIGHTS PLAN

Retirement Investment Plans

We have several employee retirement investment plans that, taken together, cover most of our full time employees. The Oceaneering Retirement Investment Plan is a 401(k) plan in which U.S. employees may participate by deferring a portion of their gross monthly salary and directing us to contribute the deferred amount to the plan. We match a portion of the employees deferred compensation. Our contributions to the 401(k) plan were $13.9 million, $13.2 million and $12.9 million for the plan years ended December 31, 2010, 2009 and 2008, respectively.

We also make matching contributions to other foreign employee savings plans similar in nature to a 401(k) plan. In 2010, 2009 and 2008, these contributions, principally related to plans associated with U.K. and Norwegian subsidiaries, were $5.6 million, $5.2 million and $5.1 million, respectively.

The Oceaneering International, Inc. Supplemental Executive Retirement Plan covers selected key management employees and executives, as approved by the Compensation Committee of our Board of Directors (the Compensation Committee). Under this plan, we accrue an amount determined as a percentage of the participant s gross monthly salary and the amounts accrued are treated as if they are invested in one or more investment vehicles pursuant to this plan. Expenses related to this plan during 2010, 2009 and 2008 were $3.3 million, $3.5 million and $2.6 million, respectively.

We have defined benefit plans covering some of our employees in the U.K. and Norway. There are no further benefits accruing under the U.K. plan, and the Norway plan is closed to new participants. The projected benefit obligations for both plans were $24 million and $21 million, at December 31, 2010 and 2009, respectively, and the fair values of the plan assets (using Level 2 inputs) for both plans were $17 million and $15 million at December 31, 2010 and 2009, respectively.

Incentive and Stock Option Plans

Under our 2010 Incentive Plan (the Incentive Plan), shares of our common stock are made available for awards to employees and nonemployee members of our Board of Directors.

The Incentive Plan is administered by the Compensation Committee; however, the full Board of Directors makes determinations regarding awards to nonemployee directors under the Incentive Plan. The Compensation Committee or our Board of Directors, as applicable, determines the type or types of award(s) to be made to each participant and sets forth in the related award agreement the terms, conditions and limitations applicable to each award. Stock options, stock appreciation rights and stock and cash awards may be made under the Incentive Plan. There are no options outstanding under the Incentive Plan. Under the Incentive Plan, a stock option must have a term not exceeding seven years from the date of grant and must have an exercise price of not less than the fair market value of a share of our common stock on the date of grant. The Compensation Committee may not: (1) grant, in exchange for a stock option, a new stock option having a lower exercise price; or (2) reduce the exercise price of a stock option. The Compensation Committee has expressed its intention to refrain from using stock options as a component of employee compensation for our executive officers and other employees for the foreseeable future. Additionally, the Board of Directors has expressed its intention to refrain from using stock options as a component of nonemployee director compensation for the foreseeable future.

In 2010, 2009 and 2008, the Compensation Committee granted awards of performance units under the Incentive Plan and a prior plan to certain of our key executives and employees, and our Board of Directors granted performance units under a prior plan to our Chairman of the Board of Directors. The performance units awarded are scheduled to vest in full on the third anniversary of the award date, or pro rata over three years if the participant meets certain age and years of service requirements. The Compensation Committee and the Board of Directors have approved specific financial goals and measures based on our cumulative cash flow from operations, and a comparison of return on invested capital and cost of capital for each of the three-year periods ending December 31, 2012, 2011 and 2010 to be used as the basis for the final value of the performance units. The final value of each performance unit granted in 2010 may range from $0 to $150 and the final value of each performance unit granted in 2009 and 2008 may range from $0 to $125. Upon vesting and determination of value, the value of the performance units will be payable in cash. As of December 31, 2010, there were 374,675 performance units outstanding.

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The following is a summary of our stock option activity for the three years ended December 31, 2010:

	Shares under Option	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2007	286,000	$ 15.32	
Granted			
Exercised	(130,100)	13.27	$ 7,125,000
Forfeited	(3,000)	13.51	
Balance at December 31, 2008	152,900	17.11	
Granted			
Exercised	(109,400)	17.19	$ 3,257,000
Forfeited	(2,500)	17.14	
Balance at December 31, 2009	41,000	16.90	
Granted			
Exercised	(41,000)	16.90	$ 1,858,000
Forfeited			
Balance at December 31, 2010		$	

There were no options outstanding at December 31, 2010.

We received $0.7 million, $1.9 million and $1.7 million from the exercise of stock options in 2010, 2009 and 2008, respectively. The excess tax benefit realized from tax deductions from stock options for 2010, 2009 and 2008 was $0.9 million, $0.9 million and $2.0 million, respectively. Excess tax benefits from share-based compensation are classified as a cash outflow in cash flows from operating activities and an inflow in cash flows from financing activities in the statement of cash flows.

Restricted Stock Plan Information

During 2010, 2009 and 2008, the Compensation Committee granted restricted units of our common stock to certain of our key executives and employees. During 2010, 2009 and 2008, our Board of Directors granted restricted units of our common stock to our Chairman of the Board of Directors and restricted common stock to our other nonemployee directors. Over 60% of the grants made in 2010 to our employees and 65% of the grants made in 2009 and 2008 to our employees vest in full on the third anniversary of the award date, conditional upon continued employment. The remainder of the grants made to employees and all the grants made to our Chairman of the Board of Directors vest pro rata over three years, as these participants meet certain age and years-of-service requirements. For the grants to each of the participant employees and the Chairman of our Board of Directors, the participant will be issued a share of our common stock for the participant s vested common stock units at the earlier of three years or, if the participant vested earlier after meeting the age and service requirements, at termination of employment or service. The grants to our nonemployee directors vest in full on the first anniversary of the award date conditional upon continued service as a director. Pursuant to grants of restricted common stock units to our employees made prior to 2005, at the time of each vesting, a participant receives a tax-assistance payment. Our tax assistance payments were $1.8 million in 2010, $3.7 million in 2009 and $8.9 million in 2008. In April 2009, the Compensation Committee adopted a policy that Oceaneering will not provide U.S. federal income tax gross-up payments to any of its directors or executive officers in connection with future awards of restricted stock or stock units. This policy had no effect on existing change-in-control agreements with several of our executive officers and our Chairman of the Board, as well as our existing service agreement with our Chairman of the Board, which provide for tax gross-up payments that could become applicable to such future awards in limited circumstances, such as following a change in control of our company. This policy also had no effect on previously outstanding awards granted in 2002 and 2004 that provided for tax gross-up payments. Since August 2010, there have been no outstanding awards that provide for tax gross-up payments.

The tax benefit realized from tax deductions in excess of financial statement expense was $0.8 million, $1.6 million and $4.8 million in 2010, 2009 and 2008, respectively.

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The following is a summary of our restricted stock and restricted stock unit activity for 2010, 2009 and 2008:

	Number	Weighted Average Fair Value	Aggregate Intrinsic Value
Balance at December 31, 2007	885,450	$ 22.35	
Granted	206,875	62.24	
Issued	(256,600)	13.62	$ 17,880,000
Forfeited	(10,975)	46.83	
Balance at December 31, 2008	824,750	34.75	
Granted	205,925	31.06	
Issued	(376,250)	23.94	$ 14,239,000
Forfeited	(32,900)	41.42	
Balance at December 31, 2009	621,525	39.71	
Granted	210,925	59.15	
Issued	(297,895)	32.45	$ 16,673,000
Forfeited	(12,480)	49.45	
Balance at December 31, 2010	522,075	$ 51.48	

The restricted stock units granted in 2010, 2009 and 2008 carry no voting rights and, with respect to the 2008 grants, carry a dividend right should we pay dividends on our common stock. Each grantee of shares of restricted common stock is deemed to be the record owner of those shares during the restriction period, with the right to vote and receive any dividends on those shares.

Effective January 1, 2006, the unvested portions of our grants of restricted stock units were valued at their estimated fair values as of their respective grant dates. For grants made prior to 2006, we used a Black-Scholes methodology to produce a Monte Carlo simulation model, which allows for the incorporation of the performance criteria that had to be met before the awards were earned by the holders. The valuations allowed for variables, such as volatility, the risk-free interest rate, dividends and performance hurdles. The assumptions used for the grants prior to 2006 were: expected volatility of 50% (based on historic analysis), risk-free interest rate of 2% and no dividends. The grants in 2010, 2009 and 2008 were subject only to vesting conditioned on continued employment or service as a nonemployee director; therefore, these grants were valued at the grant date fair market value using the closing price of our stock on the New York Stock Exchange.

Compensation expense under the restricted stock plans was $25.5 million, $23.8 million and $23.0 million for 2010, 2009 and 2008, respectively. As of December 31, 2010, we had $7.4 million of future expense to be recognized related to our restricted stock unit plans over a weighted average remaining life of 1.8 years.

Stockholder Rights Plan

We adopted a Stockholder Rights Plan on November 20, 1992, which was amended and restated as of November 16, 2001. Each Right initially entitles the holder to purchase from us a fractional share consisting of one two-hundredth of a share of Series B Junior Participating Preferred Stock, at a purchase price of $30 per fractional share, subject to adjustment. The Rights generally will not become exercisable until ten days after a public announcement that a person or group has acquired 15% or more of our common stock (thereby becoming an Acquiring Person) or the commencement of a tender or exchange offer that would result in a person or group becoming an Acquiring Person (the earlier of such dates being called the Distribution Date). Rights were issued and will continue to be issued with all shares of our common stock that are issued until the Distribution Date. Until the Distribution Date, the Rights will be evidenced by the certificates representing our common stock and will be transferable only with our common stock. Generally, if any person or group becomes an Acquiring Person, each Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter entitle its holder to purchase, at the Rights then-current exercise price, shares of our common stock having a market value of two times the exercise price of the Right. At any time until ten days after a public announcement that the Rights have been triggered, we will generally be entitled to redeem the Rights for $0.01 and to amend the Rights in any manner other than certain specified exceptions. Certain subsequent amendments are also permitted. The Stockholder Rights Plan is scheduled to expire on November 20, 2011.

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Post-Employment Benefit

In 2001, we entered into an agreement with our Chairman (the Chairman) who was also then our Chief Executive Officer. That agreement was amended in 2006 and in 2008. Pursuant to the amended agreement, the Chairman relinquished his position as Chief Executive Officer in May 2006 and began his post-employment service period on December 31, 2006. The agreement provides for a specific service period ending no later than August 15, 2011, during which the Chairman, acting as an independent contractor, has agreed to serve as nonexecutive Chairman of our Board of Directors for so long as our Board of Directors desires that he shall continue to serve in that capacity. The agreement provides the Chairman with post-employment benefits for ten years following the sooner to occur of August 15, 2011 or the termination of his services to us. The amendment in 2006 included a lump-sum cash buyout, paid in 2007, of the Chairman s entitlement to perquisites and administrative assistance during that ten-year period (expected to run from 2011 to 2021). As a result, we recorded $2.8 million of associated expense in the fourth quarter of 2006. The agreement also provides for medical coverage on an after-tax basis to the Chairman, his spouse and children during his service with us and thereafter for their lives. We are recognizing the net present value of the post-employment benefits over the expected service period. If the service period is terminated for any reason (other than the Chairman s refusal to continue serving), we will recognize all the previously unaccrued benefits in the period in which that termination occurs. Our total accrued liabilities, current and long-term, under this post-employment benefit were $7.6 million and $6.3 million at December 31, 2010 and 2009, respectively.

As part of the arrangements relating to the Chairman s post-employment benefits, we established an irrevocable grantor trust, commonly known as a rabbi trust, to provide the Chairman greater assurance that we will set aside an adequate source of funds to fund payment of the post-retirement benefits under this agreement, including the medical coverage benefits payable to the Chairman, his spouse and their children for their lives. In connection with establishment of the rabbi trust, we contributed to the trust a life insurance policy on the life of the Chairman, which we had previously obtained, and we agreed to continue to pay the premiums due on that policy. When the life insurance policy matures, the proceeds of the policy will become assets of the trust. If the value of the trust exceeds $4 million, as adjusted by the consumer price index, at any time after January 1, 2012, the excess may be paid to us. However, because the trust is irrevocable, the assets of the trust are generally not available to fund our future operations until the trust terminates, which is not expected to be during the lives of the Chairman, his spouse or their children. Furthermore, no tax deduction will be available for our contributions to the trust; however, we may benefit from future tax deductions for benefits actually paid from the trust (although benefit payments from the trust are not expected to occur in the near term, because we expect to make direct payments of those benefits for the foreseeable future).

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share data)

	Year Ended December 31, 2010				
Quarter Ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Revenue	$ 435,170	$ 464,303	$ 516,274	$ 501,298	$ 1,917,045
Gross profit	99,705	123,503	125,619	117,493	466,320
Income from operations	62,329	85,374	88,055	73,742	309,500
Net income	39,243	54,317	59,177	47,794	200,531
Diluted earnings per share	$ 0.71	$ 0.98	$ 1.09	$ 0.88	$ 3.65
Weighted average number of diluted shares outstanding	55,224	55,185	54,332	54,331	54,767

	Year Ended December 31, 2009				
Quarter Ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Revenue	$ 435,100	$ 450,683	$ 484,036	$ 452,262	$ 1,822,081
Gross profit	105,802	110,145	114,045	107,734	437,726
Income from operations	69,380	74,298	76,306	72,132	292,116
Net income	44,345	48,111	49,839	46,058	188,353
Diluted earnings per share	$ 0.80	$ 0.87	$ 0.90	$ 0.83	$ 3.40
Weighted average number of diluted shares outstanding	54,863	55,041	55,058	55,095	55,026

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Exhibit Index

		Registration or File Number	Form of Report	Report Date	Exhibit Number
*3.01	Restated Certificate of Incorporation	1-10945	10-K	Dec. 2000	3.01
*3.02	Certificate of Amendment to Restated Certificate of Incorporation	1-10945	8-K	May 2008	3.1
*3.03	Amended and Restated Bylaws	1-10945	8-K	Dec. 2007	3.1
*4.01	Specimen of Common Stock Certificate	1-10945	10-K	March 1993	4(a)
*4.02	Amended and Restated Shareholder Rights Agreement dated as of November 16, 2001	1-10945	8-K	Nov. 2001	4.1
*4.04	Amended and Restated Credit Agreement ($250,000,000 Revolving Credit Facility with Accordion to $300,000,000) dated as of January 2, 2004	1-10945	10-K	Dec. 2003	4.05
*4.05	First Amendment to Amended and Restated Credit Agreement dated January 22, 2007	1-10945	8-K	Jan. 2007	4.2
*4.06	$200,000,000 Private Shelf Facility dated as of September 9, 2009 between Oceaneering International, Inc. and Prudential Investment Management, Inc.	1-10945	8-K	Sept. 2009	10.1

We and certain of our consolidated subsidiaries are parties to debt instruments under which the total amount of securities authorized does not exceed 10% of our total consolidated assets. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, we agree to furnish a copy of those instruments to the Securities and Exchange Commission on request.

*10.01+	Defined Contribution Master Plan and Trust Agreement and Adoption Agreement for the Oceaneering International, Inc. Retirement Investment Plan	1-10945	10-K	Dec. 2009	10.01
10.02+	Amendments dated November 5 and December 14, 2010 to Oceaneering International, Inc. Retirement Investment Plan				
*10.03+	Amended and Restated Service Agreement dated as of December 21, 2006 between Oceaneering and John R. Huff	1-10945	8-K	Dec. 2006	10.01
*10.04+	Modification to Service Agreement dated as of December 21, 2006 between Oceaneering and John R. Huff	1-10945	8-K	Dec. 2008	10.9
*10.05+	Trust Agreement dated as of May 12, 2006 between Oceaneering and United Trust Company, National Association	1-10945	8-K	May 2006	10.02
*10.06+	First Amendment to Trust Agreement dated as of May 12, 2006 between Oceaneering International, Inc. and Bank of America National Association, as successor trustee	1-10945	8-K	Dec. 2008	10.10
*10.07+	2002 Non-Executive Incentive Plan	1-10945	10-Q	Sept. 2002	10.03
*10.08+	First Amendment to 2002 Non-Executive Incentive Plan of Oceaneering International, Inc.	1-10945	10-K	Dec. 2008	10.7
*10.09+	Oceaneering International, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009	1-10945	8-K	Dec. 2008	10.5
*10.10+	Amended and Restated Oceaneering International, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2000	1-10945	8-K	Dec. 2008	10.6
*10.11+	Change-of-Control Agreements dated as of November 16, 2001 between Oceaneering and John R. Huff, T. Jay Collins, Marvin J. Migura, M. Kevin McEvoy and George R. Haubenreich, Jr.	1-10945	10-K	Dec. 2001	10.06
*10.12+	Form of First Amendment to Change-of-Control Agreement with T. Jay Collins, M. Kevin McEvoy, Marvin J. Migura and George R. Haubenreich, Jr.	1-10945	8-K	Dec. 2008	10.7
*10.13+	First Amendment to Change-of-Control Agreement with John R. Huff.	1-10945	8-K	Dec. 2008	10.8

*10.14+	First Amendment to 2002 Incentive Plan of Oceaneering International, Inc.	1-10945	8-K	Dec. 2008	10.2

*10.15+	Form of Indemnification Agreement dated November 16, 2001 between Oceaneering and each of its Directors, Marvin J. Migura, M. Kevin McEvoy and George R. Haubenreich, Jr.	1-10945	10-K	Dec. 2001	10.12
*10.16+	2002 Incentive Plan	1-10945	10-Q	June 2002	10.01
*10.17+	Oceaneering International, Inc. 2010 Cash Bonus Award Program	1-10945	10-Q	March 2010	10.01
*10.18+	Amended and Restated 2002 Restricted Stock Unit Award Agreements with John R. Huff and Executive Officers	1-10945	10-Q	Sept. 2002	10.04
*10.19+	Form of First Amendment to Oceaneering International, Inc. Amended and Restated 2002 Restricted Stock Unit Award Incentive Agreement with Executive Officers	1-10945	8-K	Dec. 2008	10.3
*10.20+	First Amendment to Oceaneering International, Inc. Amended and Restated 2002 Restricted Stock Unit Award Incentive Agreement with John R. Huff	1-10945	8-K	Dec. 2008	10.4
*10.21+	2005 Incentive Plan	1-10945	10-K	Dec. 2009	10.20
*10.22+	First Amendment to 2005 Incentive Plan of Oceaneering International, Inc.	1-10945	8-K	Dec. 2008	10.1
*10.23+	2010 Incentive Plan	333-166612	S-8	May 2010	4.6
*10.24+	Form of 2007 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2007	10.1
*10.25+	Form of 2007 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2007	10.3
*10.26+	Form of 2007 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2007	10.2
*10.27+	Form of 2007 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2007	10.4
*10.28+	2007 Performance Award: Goals and Measures, relating to the Form of 2007 Performance Unit Agreement and Form of Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2007	10.5
*10.29+	Form of 2008 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2008	10.1
*10.30+	Form of 2008 Nonemployee Director Restricted Stock Agreement for Jerold J. DesRoche, David S. Hooker, D Michael Hughes and Harris J. Pappas	1-10945	8-K	Feb. 2008	10.6
*10.31+	Form of 2008 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2008	10.3
*10.32+	Form of 2008 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2008	10.2
*10.33+	Form of 2008 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2008	10.4
*10.34+	2008 Performance Award: Goals and Measures, relating to the form of 2008 Performance Unit Agreement and Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2008	10.5
*10.35+	Form of 2009 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2009	10.1
*10.36+	Form of 2009 Nonemployee Director Restricted Stock Unit Agreement for Jerold J. DesRoche, David S. Hooker, D. Michael Hughes and Harris J. Pappas	1-10945	8-K	Feb. 2009	10.6
*10.37+	Form of 2009 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2009	10.3
*10.38+	Form of 2009 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2009	10.2
*10.39+	Form of 2009 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2009	10.4
*10.40+	2009 Performance Award: Goals and Measures, relating to the form of 2009 Performance Unit Agreement for its executive officers and 2009 Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2009	10.5
*10.41+	Form of 2010 Employee Restricted Stock Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2010	10.1
*10.42+	Form of 2010 Nonemployee Director Restricted Stock Unit Agreement for Jerold J. DesRoche, David S. Hooker, D. Michael Hughes and Harris J. Pappas	1-10945	8-K	Feb. 2010	10.6
*10.43+	Form of 2010 Chairman Restricted Stock Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2010	10.3

*10.44+	Form of 2010 Performance Unit Agreement for Executive Officers	1-10945	8-K	Feb. 2010	10.2
*10.45+	Form of 2010 Chairman Performance Unit Agreement for John R. Huff	1-10945	8-K	Feb. 2010	10.4
*10.46+	2010 Performance Award: Goals and Measures, relating to the form of 2010 Performance Unit Agreement and 2010 Chairman Performance Unit Agreement	1-10945	8-K	Feb. 2010	10.5
21.01	Subsidiaries of Oceaneering				
23.01	Consent of Independent Registered Public Accounting Firm				
31.01	Rule 13a 14(a)/15d 14(a) certification of Chief Executive Officer				
31.02	Rule 13a 14(a)/15d 14(a) certification of Chief Financial Officer				
32.01	Section 1350 certification of Chief Executive Officer				
32.02	Section 1350 certification of Chief Financial Officer				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				

* Exhibit previously filed with the Securities and Exchange Commission, as indicated, and incorporated herein by reference.
\+ Management contract or compensatory plan or arrangement.