

PATTERSON UTI ENERGY INC

Form DEF 14A

April 24, 2008

Table of Contents

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

SCHEDULE 14A

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

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Patterson-UTI Energy, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

April 24, 2008

Dear Stockholder:

We cordially invite you to attend Patterson-UTI Energy, Inc.'s annual stockholders' meeting. The annual meeting will be held Thursday, June 5, 2008, at 10:00 a.m., local time, at the Wyndham Hotel Greenspoint, 12400 Greenspoint Drive, Houston, Texas 77060.

At the annual meeting, stockholders will vote on a number of important matters. Please take the time to carefully read the proposals described in the attached proxy statement.

Thank you for your support.

Sincerely,

Mark S. Siegel
Chairman of the Board

Douglas J. Wall
President and Chief Executive Officer

This proxy statement and the accompanying proxy card are being
mailed to Patterson-UTI Energy, Inc. stockholders
beginning on or about April 30, 2008.

TABLE OF CONTENTS

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

ANNUAL MEETING OF STOCKHOLDERS

SHARES OUTSTANDING AND VOTING RIGHTS

PROPOSAL NO. 1

Meetings and Committees of the Board of Directors

Communication with the Board and its Independent Members

Corporate Governance Documents Available on Patterson-UTI's Website

PROPOSAL NO. 2

Reasons for the Amendment to the 2005 Plan

Administration

General Terms

Effect of Certain Transactions and Change of Control

Performance Criteria

Federal Income Tax Consequences

Summary Information Pertaining to all Stock Option and Related Plans of Patterson-UTI

Additional Information Regarding the 2005 Plan

PROPOSAL NO. 3

EXECUTIVE OFFICERS

COMPENSATION DISCUSSION AND ANALYSIS

Overview

Elements of Compensation

Share Ownership Guidelines

Change in Control and Severance Agreements

Section 162(m) Considerations

COMPENSATION COMMITTEE REPORT

Summary Compensation Table

Grants of Plan-Based Awards

Outstanding Equity Awards at Fiscal Year-End

Option Exercises and Stock Vested

DIRECTOR COMPENSATION

Director Compensation Table

CHANGE IN CONTROL ARRANGEMENTS; EMPLOYMENT CONTRACTS; INDEMNIFICATION

AGREEMENTS; CERTAIN PAYMENTS

CERTAIN TRANSACTIONS

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

AUDIT COMMITTEE REPORT

PricewaterhouseCoopers Fees for Fiscal Years 2007 and 2006

Fiscal 2007

Fiscal 2006

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Other Business

Stockholder Proposals for 2009 Annual Meeting

Annual Report

APPENDIX A

Table of Contents

**PATTERSON-UTI ENERGY, INC.
450 Gears Road, Suite 500
Houston, Texas 77067**

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

The 2008 annual meeting of the stockholders of Patterson-UTI Energy, Inc., a Delaware corporation (Patterson-UTI), will be held Thursday, June 5, 2008, at 10:00 a.m., local time, at the Wyndham Hotel Greenspoint, 12400 Greenspoint Drive, Houston, Texas 77060 (the Meeting). At the Meeting, the stockholders will be asked to:

elect seven directors to the Board of Directors of Patterson-UTI to serve until the next annual meeting of the stockholders or until their respective successors are elected and qualified;

approve an amendment to Patterson-UTI s 2005 Long-Term Incentive Plan to increase the number of shares available for issuance under the plan;

ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Patterson-UTI for the fiscal year ending December 31, 2008; and

take action upon any other matters which may properly come before the Meeting.

Stockholders of record at the close of business on April 18, 2008, are entitled to vote at the Meeting and any adjournment or postponement thereof.

It is important that your shares be represented at the Meeting. I urge you to sign, date and promptly return the enclosed proxy card in the enclosed postage paid envelope or vote by following the Internet or telephone instructions included on the proxy card.

By order of the Board of Directors

William L. Moll, Jr.
General Counsel and Secretary

April 24, 2008

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on June 5, 2008:

The 2008 Proxy Statement and 2007 Annual Report to Stockholders are available at <http://www.patenergy.com/proxy>

Table of Contents

**PATTERSON-UTI ENERGY, INC.
450 Gears Road, Suite 500
Houston, Texas 77067**

PROXY STATEMENT

**ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 5, 2008**

The Board of Directors of Patterson-UTI Energy, Inc., a Delaware corporation ("Patterson-UTI"), prepared this proxy statement for the purpose of soliciting proxies for Patterson-UTI's 2008 annual meeting of stockholders (the "Meeting") to be held Thursday, June 5, 2008, at 10:00 a.m., local time, at the Wyndham Hotel Greenspoint, 12400 Greenspoint Drive, Houston, Texas 77060, and at any adjournment or postponement thereof. This proxy statement and the accompanying proxy card are being mailed to stockholders on or about April 30, 2008.

The Board of Directors is making this solicitation by mail. In addition to the solicitation of proxies by mail, Patterson-UTI's officers and other employees, without compensation other than regular compensation, may solicit proxies by telephone, electronic means and personal interview. Patterson-UTI does not intend to retain a proxy solicitation firm to assist in the solicitation of proxies of stockholders whose shares are held in street name by brokers, banks and other institutions, but may do so if circumstances warrant. Patterson-UTI will pay all costs associated with this solicitation.

Properly submitted proxies received either by mail, Internet, telephone or in person, in time for the Meeting will be voted as you have directed in your proxy, unless you revoke your proxy in the manner provided below. As to any matter for which you give no direction in your proxy, your shares will be voted as follows:

FOR the election of all of the nominees to the Board of Directors;

FOR the approval of the amendment to Patterson-UTI's 2005 Long-Term Incentive Plan to increase the number of shares authorized for issuance under the plan;

FOR the ratification of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Patterson-UTI for the fiscal year ending December 31, 2008; and

FOR or AGAINST any other proposals that may be properly submitted at the Meeting at the discretion of the persons named in the proxy.

You may revoke your proxy at any time before the proxy is voted by either:

submitting a new proxy with a later date, including a proxy submitted by the Internet or by telephone;

notifying the Secretary of Patterson-UTI in writing before the Meeting that you have revoked your proxy; or

attending the Meeting and voting in person.

SHARES OUTSTANDING AND VOTING RIGHTS

Only stockholders of record of Patterson-UTI's common stock, \$.01 par value per share (the Common Stock), at the close of business on April 18, 2008 are entitled to notice of and to vote at the Meeting or any adjournment or postponement thereof. At the close of business on April 18, 2008, there were 154,242,165 shares of Common Stock issued and outstanding. Holders of record of Common Stock on April 18, 2008 will be entitled to one vote per share on all matters to properly come before the Meeting. A list of stockholders entitled to notice of and to vote at the Meeting will be made available during regular business hours at the offices of Patterson-UTI Energy, Inc., 450 Gears Road, Suite 500, Houston, Texas 77067, from May 21, 2008 through June 4, 2008 and at the Meeting for inspection by any stockholder for any purpose regarding the Meeting.

Table of Contents

A quorum is necessary to transact business at the Meeting. A majority of the shares of Common Stock outstanding on April 18, 2008 will constitute a quorum. The shares held by each stockholder who attends the Meeting in person, signs and returns the enclosed form of proxy or properly votes using the Internet or telephone will be counted for purposes of determining the presence of a quorum at the Meeting.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Patterson-UTI's bylaws provide that the number of members of the Board of Directors of Patterson-UTI (the Board or Board of Directors) shall be fixed either by amendment to the bylaws or by resolution of the Board of Directors. Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Patterson-UTI's bylaws provide that the affirmative vote of a plurality of the votes cast at the meeting at which a quorum is present is required for the election of directors. Shares as to which a stockholder withholds authority to vote on the election of directors and shares as to which a broker indicates that it does not have discretionary authority to vote on the election of directors will not be counted as voting thereon and will not affect the election of the nominees receiving a plurality of the votes cast.

The enclosed form of proxy provides a means for you to either:

vote FOR the election of the nominees to the Board of Directors listed below,

withhold authority to vote for one or more of the nominees, or

withhold authority to vote for all of the nominees.

The Board of Directors recommends that you vote FOR all of the nominees. Unless you give contrary instructions in your proxy, your proxy will be voted FOR the election of all of the nominees to the Board of Directors. If any nominee should become unable or unwilling to accept nomination or election, the person acting under the proxy will vote for the election of such other person as the Board of Directors may recommend. The Board has no reason, however, to believe that any of the nominees will be unable or unwilling to serve if elected.

There are no arrangements or understandings between any person and any of the directors pursuant to which such director was selected as a nominee for election at the Meeting. There are no family relationships among any of the directors or executive officers of Patterson-UTI.

Set forth below is the name, age, position and a brief description of the business experience during at least the past five years of each of the members of Patterson-UTI's Board of Directors. Each current member of Patterson-UTI's Board of Directors is a nominee for election to the Board of Directors.

Name	Age	Position
Mark S. Siegel	57	Chairman of the Board and Director
Kenneth N. Berns	48	Senior Vice President and Director
Charles O. Buckner	63	Director
Curtis W. Huff	50	Director
Terry H. Hunt	59	Director
Kenneth R. Peak	62	Director

Cloyce A. Talbott

72 Director

Mark S. Siegel Mr. Siegel has served as Chairman of the Board and as a director of Patterson-UTI since May 2001. Mr. Siegel served as Chairman of the Board and as a director of UTI Energy Corp. (UTI) from 1995 to May 2001, when UTI merged with and into Patterson-UTI. Mr. Siegel has been President of REMY Investors & Consultants, Incorporated (REMY Investors) since 1993. From 1992 to 1993, Mr. Siegel was President of Blockbuster Entertainment Corp. s Music Division. From 1988 through 1992, Mr. Siegel was an Executive Vice President of Shamrock Holdings, Inc., a private investment company, and Managing Director of Shamrock Capital Advisors, Incorporated. Mr. Siegel holds a Bachelor of Arts degree from Colgate University and a J.D. from the University of California, Berkeley (Boalt Hall) School of Law.

Table of Contents

Kenneth N. Berns Mr. Berns has served as Senior Vice President of Patterson-UTI since April 2003 and as a director of Patterson-UTI since May 2001. Mr. Berns served as a director of UTI from 1995 to May 2001. Mr. Berns has been an executive with REMY Investors since 1994. Mr. Berns holds a Bachelors Degree in Business Administration from San Diego State University and a Masters Degree in Taxation from Golden Gate University.

Charles O. Buckner Mr. Buckner has served as a director of Patterson-UTI since February 2007. Mr. Buckner, a private investor, retired from the public accounting firm of Ernst & Young LLP in 2002 after 35 years of service in a variety of client service and administrative roles, including chairmanship of Ernst & Young's United States energy practice. Mr. Buckner is a Certified Public Accountant and holds a Bachelor of Business Administration from the University of Texas and a Masters of Business Administration from the University of Houston.

Curtis W. Huff Mr. Huff has served as a director of Patterson-UTI since May 2001 and served as a director of UTI from 1997 to May 2001. Mr. Huff is a Managing Partner of Intervale Capital, an oilfield service private equity firm that Mr. Huff co-founded in 2006. Mr. Huff is also the President and Chief Executive Officer of Freebird Investments LLC, a private investment company, and has served in that capacity since October 2002. Mr. Huff served as the President and Chief Executive Officer of Grant Prideco, Inc., a provider of drill pipe and other drill stem products, from February 2001 to June 2002. From January 2000 to February 2001, Mr. Huff served as Executive Vice President, Chief Financial Officer and General Counsel of Weatherford International, Inc., an oilfield services company. He served as Senior Vice President and General Counsel of Weatherford from May 1998 to January 2000. Prior to that time, Mr. Huff was a partner with the law firm of Fulbright & Jaworski L.L.P. Mr. Huff holds a Bachelor of Arts degree and Juris Doctorate from the University of New Mexico and a Masters of Law from New York University School of Law.

Terry H. Hunt Mr. Hunt has served as a director of Patterson-UTI since April 2003 and served as a director of UTI from 1994 to May 2001. Mr. Hunt is an energy consultant and investor. Mr. Hunt served as Senior Vice President Strategic Planning of PPL Corporation, an international energy and utility holding company, from 1998 to 2000. Mr. Hunt served as the President and Chief Executive Officer of Penn Fuel Gas, Inc., a natural gas and propane distribution company, from 1992 to 1999. Previously, Mr. Hunt was President and Chairman of Carnegie Natural Gas Company, a gas distribution and transmission company, and of Apollo Gas Company, a natural gas distributor. Mr. Hunt holds a Bachelor of Engineering degree from the University of Saskatchewan, Canada and a Masters of Business Administration from Southern Methodist University.

Kenneth R. Peak Mr. Peak has served as a director of Patterson-UTI since November 2000. Mr. Peak has served as Chairman and Chief Executive Officer of Contango Oil & Gas Company since September 1999. Mr. Peak entered the energy industry in 1972 as a commercial banker and has held a variety of financial and executive positions in the oil and gas industry prior to starting Contango in 1999. Mr. Peak served as an officer in the U.S. Navy from 1968 to 1971. Mr. Peak received a Bachelor of Science in Physics from Ohio University in 1967 and a Masters of Business Administration from Columbia University in 1972.

Cloyce A. Talbott Mr. Talbott has served as a director of Patterson-UTI since its incorporation in 1978. Additionally, he served as its Chief Executive Officer from 1983 until September 2007 and as its President from May 2006 until September 2007 and is currently employed as a consultant to Patterson-UTI. Mr. Talbott co-founded Patterson-UTI, served as Vice President from 1978 to 1983, and served as Chairman of the Board from 1983 to May 2001. Mr. Talbott holds a Bachelor of Science degree in petroleum engineering from Texas Tech University.

Meetings and Committees of the Board of Directors

The Board of Directors met eight times during the year ended December 31, 2007. Each director attended, in person or by telephone, at least 75% of the aggregate of all meetings held by the Board and meetings of each committee on

which such director served. A majority of the members of the Board of Directors are independent within the meaning of the NASDAQ Stock Market, Inc. (NASDAQ) listing standards. Specifically, the Board has determined that Messrs. Buckner, Huff, Hunt and Peak are independent within the meaning of the NASDAQ listing standards. In reaching this conclusion, the Board considered that Mr. Huff controls and manages two investment companies, which have interests in oilfield service portfolio companies that supply parts and equipment to Patterson-UTI in the ordinary course of their businesses consistent with customary terms in the industry. The Board

Table of Contents

has determined that these transactions are not material to such companies, Patterson-UTI or Mr. Huff and that such transactions do not affect Mr. Huff's independence under applicable rules and regulations.

The Board of Directors has established four standing committees, an Executive Committee, an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

The Executive Committee, which currently is composed of Messrs. Siegel, Talbott and Berns, has the authority, to the extent permitted by applicable law, to act for the Board in all matters arising between regular or special meetings of the Board of Directors.

The Audit Committee members are Messrs. Huff (chairman), Buckner and Hunt, each of whom is independent within the meaning of applicable Securities Exchange Act of 1934, as amended (the Exchange Act), rules and within the meaning of the NASDAQ listing standards. The Audit Committee oversees management's conduct of Patterson-UTI's accounting and financial reporting process, including review of the financial reports and other financial information provided by Patterson-UTI to the public and government and regulatory bodies, Patterson-UTI's system of internal accounting, Patterson-UTI's financial controls, and the annual independent audit of Patterson-UTI's financial statements. The Audit Committee also oversees compliance with Patterson-UTI's codes of conduct and ethics and with legal and regulatory requirements. The Board has determined that Messrs. Huff and Buckner are audit committee financial experts within the meaning of applicable Securities and Exchange Commission (SEC) rules. The Audit Committee selects the independent auditors to audit Patterson-UTI's books and records and considers and acts upon accounting matters as they arise. The Board of Directors has adopted a written charter for the Audit Committee. The Audit Committee held seven meetings during the year ended December 31, 2007. Please see Audit Committee Report elsewhere in this proxy statement.

The Compensation Committee members are Messrs. Peak (chairman), Buckner and Huff, each of whom is independent as defined in the NASDAQ listing standards. Among other things, the Compensation Committee sets and administers the policies that govern the compensation of executive officers and directors of Patterson-UTI. The Board of Directors has adopted a written charter for the Compensation Committee. The Compensation Committee held six meetings during the year ended December 31, 2007. Please see Compensation Discussion and Analysis and Compensation Committee Report elsewhere in this proxy statement for further information about the Compensation Committee.

The Nominating and Corporate Governance Committee members are Messrs. Hunt (chairman), Huff and Peak, each of whom is independent as defined in the NASDAQ listing standards. The purpose of the Nominating and Corporate Governance Committee is to identify individuals qualified to become Board members, to recommend for selection by the Board director nominees for the next annual meeting of stockholders, to review Patterson-UTI's Code of Business Conduct, to develop and continually make recommendations with respect to the best corporate governance principles and to oversee the evaluation of the Board and management. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee held two meetings during the year ended December 31, 2007.

All of the director nominees are existing directors of Patterson-UTI standing for re-election to the Board of Directors.

On behalf of the Board, the Nominating and Governance Committee considers director nominees recommended by Patterson-UTI's stockholders if the recommendations are made in accordance with all legal requirements, including applicable provisions of Patterson-UTI's restated certificate of incorporation and bylaws. In accordance with Patterson-UTI's bylaws, in addition to any other applicable requirements, any person recommending a nominee for Patterson-UTI's Board must be a stockholder of record on the date of the giving of the notice provided for below and on the record date for the determination of stockholders entitled to vote at such annual meeting and must give timely

notice of such nomination in writing to the Secretary of Patterson-UTI. To be timely with respect to the 2009 annual meeting of stockholders, a stockholder's notice must be delivered to or mailed and received at Patterson-UTI's principal executive offices not earlier than February 5, 2009 and not later than March 7, 2009; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after June 5, 2009, notice must be received not later than the close of business on the tenth day following

Table of Contents

the day on which such notice of the date of the meeting was mailed or public disclosure of the annual meeting date was made, whichever occurs first.

A stockholder's notice to the Secretary of Patterson-UTI shall set forth:

as to each person whom the stockholder proposes to nominate for election or re-election as director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A promulgated under the Exchange Act, or any successor regulation thereto,

the name and record address of the stockholder proposing such nomination,

the class and number of shares of Patterson-UTI that are beneficially owned by the stockholder,

a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination or nominations are to be made by such stockholder, and

a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in the notice.

Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

The Nominating and Corporate Governance Committee determines qualification criteria and procedures for the identification and recruitment of candidates for election to serve as directors of Patterson-UTI. The Nominating and Corporate Governance Committee relies on the knowledge and relationships of Patterson-UTI and its officers and directors, as well as third parties when it deems appropriate, to identify and evaluate nominees for director, including nominees recommended by stockholders.

Communication with the Board and its Independent Members

Persons may communicate with the Board, or directly with its Chairman, Mr. Siegel, by submitting such communication in writing in care of Chairman of the Board of Directors, Patterson-UTI Energy, Inc., 450 Gears Road, Suite 500, Houston, Texas 77067. Persons may communicate with the independent members of the Board by submitting such communication in writing to the Nominating and Corporate Governance Committee of the Board of Directors of Patterson-UTI Energy, Inc., 450 Gears Road, Suite 500, Houston, Texas 77067.

Although Patterson-UTI does not have a formal policy regarding attendance by members of the Board at its annual meetings of stockholders, directors are invited to attend annual meetings of Patterson-UTI stockholders. Two directors attended the 2007 annual meeting of stockholders in person and the remaining directors attended the 2007 annual meeting of stockholders via telephone.

Corporate Governance Documents Available on Patterson-UTI's Website

Copies of each of the following documents are available on the Patterson-UTI website at www.patenergy.com and in print to any stockholder who requests them from the Secretary of Patterson-UTI:

Audit Committee Charter;

Compensation Committee Charter;

Nominating and Corporate Governance Committee Charter;

Code of Business Conduct for its employees, officers and directors; and

Code of Business Conduct and Ethics for Senior Financial Executives.

Table of Contents

PROPOSAL NO. 2

AMENDMENT TO 2005 LONG-TERM INCENTIVE PLAN

On April 10, 2008, our Board of Directors adopted, subject to stockholder approval, an amendment to the 2005 Long-Term Incentive Plan (the 2005 Plan) that would increase the number of shares of Common Stock reserved for issuance under the 2005 Plan by 4,000,000 shares (the Amendment). The 2005 Plan was approved by the Patterson-UTI stockholders in June 2005, and at the Meeting, the Patterson-UTI stockholders will be asked to vote on a proposal to approve the Amendment. Approval of the Amendment requires the affirmative vote of the holders of a majority of the shares of Common Stock that are present in person or by proxy and entitled to vote at the Meeting.

On April 10, 2008, our Board of Directors also adopted, subject to stockholder approval of the Amendment, an amendment to the 2005 Plan regarding the determination of the number of shares available for grant at any particular time under the 2005 Plan (the Share Multiple Amendment). Each share that is subject to awards other than options and stock appreciation rights (SARs) is currently counted as one and six tenths (1.6) shares of Common Stock against the number of shares available for grant under the 2005 Plan. Additionally, each share of Common Stock that is subject to awards other than options and SARs that again becomes available for grant under the 2005 Plan is currently added back to the number of shares available for grant under the 2005 Plan as one and six tenths (1.6) shares. The Share Multiple Amendment would increase the multiplier from one and six tenths (1.6) to two (2.0), and will become effective upon, and is subject to, the approval by the Patterson-UTI stockholders of the Amendment described in this Proposal No. 2. Unless otherwise stated, the description of the 2005 Plan below does not give effect to the Amendment or the Share Multiple Amendment.

Certain material features of the 2005 Plan are discussed below; however, the description is subject to, and qualified by the full text of the 2005 Plan, attached as *Appendix A*, which includes the Amendment highlighted in bold and the Share Multiple Amendment in italics.

Reasons for the Amendment to the 2005 Plan

The Board of Directors believes that the ability to grant stock-based compensation to its employees is crucial to its continuing ability to attract and retain qualified employees. Historically, the Board of Directors has relied on awards of stock options and restricted stock as part of its compensation philosophy and structure to recruit and retain certain key employees.

The Board of Directors believes that the 2005 Plan advances the best interests of Patterson-UTI and its stockholders by helping to attract, retain and motivate its employees and directors. The 2005 Plan provides for the grant of awards to selected employees, officers and non-employee directors, thereby increasing the personal stake of such persons in the continued success and growth of Patterson-UTI.

As of December 31, 2007, only 2,283,045 shares of Common Stock remained available for grant under the 2005 Plan. The Board of Directors has determined that an increase in the number of shares available for grant under the 2005 Plan is necessary in order to continue to provide an adequate level of performance-based incentives to Patterson-UTI's executive management and other employees and to continue the Board of Directors' ongoing philosophy of utilizing stock-based compensation awards as part of Patterson-UTI's overall compensation structure. Therefore, the Board of Directors has approved an amendment to the 2005 Plan to increase the number of shares available for grant under the 2005 Plan by 4,000,000 shares.

Administration

The 2005 Plan is administered by the Compensation Committee of Patterson-UTI's Board of Directors, which comprises exclusively non-employee independent directors. The 2005 Plan provides for the granting of incentive stock options (ISOs) that are intended to meet the provisions of Section 422 of the Internal Revenue Code, as amended (the Code), and non-incentive stock options (NQSOs), as well as other awards, such as tandem and freestanding SARs, restricted stock awards, other stock unit awards, performance shares, performance units and dividend equivalents. Certain awards under the 2005 Plan may be paid in cash or Common Stock, as determined by the Compensation Committee. The Compensation Committee has exclusive authority to select the participants to

Table of Contents

whom awards may be granted, and to determine the type, size and terms of each award. The Compensation Committee also makes all determinations that it decides are necessary or desirable in the interpretation and administration of the 2005 Plan. In addition, the Compensation Committee may, if consistent with applicable rules, regulations and NASDAQ requirements, delegate to a committee of one or more directors or to one or more executive officers the right to grant, cancel and suspend awards to employees who are not directors or executive officers of Patterson-UTI.

General Terms

Without giving effect to the Amendment, the aggregate number of shares of Common Stock authorized for grant under the 2005 Plan is 6,250,000, reduced by the number of shares that are subject to awards granted under equity plans of Patterson-UTI existing during the period commencing on January 1, 2005 and ending on the date the 2005 Plan was approved by the Patterson-UTI stockholders. Shares that are subject to options or SARs count as one share of Common Stock against the aggregate number. Without giving effect to the Share Multiple Amendment, shares that are subject to other awards count as one and six tenths (1.6) shares of Common Stock against the aggregate number.

Generally, if an award granted under the 2005 Plan or the other existing equity plans of Patterson-UTI expires, is forfeited, is settled in cash or otherwise terminates without the issuance of all or a portion of the shares of Common Stock subject to the award, the shares allocable to the expired, forfeited, cash settled, or terminated portion of the award will be available for awards again under the 2005 Plan. Without giving effect to the Share Multiple Amendment, any shares of Common Stock that again become available for grant again under the 2005 Plan will be added back as one (1) share if the shares were subject to options or SARs, and as one and six tenths (1.6) shares if the shares were subject to awards other than options or SARs.

Directors, employees, including officers, consultants and advisors are eligible for awards.

The 2005 Plan provides for awards of NQSOs, ISO, tandem and freestanding SARs, restricted stock awards, other stock unit awards, performance awards and dividend equivalents.

The Board of Directors, at any time, may amend the terms of the 2005 Plan, subject to the stockholder approval requirements of NASDAQ and other rules and regulations applicable to Patterson-UTI.

Under the 2005 Plan, no participant may be granted (i) options or SARs during any 12-month period with respect to more than 1,000,000 shares of Common Stock or (ii) restricted stock, performance awards and/or other stock unit awards that are denominated in shares in any 12-month period with respect to more than 500,000 shares. In addition to the foregoing limits, the maximum dollar value payable to any participant in any 12-month period with respect to performance awards is \$5,000,000.

Options

The vesting schedule for options is set by the Compensation Committee; however, options may not fully vest sooner than one year from the date of grant, except for certain limited exceptions.

The term of options is set by the Compensation Committee, but may be no longer than 10 years.

The exercise price for options may be paid in cash, with previously acquired shares of Common Stock, or by other means approved by the Compensation Committee.

All options granted under the 2005 Plan are granted with an exercise price equal to or greater than the fair market value of the Common Stock at the time the option is granted.

SARs

SARs may be granted alone or in connection with the grant of any option.

SARs granted alone may be exercised at such times and be subject to such terms and conditions as the Compensation Committee may impose. SARs that are granted in tandem with options may be exercised only on the surrender of the right to purchase an equivalent number of shares under the related options and may be

Table of Contents

exercised only with respect to the shares of Common Stock for which the related options are then exercisable.

The term of SARs may be no longer than 10 years.

A SAR entitles a participant to surrender any then exercisable portion of the SAR and, if applicable, the related option, in exchange for an amount equal to the product of (1) the excess of the fair market value of a share of Common Stock on the date preceding the date of surrender over the fair market value of a share of Common Stock on the date that the SAR was granted, or, if the SAR is related to an option, the per share exercise price of the option, multiplied by (2) the number of shares of Common Stock subject to the SAR and being surrendered. Payment on exercise of an SAR shall be in shares of Common Stock.

Restricted Stock Awards

The Compensation Committee determines the material terms of the restricted stock awards, including the price, if any, to be paid by the recipient, and the vesting schedule and conditions, which may include the attainment of specified performance objectives described below.

A restricted stock award that is subject solely to continued employment restrictions of employees of Patterson-UTI may not fully vest sooner than three years from the date of grant, except for certain limited exceptions.

Beginning on the date of grant, a participant receiving a restricted stock award will become a stockholder of Patterson-UTI with respect to all shares of Common Stock subject to the restricted stock award, which, unless the Committee determines otherwise at the time of the grant, includes the right to vote the shares and receive dividends in respect of the shares.

Other Stock Units

The Compensation Committee may grant other stock unit awards under the 2005 Plan, which have a value equal to an identical number of shares of Common Stock. Other stock unit awards may also be a form of payment for other awards granted under the 2005 Plan and other earned cash-based incentive compensation.

The payment of other stock units may be in cash, shares of Common Stock, other property, or any combination of the foregoing, and may be made in a lump sum or, in accordance with procedures established by the Compensation Committee, on a deferred basis subject to the requirements of Section 409A of the Code.

Other stock unit awards that are subject solely to continued employment restrictions of employees of Patterson-UTI may not fully vest sooner than three years from the date of grant, except for certain limited exceptions.

Dividend Equivalent Rights

The Compensation Committee may grant dividend equivalent rights either in connection with awards or as separate awards under the 2005 Plan. Amounts payable in respect of dividend equivalent rights may be payable currently or, if applicable, deferred until the lapsing of restrictions on the dividend equivalent rights or until the vesting, exercise, payment, settlement or other lapse of restrictions on the award to which the dividend equivalent rights relate.

Performance Awards

Performance awards are payable in cash, shares of Common Stock, other property, or a combination of the foregoing, and may be paid in a lump sum, in installments, or on a deferred basis in accordance with procedures established by the Compensation Committee.

Table of Contents

The Compensation Committee determines the material terms of the performance awards, including a performance period over which the performance goal of such award shall be measured, which must be at least 12 months and no longer than five years.

Deferrals

The Compensation Committee may require or permit a participant to defer the receipt of cash or shares pursuant to any awards under the 2005 Plan. Any deferral permitted under the 2005 Plan will be administered in a manner that is intended to comply with Section 409A of the Code.

Effect of Certain Transactions and Change of Control

The Compensation Committee may provide in the terms of an award under the 2005 Plan that, on a change of control as defined in the award agreement,

options and SARs outstanding on the date of the change of control immediately vest;

options and SARs outstanding on the date of the change of control may be cancelled and terminated without payment if the fair market value of a share of Common Stock on the date of the change of control is less than the per share option exercise price or SAR grant price;

restrictions and deferral limitations on restricted stock lapse and the restricted stock becomes free of all restrictions and limitations and becomes fully vested;

all performance awards shall be considered to be earned and payable and any deferral or other restriction shall lapse and the performance awards shall be immediately settled or distributed; and

such other additional benefits as the Compensation Committee deems appropriate shall apply.

The Compensation Committee, in its discretion, may determine that, upon a change of control, each option and SAR shall terminate within a specified period of days after notice to the participant, or that with respect to such option or SAR each participant shall receive an amount equal to the excess of the fair market value of such share immediately prior to the occurrence of the change of control over the exercise price per share of such option or SAR. The payment may be made in one or more kinds of stock or property or a combination of stock or property. Further, the event of changes in the capital or corporate structure of Patterson-UTI due to events such as recapitalization, stock split, merger, spin-off or similar transaction, that affect the shares of Common Stock, the Compensation Committee, in its sole discretion, may determine that it is equitable or appropriate to make adjustments or substitutions to the Plan or outstanding options and awards, including to the number, class, kind and option or exercise price or securities subject to awards.

Performance Criteria

If the Compensation Committee determines that Section 162(m) of the Code (see *Federal Income Tax Consequences Performance-Based Compensation* below) applies (or is likely to apply) to a restricted stock award, performance award or other stock unit award, the lapsing of restrictions on the award and the distribution of cash, shares or other property pursuant to such award, shall be subject to the achievement of one or more objective performance goals established by the Compensation Committee, which shall be based on attaining specified levels in one or more areas, such as: net sales; revenue growth; pre-tax income before allocation of corporate overhead and bonus; earnings per

share; operating income or net income; return on stockholders' equity; attainment of strategic and operational initiatives; appreciation in and/or maintenance of the price of the Common Stock or other publicly-traded securities of Patterson-UTI; market share; gross profits; earnings before taxes or before interest and taxes or before interest, taxes, depreciation, depletion and amortization; comparisons with various stock market indices; improvement in or attainment of expense levels or working capital levels; cash margins; safety records; and rig utilization and rig count growth. Performance goals may be measured solely by reference to Patterson-UTI's performance or the performance of a subsidiary, division, business segment or business unit of Patterson-UTI, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies, in each case as specified by the Compensation Committee in the award.

Table of Contents

The Compensation Committee also may adjust performance goals to reflect the impact of specified events, occurrences or transactions, accounting or tax law changes or other extraordinary or nonrecurring events.

Federal Income Tax Consequences

The following discussion summarizes certain federal income tax consequences of the issuance and receipt of awards pursuant to the 2005 Plan under the law as in effect on the date of this proxy statement. The rules governing the tax treatment of such awards are quite technical, so the following discussion of tax consequences is necessarily general in nature and is not complete. In addition, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. This summary does not purport to cover all federal employment tax or other federal tax consequences associated with the 2005 Plan, nor does it address state, local, or non-U.S. taxes.

ISOs

In general, a participant will not recognize income upon the grant or exercise of an ISO. However, if the participant is subject to federal alternative minimum tax, the exercise of an ISO will be treated essentially the same as a NQSO for purposes of the alternative minimum tax (*see NQSOs, SARs, Performance Award, and Other Stock Unit Award* below). Subject to certain exceptions for death or disability, if a participant exercises an ISO more than three months after termination of employment, the exercise of the option will be taxed as the exercise of a NQSO, as described below.

The general rule is that gain or loss from the sale or exchange of shares acquired on the exercise of an ISO will be treated as capital gain or loss. However, if shares acquired upon the exercise of an ISO are disposed of within two years from the date of grant or within one year after exercise (a disqualifying disposition), the participant generally will recognize ordinary income in the year of disposition in an amount equal to the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) less the exercise price. Any further gain (or loss) realized by the participant generally will be taxed as short- or long-term capital gain (or loss) depending on the holding period.

NQSOs, SARs, Performance Award, and Other Stock Unit Award

A participant generally is not required to recognize income on the grant of a NQSO, a SAR, performance award or other stock unit award. Instead, ordinary income generally is required to be recognized on the date the NQSO or SAR is exercised, or in the case of performance awards or other stock unit awards, upon the issuance of shares and/or the payment of cash pursuant to the terms of the award. In general, the amount of ordinary income required to be recognized is, (a) in the case of a NQSO, an amount equal to the excess, if any, of the fair market value of the shares on the exercise date over the exercise price, (b) in the case of a SAR, the fair market value of any shares received upon exercise plus the amount of taxes withheld from such amounts, and (c) in the case of performance awards or other stock unit awards, the amount of cash and/or the fair market value of any shares received in respect thereof, plus the amount of taxes withheld from such amounts.

Restricted Common Stock

Unless a participant who receives an award of restricted Common Stock makes an election under Section 83(b) of the Code as described below, the participant generally is not required to recognize ordinary income on the award of restricted Common Stock. Instead, on the date the shares vest (*i.e.*, become transferable and no longer subject to forfeiture), the participant will be required to recognize ordinary income in an amount equal to the excess, if any, of the fair market value of the shares on such date over the amount, if any, paid for such shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted Common Stock that are subject at that

time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient. If a participant makes a Section 83(b) election within 30 days of the date of transfer of the restricted Common Stock, the participant will recognize ordinary income on the date the shares are awarded. The amount of ordinary income required to be recognized is an amount equal to the excess, if any, of the fair market value of the shares on the date of award over the amount, if any, paid for such shares. In such case, the participant

Table of Contents

will not be required to recognize additional ordinary income when the shares vest. However, if the shares are later forfeited, a loss can only be recognized up to the amount the participant paid, if any, for the shares.

Gain or Loss on Sale or Exchange of Shares

In general, gain or loss from the sale or exchange of shares granted or awarded under the 2005 Plan will be treated as capital gain or loss, provided that the shares are held as capital assets at the time of the sale or exchange. However, if certain holding period requirements are not satisfied at the time of a sale or exchange of shares acquired upon exercise of an ISO (a disqualifying disposition, *see* above), a participant generally will be required to recognize ordinary income upon such disposition.

Deductibility by Patterson-UTI

To the extent that a participant recognizes ordinary income in the circumstances described above, Patterson-UTI or its subsidiary for which the participant performs services will be entitled to a corresponding deduction, provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of Section 280G of the Code and is not disallowed by the \$1,000,000 limitation on certain executive compensation under Section 162(m) of the Code (*see Performance Based Compensation and Parachute Payments* below).

Performance Based Compensation

In general, under Section 162(m) of the Code, remuneration paid by a public corporation to its principal executive officer or its three most highly compensated executive officers (excluding the principal executive officer and the principal financial officer of the corporation), ranked by pay, is not deductible to the extent it exceeds \$1 million for any year. Taxable payments or benefits under the 2005 Plan may be subject to this deduction limit. However, under Section 162(m) of the Code, qualifying performance-based compensation, including income from stock options and other performance-based awards that are made under shareholder approved plans and that meet certain other requirements, is exempt from the deduction limitation. The 2005 Plan has been designed so that the Compensation Committee in its discretion may grant qualifying exempt performance-based awards under the 2005 Plan.

Parachute Payments

Under the so-called golden parachute provisions of the Code, the accelerated vesting of stock options and benefits paid under other awards in connection with a change of control of a corporation may be required to be valued and taken into account in determining whether participants have received compensatory payments, contingent on the change of control, in excess of certain limits. If these limits are exceeded, a portion of the amounts payable to the participant may be subject to an additional 20% federal tax and may be nondeductible to the corporation.

Withholding

Awards under the 2005 Plan may be subject to tax withholding. Where an award results in income subject to withholding, Patterson-UTI may require the participant to remit the withholding amount to Patterson-UTI or cause shares of Common Stock to be withheld or sold in order to satisfy the tax withholding obligations.

Section 409A

Awards of SARs, performance awards, or other stock unit awards under the 2005 Plan may, in some cases, result in the deferral of compensation that is subject to the requirements of Section 409A of the Code. Generally, to the extent

that deferrals of these awards fail to meet certain requirements under Section 409A of the Code, such awards will be subject to immediate taxation and tax penalties in the year they vest unless the requirements of Section 409A of the Code are satisfied. It is the intent of the Company that awards under the 2005 Plan will be structured and administered in a manner that complies with the requirements of Section 409A of the Code.

Table of Contents**Summary Information Pertaining to all Stock Option and Related Plans of Patterson-UTI**

The following information summarizes as of December 31, 2007 certain information regarding equity compensation under our stock option plans. For a more detailed description of the stock option plans, see Note 11 of Patterson-UTI's audited financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Plan Category	Equity Compensation Plan Information		
	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
Equity compensation plans approved by security holders(1)	6,733,337	\$ 18.27	2,283,045
Equity compensation plans not approved by security holders(2)	669,747	\$ 9.91	
Total	7,403,084	\$ 17.52	2,283,045

- (1) The 2005 Plan provides for awards of incentive stock options, non-incentive stock options, tandem and freestanding stock appreciation rights, restricted stock awards, other stock unit awards, performance share awards, performance unit awards and dividend equivalents to key employees, officers and directors, which are subject to certain vesting and forfeiture provisions. All options are granted with an exercise price equal to or greater than the fair market value of the common stock at the time of grant. The vesting schedule and term are set by the Compensation Committee of the Board of Directors. All securities remaining available for future issuance under equity compensation plans approved by security holders in column (c) are available under this plan. Patterson-UTI has granted stock options, but not warrants or rights under the 2005 Plan or any other equity compensation plan approved by security holders. No stock options have been granted with rights to receive cash dividends or dividend equivalent rights.
- (2) The Amended and Restated Patterson-UTI Energy, Inc. 2001 Long-Term Incentive Plan (the 2001 Plan) was approved by the Board of Directors in July 2001. In connection with the approval of the 2005 Plan, the Board of Directors approved a resolution that no further options, restricted stock or other awards would be granted under any equity compensation plan, other than the 2005 Plan. The terms of the 2001 Plan provided for grants of stock

options, stock appreciation rights, shares of restricted stock and performance awards to eligible employees other than officers and directors. No Incentive Stock Options could be awarded under the Plan. All options were granted with an exercise price equal to or greater than the fair market value of the common stock at the time of grant. The vesting schedule and term were set by the Compensation Committee of the Board of Directors. Patterson-UTI has granted stock options, but not warrants or rights under the 2001 Plan. No stock options have been granted with rights to receive cash dividends or dividend equivalent rights.

Additional Information Regarding the 2005 Plan

As of April 18, 2008, the closing price of Patterson-UTI's common stock on the NASDAQ Global Select Market was \$29.56 per share. Except for receipt of the option exercise price when and if options are exercised, Patterson-UTI receives no consideration in connection with the award of options or restricted stock under the 2005 Plan.

Patterson-UTI has not determined the type, number and other terms of awards under the 2005 Plan that will be granted in the future to eligible directors and nominees, executive officers, officers as a group, or non-officer employees as a group as that determination is subject to the discretion of the Compensation Committee of the Board of Directors.

The Board of Directors recommends a vote FOR the approval of the Amendment to the 2005 Plan. Approval of the Amendment requires the affirmative vote of the holders of a majority of the shares of Common

Table of Contents

Stock present in person or by proxy and entitled to vote at the Meeting. If you do not vote against or abstain from voting on the Amendment to the 2005 Plan, your proxy will be voted FOR approval of the Amendment to the 2005 Plan. Abstentions will be counted as shares entitled to vote on the proposal and will have the same effect as a vote AGAINST the proposal. A broker non-vote will be counted for purposes of establishing a quorum, but will not be treated as a share entitled to vote on the proposal. This will have the effect of reducing the absolute number of shares necessary to approve the proposal.

PROPOSAL NO. 3

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee appointed PricewaterhouseCoopers LLP as independent registered public accounting firm to audit the financial statements of Patterson-UTI for the fiscal year ending December 31, 2008, and directed that such engagement be submitted to the stockholders of Patterson-UTI for ratification. In recommending ratification by the stockholders of such engagement, the Board of Directors is acting upon the recommendation of the Audit Committee, which has satisfied itself as to PricewaterhouseCoopers LLP's independence, professional competence and standing. Although ratification by stockholders of the engagement of PricewaterhouseCoopers LLP is not required by Delaware corporate law or Patterson-UTI's restated certificate of incorporation or bylaws, the Audit Committee believes a decision of this nature should be made with the consideration of Patterson-UTI's stockholders. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider whether to retain PricewaterhouseCoopers LLP and may retain that firm or another without re-submitting the matter to our stockholders. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such change would be in the best interests of Patterson-UTI and its stockholders.

It is expected that one or more representatives of PricewaterhouseCoopers LLP will be present at the Meeting and will be given the opportunity to make a statement if they so desire. It also is expected that the representative(s) will be available to respond to appropriate questions from the stockholders.

The Board of Directors recommends a vote FOR the ratification of PricewaterhouseCoopers LLP as Patterson-UTI's independent registered public accounting firm. Ratification of the selection of PricewaterhouseCoopers LLP requires the affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy, and entitled to vote at the Meeting. Unless you give contrary instructions in your proxy, your proxy will be voted FOR such ratification. Abstentions will be counted as shares entitled to vote on the proposal and will have the same effect as a vote AGAINST the proposal. A broker non-vote will be counted for purposes of establishing a quorum, but will not be treated as a share entitled to vote on the proposal. This will have the effect of reducing the absolute number of shares necessary to approve the proposal.

EXECUTIVE OFFICERS

Set forth below is the name, age and position followed by a brief description of the business experience during at least the past five years for each executive officer of Patterson-UTI who is not also a member of the Board of Directors.

Name	Age	Position
Douglas J. Wall	55	President and Chief Executive Officer
John E. Vollmer III	52	

		Senior Vice President Corporate Development, Chief Financial Officer and Treasurer
William L. Moll, Jr.	41	General Counsel and Secretary
Gregory W. Pipkin	36	Chief Accounting Officer and Assistant Secretary

Douglas J. Wall Mr. Wall has served as President and Chief Executive Officer of Patterson-UTI since October 2007. From April 2007 to October 2007, Mr. Wall served as Chief Operating Officer of Patterson-UTI. From 1997 to April 2007, Mr. Wall served in a variety of capacities at Baker Hughes Incorporated, an oilfield

Table of Contents

service company, including most recently as Group President, Completion and Production. Mr. Wall holds a Bachelor Degree in Economics from the University of Calgary and a Masters of Business Administration in Finance and Marketing from the University of Alberta.

John E. Vollmer III Mr. Vollmer has served as Chief Financial Officer and Treasurer of Patterson-UTI since November 2005 and Senior Vice President Corporate Development of Patterson-UTI since May 2001. Mr. Vollmer also served as Secretary of Patterson-UTI from November 2005 to February 2007. Mr. Vollmer served as Senior Vice President, Chief Financial Officer, Secretary and Treasurer of UTI from 1998 to May 2001. From 1992 until 1997, Mr. Vollmer served in a variety of capacities at Blockbuster Entertainment, including Senior Vice President Finance and Chief Financial Officer of Blockbuster Entertainment's Music Division. Mr. Vollmer holds a Bachelor of Arts in Accounting from Michigan State University.

William L. Moll, Jr. Mr. Moll has served as General Counsel and Secretary of Patterson-UTI since February 2007. From July 2006 to February 2007, Mr. Moll served as Vice President and Counsel of Stewart & Stevenson LLC, an oilfield equipment manufacturing company. From January 1996 to July 2006, Mr. Moll served in a variety of capacities in the legal department of Stewart & Stevenson Services, Inc., an equipment manufacturing company, including Deputy General Counsel from March 2005 to July 2006 and Managing Attorney from September 2001 to March 2005. From September 1991 to January 1996, Mr. Moll was an associate with the law firm of Andrews & Kurth LLP. Mr. Moll holds a Bachelor of Business Administration in Accounting from the University of Texas and a J.D. from the University of Houston Law Center.

Gregory W. Pipkin Mr. Pipkin has served as Chief Accounting Officer and Assistant Secretary of Patterson-UTI since August 2007. From June 2006 to August 2007, Mr. Pipkin served as Director of Financial Reporting of Patterson-UTI. From April 2001 through May 2006, Mr. Pipkin was Controller and Vice President of Accounting and Reporting for Alamosa Holdings, Inc., a publicly traded wireless telecommunications company. Prior to April 2001, Mr. Pipkin was in the practice of public accounting. Mr. Pipkin is a Certified Public Accountant and holds a Bachelor of Business Administration in Accounting from Texas Tech University.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

Compensation Committee

The Compensation Committee (the Committee) sets and administers the policies that govern the compensation of executive officers and directors of Patterson-UTI. As part of its duties, the Committee determines the compensation of Patterson-UTI's executive officers who are named in the Summary Compensation Table appearing elsewhere in this proxy statement (the Named Executive Officers) and grants all awards of restricted stock and stock options under Patterson-UTI's long-term incentive plan.

The Committee currently consists of Messrs. Peak (chairman), Buckner and Huff, each of whom is an independent director as defined by the NASDAQ listing standards.

Compensation Objectives

The Committee's objectives are to provide to the Named Executive Officers competitive compensation packages that will permit Patterson-UTI to attract and retain highly qualified individuals and to motivate and reward the Named Executive Officers for performance that benefits Patterson-UTI and its stockholders.

Role of Management and Compensation Consultant

All compensation decisions with respect to the Named Executive Officers of Patterson-UTI are made solely by the Committee. The Committee is permitted under its charter to delegate any of its powers to a subcommittee of the Committee. In performing its duties, the Committee considers input from senior management on individual performance and compensation matters.

Table of Contents

In determining compensation for the Named Executive Officers for 2007, the Committee considered a variety of information, including (1) compensation for executive officers at similarly situated oilfield service companies, (2) historical and projected financial and operational results at Patterson-UTI, including margins achieved, rig utilization, net income and earnings before interest, taxes, depreciation and amortization (EBITDA) and return on equity and assets, (3) historical stock performance, (4) operational and strategic objectives of Patterson-UTI and (5) individual performance.

For 2007, the Committee engaged Towers Perrin, an independent compensation consultant, who reported directly to the Committee to evaluate and make recommendations to the Committee regarding Patterson-UTI's executive compensation philosophy and practices. Towers Perrin reviewed the executive salaries, non-equity incentive compensation and long-term incentives for competitiveness with similarly situated oilfield service companies. Towers Perrin was provided a proposed representative peer group within the oilfield services industry based on various criteria and was provided information as to the responsibilities of the members of Patterson-UTI's executive team in relationship to its peers. Towers Perrin also analyzed Patterson-UTI's share utilization as compared to its peers for purposes of assessing dilution resulting from awards under Patterson-UTI's incentive plans. Towers Perrin was asked to provide its advice as to Patterson-UTI's incentive plans and the Committee's proposed compensation of the Named Executive Officers and the reasonableness of that compensation.

For 2007, the Committee reviewed compensation data from the following peer group of companies: BJ Services Company, Cameron International Corporation, Diamond Offshore Drilling Inc., Ensco International Inc., FMC Technologies Inc., GlobalSantaFe Corp., Grant Prideco Inc., Helmerich & Payne Inc., Nabors Industries Ltd., National Oilwell Varco Inc., Noble Corp., Pride International, Inc., Rowan Companies Inc., Smith International Inc., Transocean Inc. and Weatherford International Ltd.

Elements of Compensation

Patterson-UTI's compensation program for its Named Executive Officers includes three primary elements: (1) base salary, (2) non-equity incentive compensation in the form of cash bonuses and (3) long-term incentive opportunities in the form of restricted stock and stock options. Below is a summary of each element of compensation. The general intent of the base salary for the Named Executive Officers was for that compensation to be around the 50th percentile of the peer group and for incentive and equity based compensation to be above the 75th percentile. These objectives were established based on Patterson-UTI's historical top tier performance on returns on assets and equity and long-term share value creation as compared to peers.

Base Salary

Historically, the Committee has emphasized performance-based compensation in the form of non-equity and equity incentive compensation and has minimized salary adjustments. From 2004 through 2006 there were no increases to the base salaries of the Named Executive Officers. In February 2007, the base salary of Mr. Berns was increased from \$215,000 to \$265,000. In October 2007, upon being named President and Chief Executive officer of Patterson-UTI, Mr. Wall's base salary was increased from \$450,000 to \$600,000.

Although adjustments to the base salaries of the Named Executive Officers have been minimized in recent years, the base salaries of Named Executive Officers are reviewed and determined annually by the Committee based on (i) subjective evaluations of the officer's functional position and specific performance, (ii) assessment of the relative importance of each position at Patterson-UTI, (iii) a comparison to salary ranges for executives of other companies in the oilfield service industry with market, financial and operational characteristics similar to those of Patterson-UTI, (iv) Patterson-UTI's financial results and position and (v) Patterson-UTI's performance compared to similarly situated companies.

Non-Equity Incentive Compensation

The Named Executive Officers have historically received non-equity incentive compensation in the form of annual cash bonuses designed to put a meaningful portion of total compensation at risk. In recent years, non-equity incentive compensation for Messrs. Siegel, Talbott, Vollmer and Berns has been tied to a bonus pool based upon Patterson-UTI's EBITDA. For target bonus purposes, the bonus pool would then be allocated among the four

Table of Contents

officers pursuant to a pre-determined sharing percentage that reflected a team-based philosophy as well as the organizational structure of the top management team. The total bonus and target allocation is subject to modification by the Committee at its discretion. EBITDA has been chosen as the performance measure for the annual cash bonus because Patterson-UTI believes it is an important measure of current year financial performance. Non-equity incentive compensation for Messrs. Wall and Moll during 2007 was determined at the discretion of the Committee, consistent with the target bonuses specified in their employment offer letters.

In 2007, the target bonus pool for Messrs. Siegel, Talbott, Vollmer and Berns, subject to a minimum threshold, was two-thirds of one percent of Patterson-UTI's EBITDA. The target allocation of the bonus pool was as follows: one-third to Mr. Siegel, one-third to Mr. Talbott, one-sixth to Mr. Vollmer and one-sixth to Mr. Berns.

The aggregate bonus pool paid to Messrs. Siegel, Talbott, Vollmer and Berns for 2007 was \$6,132,300, and the amount of individual cash bonuses paid to such Named Executive Officer is included in the Summary Compensation Table elsewhere in this proxy statement. Consistent with Patterson-UTI's emphasis on performance-based compensation, non-equity incentive compensation for 2007 represented a significant portion of each Named Executive Officer's total cash compensation from Patterson-UTI for the year. The Committee has established a target bonus pool for 2008 for Messrs. Siegel, Wall, Vollmer and Berns, subject to a minimum threshold of approximately 0.611 of one percent of Patterson-UTI's EBITDA. The target allocation of the bonus pool for 2008 is as follows: 0.222 to Mr. Siegel, 0.167 to Mr. Wall, 0.111 to Mr. Vollmer and 0.111 to Mr. Berns.

Long-Term Incentive Compensation

Long-term incentive compensation for the Named Executive Officers consists of both awards of shares of restricted stock and options to purchase Common Stock, each of which typically vest over three or four years. Awards of such equity-based compensation reflect the Committee's desire to provide the Named Executive Officers with additional incentives by increasing their proprietary interest in the success of Patterson-UTI. The Committee believes that there should be an emphasis on equity-based compensation in order to provide incentives and rewards that are closely aligned with stockholders. The Committee reviews equity-based compensation of the Named Executive Officers on an annual basis.

Patterson-UTI's equity-based compensation has historically been given significant weight, along with non-equity incentive compensation, in the overall compensation package of the Named Executive Officers. The allocation of equity-based compensation among the Named Executive Officers is made by the Committee based on various factors, including the executive's position and contribution to the overall goals and objectives of Patterson-UTI. The allocation and mix of equity-based compensation between restricted stock and options in 2007 followed this approach, with an emphasis on option-based compensation over restricted stock in order to ensure that the greatest awards would only be earned for increases in Patterson-UTI's equity value.

The Committee's practice has generally been to grant stock options and/or restricted stock to Named Executive Officers at a meeting following the conclusion of Patterson-UTI's first or second quarter. Such meetings are typically held in conjunction with regular quarterly Board meetings that are held prior to Patterson-UTI's public release of quarterly earnings information. Options are granted at an exercise price equal to the closing price of Patterson-UTI's stock on the date of grant.

Retirement Plans

Patterson-UTI offers a 401(k) plan to its employees, including its Named Executive Officers. Participants may contribute a portion of their base salary to the 401(k) plan, subject to federal limits. Patterson-UTI makes matching contributions up to four percent of each participant's eligible base salary. The Named Executive Officers of

Patterson-UTI are eligible to participate in the 401(k) plan on the same basis as other employees. Patterson-UTI does not have any other retirement plan.

Perquisites and Personal Benefits

Patterson-UTI provides limited perquisites to its Named Executive Officers. Prior to his retirement as President and Chief Executive Officer in September 2007, Mr. Talbott was given limited use of Patterson-UTI s

Table of Contents

airplane for his personal travel. The incremental cost to Patterson-UTI of Mr. Talbott's personal use of the airplane is included as "All Other Compensation" to him in the Summary Compensation Table elsewhere in this proxy statement. The lack of commercial airline service in Snyder, Texas was a substantial factor in the decision to provide this benefit to Mr. Talbott during the time that he served as President and Chief Executive Officer of Patterson-UTI. Mr. Talbott was also provided with certain other limited perquisites during his tenure as President and Chief Executive Officer, including occasional personal use of a sporting venue suite, the use of a Patterson-UTI automobile and membership dues at a country club, each of which is included in "All Other Compensation" for Mr. Talbott in the Summary Compensation Table elsewhere in this proxy statement.

Share Ownership Guidelines

The Committee in 2004, with the approval of the Board, enacted share ownership guidelines applicable to all executive officers and directors of Patterson-UTI. Under this policy and subject to a four-year phase-in, each of Patterson-UTI's Chairman, Chief Executive Officer and President is required to hold shares of Common Stock having a value equal to at least five times the officer's base salary and each of Patterson-UTI's other executive officers is required to hold shares of Common Stock having a value equal to at least three times the officer's base salary. The Committee also imposed share ownership guidelines for directors. Under those guidelines, subject to a four-year phase-in, each director of Patterson-UTI is required to hold shares of Common Stock having a value equal to at least four times the annual cash compensation provided to the director. Each of the Named Executive Officers is in compliance with the share ownership guidelines as of the date of this proxy statement.

Change in Control and Severance Agreements

Patterson-UTI has entered into change in control agreements with its Named Executive Officers as further described elsewhere in this proxy statement. The Committee believes that the change in control agreements help Patterson-UTI to attract and retain the Named Executive Officers by reducing the personal uncertainty and anxiety that arises from the possibility of a future business combination. The Committee also believes the change in control agreements should prevent the Named Executive Officers from leaving employment out of concern for the security of their jobs or being unable to concentrate on their work.

Patterson-UTI has entered into written letter agreements with each of Messrs. Siegel, Berns and Vollmer, which confirm and evidence the existing agreements between Patterson-UTI and each of them pursuant to which Patterson-UTI has agreed to pay each such person within ten days of the termination of his employment with Patterson-UTI for any reason (including voluntary termination by him), an amount in cash equal to his annual base salary at the time of such termination. Patterson-UTI has entered into a severance agreement with Mr. Wall that generally has a three-year term and provides for a lump-sum cash payment of \$750,000 to be payable to Mr. Wall within ten days of the date of a qualifying termination of his employment with Patterson-UTI. A qualifying termination for Mr. Wall is defined in the severance agreement generally as a termination by Patterson-UTI for any reason other than cause or, if certain conditions are met, a termination by Mr. Wall due to a reduction in his annual base salary below a defined threshold amount. Any payment made by Patterson-UTI pursuant to these letter agreements or the severance agreement will reduce dollar for dollar any payment owed to such person, if any, pursuant to the change in control agreements discussed above.

Section 162(m) Considerations

In considering compensation decisions for the executive management of Patterson-UTI, the Committee routinely considers the potential effect of Section 162(m) of the Internal Revenue Code. Section 162(m) imposes a limitation on corporate tax deductions for non-performance based compensation to certain officers that exceeds \$1 million that can be taken by a publicly held corporation for compensation paid to certain of its executive officers. The Committee

believes that tax deduction limitations should not compromise Patterson-UTI's ability to establish and maintain appropriate executive compensation programs and reserves the right to award non-deductible compensation.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement required by Item 402(b) of Regulation S-K with management and, based upon such

Table of Contents

review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Kenneth R. Peak, *Chairman*

Charles O. Buckner

Curtis W. Huff

The following table sets forth information concerning compensation for the fiscal year ended December 31, 2007 with respect to the Principal Executive Officer, the Principal Financial Officer and the other Named Executive Officers of Patterson-UTI:

Summary Compensation Table

Principal Position(s)	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-equity	All Other	
						Incentive plan Compensation (\$)(3)	Compensation (\$)	
<i>Wall</i> & Chief Executive	2007	\$ 365,625	\$ 1,075,000(5)	\$ 1,015,694	\$ 135,444	\$	\$	\$
<i>Talbot</i> President & Executive Officer(6)	2007	\$ 400,000	\$	\$ 1,098,069	\$ 1,616,823	\$ 2,044,100	\$ 81,078(7)	\$
	2006	\$ 450,000	\$	\$ 597,918	\$ 1,398,886	\$ 2,750,000	\$ 198,268(7)	\$
<i>Illmer III</i> President	2007	\$ 275,000	\$	\$ 549,034	\$ 808,411	\$ 1,022,050	\$ 10,735(8)	\$
Development, Chief Officer & Treasurer	2006	\$ 275,000	\$	\$ 298,959	\$ 759,341	\$ 1,375,000	\$ 6,641(8)	\$
<i>Regel</i> of the Board	2007	\$ 350,000	\$	\$ 1,098,069	\$ 1,616,823	\$ 2,044,100	\$	\$
	2006	\$ 350,000	\$	\$ 597,918	\$ 1,398,886	\$ 2,750,000	\$	\$
<i>Berns</i> President	2007	\$ 258,055	\$	\$ 549,034	\$ 808,411	\$ 1,022,050	\$	\$
	2006	\$ 215,000	\$	\$ 298,959	\$ 699,443	\$ 1,375,000	\$	\$
<i>Moll, Jr.</i> Counsel and Secretary	2007	\$ 222,538	\$ 100,000	\$ 251,261	\$	\$	\$	\$

(1) Amounts set forth represent the dollar amount of compensation expense recognized for financial statement reporting purposes for the fiscal years ended December 31, 2007 and 2006 in accordance with Statement of Financial Accounting Standards No. 123(R) (FAS 123R) with respect to restricted stock held by the Named Executive Officer. For additional information related to the assumptions used and valuation of restricted stock, see Note 11 to the consolidated financial statements in Patterson-UTI's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

(2) Amounts set forth represent the dollar amount of compensation expense recognized for financial statement reporting purposes for the fiscal years ended December 31, 2007 and 2006 in accordance with FAS 123R with respect to stock options held by the Named Executive Officer. For additional information related to the assumptions used in connection with the valuation of stock options using the Black-Scholes option pricing

model see Note 11 to the consolidated financial statements in Patterson-UTI's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

- (3) Represents annual bonuses earned for the fiscal years ended December 31, 2007 and 2006. The bonus plan in each of those fiscal years for Messrs. Talbott, Vollmer, Siegel and Berns provided for a bonus pool based on EBITDA, subject to a minimum EBITDA of \$400 million. The bonus pool was allocated among Messrs. Talbott, Vollmer, Siegel and Berns based on a pre-determined sharing percentage. At the direction of the Compensation Committee, the total amount paid out pursuant to the executive bonus pool was \$6.13 million for 2007 and \$8.25 million for 2006.
- (4) Mr. Wall was appointed as Patterson-UTI's Chief Executive Officer and President on October 1, 2007. From April 9, 2007 through September 30, 2007, Mr. Wall served as Patterson-UTI's Chief Operating Officer.
- (5) Amount includes a signing bonus of \$275,000 paid to Mr. Wall following the commencement of his employment with Patterson-UTI and an annual bonus for the fiscal year ended December 31, 2007 of

Table of Contents

\$800,000, which was paid pursuant to the terms of the offer letter provided to Mr. Wall prior to his employment with Patterson-UTI.

- (6) Mr. Talbott retired as Patterson-UTI's Chief Executive Officer and President on September 30, 2007. Effective October 1, 2007 Patterson-UTI entered into an employment agreement with Mr. Talbott whereby he currently serves as a consultant to Patterson-UTI through September 2012. Mr. Talbott is a director of Patterson-UTI.
- (7) Includes personal use of Patterson-UTI's airplane in the amount of \$61,678 and \$178,652 in 2007 and 2006, respectively, which is the incremental cost to Patterson-UTI, including the related income tax impact, based on the number of hours of personal use by Mr. Talbott. Other perquisites consist of the personal use of a sporting venue suite, the use of a Patterson-UTI automobile and membership dues at a country club. Includes \$9,750 and \$6,090 in 2007 and 2006, respectively, in contributions to a 401(k) plan by Patterson-UTI on Mr. Talbott's behalf.
- (8) Amounts set forth reflect contributions to a 401(k) plan by Patterson-UTI on behalf of Mr. Vollmer.

The following table sets forth information concerning grants of plan-based awards during the fiscal year ended December 31, 2007 to the Named Executive Officers:

Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts under			All other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Douglas J. Wall	4/9/07	\$	\$	\$	100,000	\$	\$ 2,272,000	
	4/9/07					75,000	\$ 22.72	\$ 501,409
	10/1/07					25,000	\$ 22.99	\$ 163,810
Cloyce A. Talbott	2/20/07	\$ 888,889	\$ 2,044,100	\$ 5,000,000				
	4/23/07				50,000	\$		\$ 1,208,500
	4/23/07					300,000	\$ 24.17	\$ 2,145,681
John E. Vollmer III	2/20/07	\$ 444,444	\$ 1,022,050	\$ 5,000,000				
	4/23/07				25,000	\$		\$ 604,250
	4/23/07					150,000	\$ 24.17	\$ 1,072,841

Mark S. Siegel	2/20/07	\$ 888,889	\$ 2,044,100	\$ 5,000,000				
	4/23/07				50,000		\$	\$ 1,208,500
	4/23/07					300,000	\$ 24.17	\$ 2,145,681
Kenneth N. Berns	2/20/07	\$ 444,444	\$ 1,022,050	\$ 5,000,000				
	4/23/07				25,000		\$	\$ 604,250
	4/23/07					150,000	\$ 24.17	\$ 1,072,841
William L. Moll, Jr.	2/12/07				20,000		\$	\$ 464,600

- (1) For the fiscal year ended December 31, 2007, the bonus plan for Messrs. Talbott, Vollmer, Siegel and Berns provided for a bonus pool based on EBITDA, subject to a minimum EBITDA of \$400 million. The bonus pool was allocated among Messrs. Talbott, Vollmer, Siegel and Berns based on a pre-determined sharing percentage. The threshold amount presented in this table is calculated for the respective officer based on an assumed EBITDA of \$400 million and the allocation formula applied to the bonus pool for distribution, although the bonus plan provides for no payment if the minimum EBITDA of \$400 million is not satisfied. The target amount is calculated based on Patterson-UTI's actual EBITDA for the fiscal year ended December 31, 2007 and the allocation formula applied to the bonus pool for distribution. The cash bonuses awarded from the bonus pool were awarded under the 2005 Plan, which has been designed to meet the requirements of Section 162(m) of the Code. Although the bonus pool for Messrs. Talbott, Vollmer, Siegel and Berns did not have an EBITDA cap, the maximum amount that could be awarded to an individual under any cash-based performance award granted under the 2005 Plan during a 12-month period is \$5,000,000.
- (2) Shares of restricted stock were awarded pursuant to the 2005 Plan. The shares awarded to Messrs. Talbott, Vollmer, Siegel and Berns vest over a three year period as follows: one-third on April 23, 2008, and the remaining two-thirds in equal monthly installments over the twenty-four months following April 23, 2008. The shares awarded to Mr. Wall vest over a three year period as follows: one-third on April 9, 2008, one-third on

Table of Contents

April 9, 2009 and one-third on April 9, 2010. The shares awarded to Mr. Moll vest over a three year period as follows: one-third on February 12, 2008, one-third on February 12, 2009 and one-third on February 12, 2010.

- (3) Options were granted pursuant to the terms and conditions of the 2005 Plan. Those options vest over a three year period as follows: one-third on the first anniversary of the date of grant, and the remaining two-thirds in equal monthly installments over the twenty-four months following the first anniversary of the date of grant.
- (4) The grant date fair value of restricted stock is based on the closing price of Patterson-UTI Common Stock on the date of grant, which is consistent with the valuation used by Patterson-UTI for the recognition of compensation expense under FAS 123R. The grant date fair value of stock options was determined using the Black-Scholes option pricing model, which is consistent with the valuation used by Patterson-UTI for the recognition of compensation expense under FAS 123R, with assumptions that are more fully described in Note 11 to the consolidated financial statements in Patterson-UTI's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

The following table sets forth information concerning outstanding equity awards at December 31, 2007 for the Named Executive Officers:

**Outstanding Equity Awards
at Fiscal Year-End**

Name	Option Awards			Stock Awards	
	Number of Securities		Option	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested \$(1)
	Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date		
Douglas J. Wall		75,000	\$ 22.720	4/08/17	100,000(2) \$ 1,952,000
		25,000	\$ 22.990	9/30/17	
Cloyce A. Talbott	120,000		\$ 7.925	7/19/11	135,000(3) \$ 2,635,200
	400,000		\$ 13.195	7/17/12	
	380,000		\$ 16.220	4/28/13	
	120,000		\$ 19.140	4/27/14	
	133,333	16,667(4)	\$ 24.630	4/26/15	
	111,111	138,889(5)	\$ 28.160	7/31/16	
		300,000(6)	\$ 24.170	4/22/17	
John E. Vollmer III	110,000		\$ 8.060	10/22/11	67,500(7) \$ 1,317,600
	400,000		\$ 13.195	7/17/12	
	190,000		\$ 16.220	4/28/13	
	60,000		\$ 19.140	4/27/14	
	66,667	8,333(4)	\$ 24.630	4/26/15	
	55,556	69,444(5)	\$ 28.160	7/31/16	
		150,000(6)	\$ 24.170	4/22/17	

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Mark S. Siegel	100,000		\$ 7.925	7/19/11	135,000(3)	\$ 2,635,200
	175,900		\$ 13.195	7/17/12		
	380,000		\$ 16.220	4/28/13		
	120,000		\$ 19.140	4/27/14		
	133,333	16,667(4)	\$ 24.630	4/26/15		
	111,111	138,889(5)	\$ 28.160	7/31/16		
Kenneth N. Berns		300,000(6)	\$ 24.170	4/22/17	67,500(7)	\$ 1,317,600
	50,000		\$ 7.925	7/19/11		
	83,600		\$ 13.195	7/17/12		
	190,000		\$ 16.220	4/28/13		
	60,000		\$ 19.140	4/27/14		
	66,667	8,333(4)	\$ 24.630	4/26/15		
	55,556	69,444(5)	\$ 28.160	7/31/16		
	150,000(6)	\$ 24.170	4/22/17			
William L. Moll, Jr.			\$		20,000(8)	\$ 390,400

(1) Based on the closing price of Patterson-UTI Common Stock on December 31, 2007 of \$19.52 per share.

Table of Contents

- (2) These shares of restricted stock vest as follows: 33,333 shares on April 9, 2008, 33,333 shares on April 9, 2009 and 33,334 shares on April 9, 2010.
- (3) These shares of restricted stock vest as follows: 16,666 shares on April 23, 2008, 15,000 shares on April 27, 2008, 25,000 shares on April 28, 2008, 15,000 shares on April 27, 2009, 15,000 shares on August 1, 2009, 15,000 shares on August 1, 2010 and 33,334 shares that vest in equal monthly installments of 1,388 shares per month from May 23, 2008 through April 23, 2010.
- (4) These options vest in equal monthly installments of 4,167 shares per month for Messrs. Talbott and Siegel and in equal monthly installments of 2,083 shares per month for Messrs. Vollmer and Berns. The options became fully vested on April 27, 2008.
- (5) These options vest in equal monthly installments of 6,944 shares per month for Messrs. Talbott and Siegel and in equal monthly installments of 3,472 shares per month for Messrs. Vollmer and Berns. The options become fully vested on August 1, 2009.
- (6) These options vest as follows: one-third on April 23, 2008, and then in equal monthly installments of 8,333 shares per month for Messrs. Talbott and Siegel and in equal monthly installments of 4,166 shares per month for Messrs. Vollmer and Berns over the twenty-four months following April 23, 2008.
- (7) These shares of restricted stock vest as follows: 8,333 shares on April 23, 2008, 7,500 shares on April 27, 2008, 12,500 shares on April 28, 2008, 7,500 shares on April 27, 2009, 7,500 shares on August 1, 2009, 7,500 shares on August 1, 2010 and 16,667 shares that vest in equal monthly installments of 694 shares per month from May 23, 2008 through April 23, 2010.
- (8) These shares of restricted stock vest as follows: 6,666 shares on February 12, 2008, 6,666 shares on February 12, 2009, and 6,668 shares on February 12, 2010.

The following table sets forth information concerning option exercises and stock awards vested during the fiscal year ended December 31, 2007 for the Named Executive Officers:

**Option Exercises
and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting #(1)	Value Realized on Vesting \$(2)
Douglas J. Wall		\$		\$
Cloyce A. Talbott		\$	25,000	\$ 626,000
John E. Vollmer III		\$	12,500	\$ 313,000
Mark S. Siegel		\$	25,000	\$ 626,000
Kenneth N. Berns		\$	12,500	\$ 313,000
William L. Moll, Jr.		\$		\$

- (1) All shares listed became fully vested on April 28, 2007.
- (2) Value realized on vesting is based on a market price of \$25.04 per share, which was the closing price of Patterson-UTI Common Stock on April 27, 2007.

Patterson-UTI provides no pension benefits for any of the Named Executive Officers. None of the Named Executive Officers had any items of nonqualified deferred compensation during 2007. As a result, tables with respect to pension benefits and nonqualified deferred compensation have not been provided.

Table of Contents**DIRECTOR COMPENSATION**

The following table sets forth information concerning compensation for the fiscal year ended December 31, 2007 with respect to non-employee directors of Patterson-UTI:

Director Compensation Table

Name	Fees Earned or Paid		Stock Awards	Option Awards	Total
	in Cash				
	(\$)		(\$)(1)	(\$)(2)	(\$)
Charles O. Buckner	\$	44,167	\$ 56,244(3)	\$ 58,193(3)	\$ 158,604
Robert C. Gist	\$	18,750	\$ 66,413(4)	\$ 69,457(5)	\$ 154,620
Curtis W. Huff	\$	64,333	\$ 66,052(6)	\$ 68,893(7)	\$ 199,278
Terry H. Hunt	\$	51,000	\$ 66,052(6)	\$ 68,893(7)	\$ 185,945
Kenneth R. Peak	\$	50,000	\$ 66,052(6)	\$ 68,893(7)	\$ 184,945
Nadine C. Smith	\$	22,958	\$ 66,413(4)	\$ 69,457(5)	\$ 158,828

- (1) Amounts set forth represent the dollar amount of expense recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 in accordance with FAS 123R with respect to restricted stock held by the director. For additional information related to the assumptions used and valuation of restricted stock, see Note 11 to the consolidated financial statements in Patterson-UTI's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.
- (2) Amounts set forth represent the dollar amount of expense recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 in accordance with FAS 123R with respect to stock options held by the director. For additional information related to the assumptions used in connection with the valuation of stock options using the Black-Scholes option pricing model, see Note 11 to the consolidated financial statements in Patterson-UTI's Annual Report for the fiscal year ended December 31, 2007.
- (3) Mr. Buckner received an award of 3,000 shares of restricted stock and options to purchase 10,000 shares of Common Stock on February 28, 2007 upon his joining the Board of Directors. The stock award and options fully vested on February 28, 2008. The grant date fair value of the stock award was \$22.29 per share, or an aggregate of \$66,870. The grant date fair value of the options was \$6.94 per share, or an aggregate of \$69,413. For the fiscal year ended December 31, 2007, \$56,244 was recognized as expense associated with the stock award and \$58,193 was recognized as expense associated with the options. As of December 31, 2007, Mr. Buckner held options to purchase a total of 10,000 shares of Common Stock, all of which were unvested. As of December 31, 2007, Mr. Buckner held 3,000 shares of unvested restricted stock.
- (4) Mr. Gist and Ms. Smith retired from the Board of Directors in June 2007. Each held 3,000 shares of restricted stock that were granted on January 3, 2006 with a market value of \$34.24 per share, which fully vested on January 3, 2007, and each received an award of 3,000 shares of restricted stock on January 3, 2007 with a market value of \$21.95 per share, which were scheduled to fully vest on January 3, 2008. The shares granted on January 3, 2007 were vested by the Board of Directors upon Mr. Gist's and Ms. Smith's retirement from the

Board of Directors. The amount presented includes \$65,850 related to the January 3, 2007 grant and includes \$563 related to the January 3, 2006 grant. As of December 31, 2007, Mr. Gist and Ms. Smith held no shares of unvested restricted stock.

- (5) Mr. Gist and Ms. Smith each held options to purchase 10,000 shares of stock that were granted on January 3, 2006 with a market value of \$9.23 per share, which fully vested on January 3, 2007 and each received an option to purchase 10,000 shares of stock on January 3, 2007 with a market value of \$6.87 per share, which were scheduled to fully vest on January 3, 2008. The options granted on January 3, 2007 were vested by the Board of Directors upon Mr. Gist's and Ms. Smith's retirement from the Board of Directors. The amount presented includes \$68,699 related to the January 3, 2007 option and includes \$758 related to the January 3, 2006 option. As of December 31, 2007, Mr. Gist and Ms. Smith each held options to purchase a total of 60,000 shares of Common Stock, all of which were vested.
- (6) Messrs. Huff, Hunt and Peak each received an award of 3,000 shares of restricted stock on January 3, 2006 with a market value of \$34.24 per share which fully vested on January 3, 2007, and each received an award of 3,000 shares of restricted stock on January 3, 2007 with a market value of \$21.95 per share which fully vested on January 3, 2008. The amount presented includes \$65,489 related to the January 3, 2007 grant and includes

Table of Contents

\$563 related to the January 3, 2006 grant. As of December 31, 2007, Messrs. Huff, Hunt and Peak each held 3,000 unvested shares of restricted stock

- (7) Messrs. Huff, Hunt and Peak each received options to purchase 10,000 shares of stock on January 3, 2006 with a market value of \$9.23 per share which fully vested on January 3, 2007, and each received options to purchase 10,000 shares of stock on January 3, 2007 with a market value of \$6.87 per share, which fully vested on January 3, 2008. The amount presented includes \$68,135 related to the January 3, 2007 options and includes \$758 related to the January 3, 2006 options. As of December 31, 2007, Messrs. Huff and Hunt each held options to purchase a total of 40,000 shares of Common Stock, of which options to purchase 10,000 shares were unvested. As of December 31, 2007, Mr. Peak held options to purchase a total of 20,000 shares of Common Stock, of which options to purchase 10,000 shares were unvested.

Directors who are also employees of Patterson-UTI do not receive compensation for serving as a director or as a member of a committee of the Board of Directors. All directors are reimbursed for reasonable out-of-pocket expenses incurred in connection with serving as a member of the Board of Directors. Each non-employee director receives annual cash compensation of \$35,000 and (i) 3,000 shares of restricted stock subject to one-year vesting (subject to acceleration in certain limited situations, including a change of control) and (ii) an option to purchase 10,000 shares of Common Stock at an exercise price equal to the closing price of Common Stock on the grant date. The option has a 10-year term, vests after one-year (subject to acceleration in certain limited situations, including a change of control) and contains a right to exercise for three years following cessation of the holder as a director (but not beyond the 10-year term). Each non-employee director that serves on the Audit Committee or the Compensation Committee receives additional annual cash compensation of \$10,000 per committee on which he serves, with the chairman of each such committee receiving \$15,000.

**CHANGE IN CONTROL ARRANGEMENTS; EMPLOYMENT CONTRACTS;
INDEMNIFICATION AGREEMENTS; CERTAIN PAYMENTS**

Patterson-UTI has entered into change in control agreements with Messrs. Siegel, Wall, Berns, Vollmer and Moll (each agreement, an Agreement and collectively, the Agreements ; and each individual, an Employee and collectively, the Employees). The Agreements were entered into to protect the Employees should a change in control occur, thereby encouraging the Employee to remain in the employ of Patterson-UTI and not be distracted from the performance of his duties to Patterson-UTI by the possibility of a change in control.

In the event of a change in control of Patterson-UTI in which an Employee s employment is terminated by Patterson-UTI other than for cause or by the Employee for good reason, the terms of the Agreements would entitle the Employee to, among other things:

a bonus payment equal to the highest bonus paid after the Agreement was entered into or a benchmark bonus in the case of Messrs. Wall and Moll (such bonus payment prorated for the portion of the fiscal year preceding the termination date),

a payment equal to 2.5 times (in the case of Messrs. Siegel and Wall), 2.0 times (in the case of Messrs. Berns and Vollmer) or 1.5 times (in the case of Mr. Moll) of the sum of (i) the highest annual salary in effect for such Employee during the term of the Agreement and (ii) the average of the three annual bonuses earned by the Employee for the three fiscal years preceding the termination date (or a benchmark bonus in the case of Messrs. Wall and Moll), and

continued coverage under Patterson-UTI s welfare plans for up to three years (in the case of Messrs. Siegel and Wall) or two years (in the case of Messrs. Berns, Vollmer and Moll).

Each Agreement provides the Employee with a full gross-up payment for any excise taxes imposed on payments and benefits received under the Agreements or otherwise, including other taxes that may be imposed as a result of the gross-up payment.

A change in control is principally defined by the Agreement as:

an acquisition by any individual, entity or group of beneficial ownership of 35% or more of either Patterson-UTI's then outstanding Common Stock or the combined voting power of the then outstanding voting securities of Patterson-UTI entitled to vote in the election of directors,

Table of Contents

a change occurs in which the members of the Board of Directors as of the date of the Agreement cease to constitute at least a majority of Patterson-UTI's Board of Directors unless that change occurs through a vote of at least a majority of the incumbent members of the Board of Directors, or

a change in the beneficial ownership of Patterson-UTI following consummation of a reorganization, merger, consolidation, sale of Patterson-UTI or any subsidiary of Patterson-UTI or a disposition of all or substantially all of the assets of Patterson-UTI, in which the beneficial owners immediately prior to the transaction own 65% or less of outstanding Common Stock of the newly combined or merged entity.

The Agreements terminate on the first to occur of:

the Employee's death, disability or retirement,

the termination of the Employee's employment, or

January 29, 2009 although, unless otherwise terminated, the Agreements automatically renew for successive twelve-month periods until Patterson-UTI notifies the Employee at least 90 days before the expiration of the initial term or the renewal period, as applicable, that the term will not be extended. Patterson-UTI has not provided any such notification to the Employees.

The Company previously entered into a similar change in control agreement with Mr. Talbott. The change in control agreement with Mr. Talbott terminated upon his retirement as President and Chief Executive Officer of Patterson-UTI in September 2007.

All unvested stock options and restricted stock awards held by Named Executive Officers vest upon a change of control as defined by the underlying award agreements. All restricted stock awards held by Named Executive Officers contain provisions that in the event of termination due to death or disability, the Named Executive Officer would vest in a portion of the unvested restricted stock.

Patterson-UTI has entered into written letter agreements with each of Messrs. Siegel, Berns and Vollmer, which confirm and evidence the existing agreements between Patterson-UTI and each of them pursuant to which Patterson-UTI has agreed to pay each such person within ten days of the termination of his employment with Patterson-UTI for any reason (including voluntary termination by him), an amount in cash equal to his annual base salary at the time of such termination. Patterson-UTI has entered into a severance agreement with Mr. Wall that generally has a three-year term and provides for a lump-sum cash payment of \$750,000 to be payable to Mr. Wall within ten days of the date of a qualifying termination of his employment with Patterson-UTI. A qualifying termination for Mr. Wall is defined in the severance agreement generally as a termination by Patterson-UTI for any reason other than cause or, if certain conditions are met, a termination by Mr. Wall due to a reduction in his annual base salary below a defined threshold amount. Any payment made by Patterson-UTI pursuant to these letter agreements or the severance agreement will reduce dollar for dollar any payment owed to such person, if any, pursuant to the change in control agreements discussed above.

Amounts that each of the Named Executive Officers would be entitled to under the existing agreements if a change in control had occurred as of December 31, 2007 are reflected in the following table:

Cash Payments			Other Benefits		
Bonus	Salary and	Option	Stock	Continued	Statutory

Name	Payment (\$)(1)	Bonus (\$)(2)	Awards (\$)(3)	Awards (\$)(3)	Benefits (\$)(4)	Tax Gross-up (\$)(5)	Total (\$)
Douglas J. Wall	\$ 800,000	\$ 3,500,000	\$	\$ 1,952,000	\$ 7,423	\$ 1,272,454	\$ 7,531,877
Cloyce A. Talbot(6)	\$	\$	\$	\$ 2,635,200	\$	\$	\$ 2,635,200
John E. Vollmer III	\$ 1,375,000	\$ 2,515,266	\$	\$ 1,317,600	\$ 6,589	\$	\$ 5,214,455
Mark S. Siegel	\$ 2,750,000	\$ 5,079,832	\$	\$ 2,635,200	\$	\$	\$ 10,465,032
Kenneth N. Berns	\$ 1,375,000	\$ 2,261,933	\$	\$ 1,317,600	\$	\$	\$ 4,954,533
William L. Moll, Jr.	\$ 100,000	\$ 525,000	\$	\$ 390,400	\$ 13,220	\$ 147,668	\$ 1,176,288

(1) The assumed bonus payment is equal to the highest annual bonus paid after the agreements were entered into.

Table of Contents

- (2) The assumed salary and bonus payment represents 2.5 times (in the case of Messrs. Siegel and Wall), 2.0 times (in the case of Messrs. Berns and Vollmer) or 1.5 times (in the case of Mr. Moll) of the sum of the 2007 salary in effect for each employee and the average of the annual bonuses earned by each employee for 2006, 2005 and 2004 (or a benchmark bonus in the case of Messrs. Wall and Moll). Bonus amounts earned by Messrs. Talbott, Vollmer, Siegel and Berns in 2007 were not considered in this calculation as they were not determined until after December 31, 2007.
- (3) Each of the Named Executive Officers' option and stock award agreements provide that unvested options and awards will immediately vest upon a change in control. Amounts presented in the table represent the value of unvested option and stock awards using the market price of Patterson-UTI Common Stock at December 31, 2007. All unvested options held by the Named Executive Officers as of December 31, 2007 had exercise prices that were greater than the current market price of the underlying stock.
- (4) Messrs. Wall, Vollmer and Moll participate in Patterson-UTI's health and welfare plans as of December 31, 2007. The amounts presented represent Patterson-UTI's portion of the premiums for three years in the case of Mr. Wall and two years in the case of Messrs. Vollmer and Moll based on the rates in effect at December 31, 2007.
- (5) Assumes Messrs. Wall and Moll would be subject to an excise tax on payments received under the existing agreements if a change in control had occurred as of December 31, 2007. Amounts presented in the table represent the gross-up payment that each would be entitled to as a result of the imposition of the excise tax.
- (6) Mr. Talbott's change in control agreement terminated upon the execution of his employment agreement upon his retirement as President and Chief Executive Officer in 2007. The terms of his option and stock awards remained unchanged and such award agreements include a provision that unvested shares or options will automatically vest upon a change in control.

All restricted stock awards held by Named Executive Officers provide that in the event of termination of employment due to death or disability, the Named Executive Officer would vest in a portion of the unvested restricted stock. With respect to Messrs. Talbott and Siegel, such a termination at December 31, 2007 would have resulted in the accelerated vesting of 70,287 shares with a fair value of \$1,372,002. With respect to Messrs. Vollmer and Berns, such a termination at December 31, 2007 would have resulted in the accelerated vesting of 35,143 shares with a fair value of \$685,991. With respect to Mr. Wall, such a termination would have resulted in the accelerated vesting of 24,270 shares with a fair value of \$473,750. With respect to Mr. Moll, such a termination would have resulted in the accelerated vesting of 5,875 shares with a fair value of \$114,680.

In October 2007, Patterson-UTI entered into an employment agreement with Mr. Talbott pursuant to which Patterson-UTI will employ Mr. Talbott for five years as a consultant at an annual compensation of \$250,000 per year.

Patterson-UTI has entered into an indemnification agreement with each of its Named Executive Officers and directors containing provisions that may require Patterson-UTI, among other things, to indemnify such executive officers and directors against liabilities that may arise by reason of their status or service as executive officers or directors (subject to certain exceptions) and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

CERTAIN TRANSACTIONS

In connection with the acquisition by REMY Capital Partners III, L.P. (REMY Capital) of an ownership interest in UTI in March 1995, REMY Capital succeeded to a registration rights agreement with UTI. As the successor-in-interest to UTI, Patterson-UTI assumed this registration rights agreement pursuant to which REMY Capital has the right to require Patterson-UTI to use its reasonable efforts to register shares held by REMY Capital under the Securities Act of 1933, as amended. In the event that such rights are exercised in connection with a primary offering proposed by Patterson-UTI (or a secondary offering with which Patterson-UTI agrees to participate), REMY Capital would bear its pro rata share of the costs of the offering, other than legal, accounting and printing costs, all of which Patterson-UTI would bear. In the event that REMY Capital elects to exercise such rights other than in connection with an offering in which Patterson-UTI participates, REMY Capital would bear all

Table of Contents

costs of the offering. These rights continue so long as REMY Capital continues to own the Common Stock that it acquired in March 1995. As of the date of this proxy statement, REMY Capital continues to hold 1,541,548 shares of Common Stock.

Mr. Siegel, Chairman of the Board of Patterson-UTI, is President and sole stockholder of REMY Investors, which is the general partner of REMY Capital. Mr. Berns, a director and Senior Vice President of Patterson-UTI, is an executive of REMY Investors.

In connection with Mr. Vollmer's appointment as Chief Financial Officer, Patterson-UTI delivered a letter to Mr. Vollmer dated February 6, 2006 (the Letter Agreement). Pursuant to the Letter Agreement, Patterson-UTI agreed, to the extent permitted by law and provided that the applicable accounting restatement pending at that time did not result from Patterson-UTI's material non-compliance with financial reporting requirements under the federal securities laws as a result of knowing misconduct by Mr. Vollmer:

Patterson-UTI is not entitled to and will not make any claim against Mr. Vollmer for reimbursement of any bonus or other incentive or equity based compensation received by him or any profits realized by him from the sale of securities of Patterson-UTI, under Section 304 of the Sarbanes-Oxley Act of 2002 (Section 304) on account of the restatement of any financial statements of Patterson-UTI covering any accounting period ending on or prior to September 30, 2005;

Patterson-UTI will not make any claim against Mr. Vollmer for any profits realized from the sale of securities of Patterson-UTI that were owned by him prior to his becoming Chief Financial Officer or were acquired by him on account of the exercise of options or the settling of restricted stock units that were held by him immediately prior to his becoming Chief Financial Officer, under Section 304 on account of the restatement of any financial statements of Patterson-UTI covering any period during which he was Chief Financial Officer; and

Patterson-UTI will indemnify Mr. Vollmer against all losses in connection with his defense of any claim against him under Section 304 in contravention of the two immediately preceding bullets, to the extent he is obligated to reimburse Patterson-UTI for any bonus or other incentive or equity compensation received by him or any profits realized by him for the sale of Patterson-UTI securities.

Notwithstanding court decisions that Patterson-UTI's right to make any such claims appears doubtful, Patterson-UTI has entered into this agreement because of the breadth of language of Section 304 and the uncertainty as to how the statute may be interpreted by the courts in the future and the importance at the time of Mr. Vollmer's continued service as Chief Financial Officer.

Through October 31, 2007, Patterson-UTI served as operator with respect to several properties and was actively involved in the development, exploration, acquisition and production of oil and natural gas. Effective November 1, 2007, Patterson-UTI sold the operations portion of its exploration and production business. Patterson-UTI continues to own and invest in oil and natural gas assets as a working interest owner. During the time that Patterson-UTI served as operator, it served as operator with respect to certain oil and natural gas properties in which certain of its affiliated persons have participated, either individually or through entities they control. These participations have typically been through working interests in prospects or properties originated or acquired by Patterson Petroleum, LLC, a wholly owned subsidiary of Patterson-UTI.

During the time that Patterson-UTI served as operator, sales of working interests to affiliated parties were made by Patterson-UTI at its cost, comprised of Patterson-UTI's costs of acquiring and preparing the working interests for sale plus a promote fee in some cases. These costs were paid by the working interest owners on a pro rata basis based upon

their working interest ownership percentage. The price at which working interests were sold to affiliated persons was the same price at which working interests were sold to unaffiliated persons except that in some cases the affiliated persons also paid a promote fee.

Production revenues and joint interest costs of each of the affiliated persons during 2007 for all wells operated by Patterson-UTI in which the affiliated persons have working interests are presented in the table below. These amounts do not necessarily represent their profits or losses from these interests because the joint interest costs do not

Table of Contents

include the parties' related drilling and leasehold acquisition costs incurred prior to January 1, 2007. These activities resulted in no payable to or receivable from the affiliated persons at December 31, 2007.

Name	Year Ended December 31, 2007	
	Production Revenues(1)	Joint Interest Costs(2)
Cloyce A. Talbott	\$ 220,262	\$ (89,037)
Jana Talbott, Executrix to the Estate of Steve Talbott(3)	15,904	(4,302)
Stan Talbott(3)	5,174	4,020
John Evan Talbott Trust(3)	2,351	(3,620)
Lisa Beck and Stacy Talbott(3)	1,539,523	631,363
SSI Oil & Gas, Inc.(4)	182,711	(6,198)
IDC Enterprises, Ltd.(5)	16,934,697	8,689,417
Subtotal	18,900,622	9,221,643
A. Glenn Patterson(6)	104,145	16,478
Total	\$ 19,004,767	\$ 9,238,121

- (1) Revenues for production of oil and natural gas, net of state severance taxes.
- (2) Includes leasehold costs, tangible equipment costs, intangible drilling costs, and lease operating expense billed during that period and is reduced by the interest holders' share of proceeds received on the sale of certain oil and natural gas properties. All joint interest costs have been paid on a timely basis.
- (3) Stan Talbott, Lisa Beck and Stacy Talbott are Cloyce A. Talbott's adult children. Steve Talbott is the deceased son of Cloyce A. Talbott. John Evan Talbott is Cloyce A. Talbott's grandson.
- (4) SSI Oil & Gas, Inc. is beneficially owned 50% by Cloyce A. Talbott and 50% by his brother-in-law A. Glenn Patterson.
- (5) IDC Enterprises, Ltd. is 50% owned by Cloyce A. Talbott and 50% owned by his brother-in-law A. Glenn Patterson.
- (6) A. Glenn Patterson, former President and Chief Operating Officer of Patterson-UTI is the brother-in-law of Cloyce A. Talbott.

Patterson-UTI has a written policy with respect to related person transactions. In accordance with this policy, related person transactions are reviewed by the Lead Director or the chair of the Audit Committee, each of whom has full delegated authority to approve, disapprove, ratify, amend, terminate or rescind any such transaction, or direct that such transaction be submitted to the Audit Committee or the full Board of Directors for consideration. In approving or disapproving related person transactions, the relevant facts and circumstances of the related person transaction are

considered, including whether such transaction is in, or not inconsistent with, the best interest of Patterson-UTI and whether, in appropriate cases, such transaction is on commercial terms at least as favorable to Patterson-UTI as would otherwise be available to or from an unrelated third party or to Patterson-UTI's employees generally. Related person transactions generally include transactions in an amount that exceeds \$50,000 between Patterson-UTI or any of its subsidiaries and an executive officer, a director (or nominee to become director), an immediate family member of any of the foregoing or any entity in which any of the foregoing has a 10% or greater beneficial ownership interest or in which they are an executive officer, general partner, principal or engaged in a similar position. Certain related person transactions have been pre-approved under the terms of the policy, including, subject to certain exceptions and limitations, the personal use of the Patterson-UTI airplane by executive officers, co-investment in oil and gas properties by Mr. Talbott and other persons related to him, and the sale to or purchase from Patterson-UTI of goods and services by entities related to directors in the ordinary course of business that are immaterial to Patterson-UTI and with respect to which the director has no direct economic interest or decision making authority.

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

The following table sets forth, as of April 24, 2008, the stock ownership of (i) the Named Executive Officers, directors and Board nominees, individually, (ii) all directors, Board nominees and executive officers as a group and (iii) each person known by Patterson-UTI to be the beneficial owner of more than 5% of Common Stock.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Beneficial Owners of more than 5% of Patterson-UTI's Common Stock:		
Barclays Global Investors, NA	17,515,647(1)	11.4%
FMR LLC	10,778,280(2)	7.0%
First Pacific Advisors, LLC	9,473,100(3)	6.1%
LSV Asset Management	8,102,886(4)	5.3%
Directors and Executive Officers:		
Mark S. Siegel	2,956,891(5)	1.9%
Douglas J. Wall	117,709(6)	*
John E. Vollmer III	1,049,722(7)	*
Kenneth N. Berns	693,322(8)	*
William L. Moll, Jr.	20,000(9)	*
Charles O. Buckner	16,000(10)	*
Curtis W. Huff	79,880(11)	*
Terry H. Hunt	57,800(12)	*
Kenneth R. Peak	34,000(13)	*
Cloyce A. Talbott	1,809,575(14)	1.2%
All directors and executive officers as a group (11 persons)	6,849,399(15)	4.3%

* indicates less than 1.0%

- (1) Based solely on a Schedule 13G filed jointly by Barclays Global Investors, NA (Barclays Investors), Barclays Global Fund Advisors (Barclays Advisors), Barclays Global Investors, Ltd. (Barclays Ltd.), Barclays Global Investors Japan Limited (Barclays Japan) and Barclays Global Investors Canada Limited (Barclays Canada) with the SEC on February 6, 2008. According to the report, Barclays Investors has sole voting power with respect to 10,302,256 shares and sole dispositive power with respect to 12,213,060 shares. Barclays Advisors has sole voting and dispositive power with respect to 2,712,031 shares. Barclays Ltd. has sole voting power with respect to 1,396,252 shares and sole dispositive power with respect to 1,796,568 shares. Barclays Japan has sole voting and dispositive power with respect to 623,267 shares. Barclays Canada has sole voting and dispositive power with respect to 170,721 shares. The address of the principal business office of Barclays Investors and Barclays Advisors is 45 Fremont Street, San Francisco, California 94105. The address of the principal business office of Barclays Ltd. is Murray House, 1 Royal Mint Court, London EC3N 4HH. The address of the principal business office of Barclays Japan is Ebisu Prime Square Tower 8th Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo, Japan 150-0012. The address of the principal business office of Barclays Canada is Brookfield Place 161 Bay Street, Suite 2500, Toronto, Canada Ontario M5J 2S1.

- (2) Based solely on a Schedule 13G jointly filed by FMR LLC (FMR) and Edward C. Johnson 3d with the SEC on February 14, 2008. According to the report, FMR has sole voting power with respect to 4,980 shares and sole dispositive power with respect to 10,778,280 shares. Edward C. Johnson 3d is Chairman of FMR and is deemed to beneficially own 10,778,280 shares held by FMR. The address of the principal business office of FMR and Edward C. Johnson 3d is 82 Devonshire Street, Boston, Massachusetts 02109.
- (3) Based solely on a Schedule 13G jointly filed by First Pacific Advisors, LLC (First Pacific), Robert L. Rodriguez and J. Richard Atwood with the SEC on February 12, 2008. According to the report, First Pacific, in its capacity as investment advisor to various of its clients, has shared voting power with respect to

Table of Contents

3,652,600 shares and shared dispositive power with respect to 9,473,100 shares. Robert L. Rodriguez has shared voting power with respect to 3,652,600 shares and shared dispositive power with respect to 9,473,100 shares. J. Richard Atwood has shared voting power with respect to 3,652,600 shares and shared dispositive power with respect to 9,473,100 shares. Robert L. Rodriguez and J. Richard Atwood are each part owners and managing members of First Pacific and are deemed to beneficially own 9,473,100 shares of Patterson-UTI owned by First Pacific's clients. Robert L. Rodriguez and J. Richard Atwood disclaim beneficial ownership of the securities owned by First Pacific's clients. The address of the principal business office of First Pacific and of Robert L. Rodriguez and J. Richard Atwood is 11400 West Olympic Blvd., Suite 1200, Los Angeles, CA 90064.

- (4) Based solely on a Schedule 13G filed by LSV Asset Management (LSV) with the SEC on February 12, 2008. According to the report, LSV has sole voting and dispositive power with respect to 8,102,886 shares. The address of the principal business office of LSV is 1 N. Wacker Drive, Suite 4000, Chicago, Illinois 60606.
- (5) Mr. Siegel is the President and sole stockholder of REMY Investors, which is the general partner of REMY Capital Partners III, L.P. (REMY Capital). The Common Stock beneficially owned by Mr. Siegel includes 1,541,548 shares of Common Stock owned by REMY Capital. The Common Stock beneficially owned by Mr. Siegel also includes stock options held by Mr. Siegel, which are presently exercisable or become exercisable within sixty days, to purchase 1,195,343 shares of Common Stock, but does not include 280,557 shares underlying stock options held by Mr. Siegel that are not presently exercisable and will not become exercisable within sixty days. Includes 78,334 shares of unvested restricted Common Stock held by Mr. Siegel, over which he presently has voting power.
- (6) Includes shares underlying stock options held by Mr. Wall, which are presently exercisable or become exercisable within sixty days, to purchase 29,167 shares of Common Stock, but does not include 70,833 shares underlying stock options held by Mr. Wall that are not presently exercisable and will not become exercisable within sixty days. Includes 66,667 shares of unvested restricted Common Stock held by Mr. Wall, over which he presently has voting power.
- (7) Includes shares underlying stock options held by Mr. Vollmer, which are presently exercisable or become exercisable within sixty days, to purchase 969,722 shares. Does not include 140,278 shares underlying stock options held by Mr. Vollmer that are not presently exercisable and will not become exercisable within sixty days. Includes 39,167 shares of unvested restricted Common Stock held by Mr. Vollmer, over which he presently has voting power.
- (8) Includes shares underlying stock options held by Mr. Berns, which are presently exercisable or become exercisable within sixty days, to purchase 593,322 shares. Does not include 140,278 shares underlying stock options that are not presently exercisable and will not become exercisable within sixty days. Includes 39,167 shares of unvested restricted Common Stock held by Mr. Berns, over which he presently has voting power. Does not include shares of Common Stock beneficially owned by REMY Investors. Mr. Berns disclaims beneficial ownership of such shares beneficially owned by REMY Investors.
- (9) Includes 13,334 shares of unvested restricted Common Stock held by Mr. Moll, over which he presently has voting power.
- (10) Includes shares underlying presently exercisable stock options held by Mr. Buckner to purchase 10,000 shares. Does not include 10,000 shares underlying stock options held by Mr. Buckner that are not presently exercisable and will not become exercisable within sixty days. Includes 3,000 shares of unvested restricted Common Stock held by Mr. Buckner, over which he presently has voting power.

- (11) Includes shares underlying presently exercisable stock options held by Mr. Huff to purchase 40,000 shares. Does not include 10,000 shares underlying stock options held by Mr. Huff that are not presently exercisable and will not become exercisable within sixty days. Includes 3,000 shares of unvested restricted Common Stock held by Mr. Huff, over which he presently has voting power.
- (12) Includes 800 shares of Common Stock owned by Mr. Hunt's mother-in-law, over which Mr. Hunt presently has shared voting power. Includes shares underlying presently exercisable stock options held by Mr. Hunt to purchase 40,000 shares. Does not include 10,000 shares underlying stock options held by Mr. Hunt that are not presently exercisable and will not become exercisable within sixty days. Includes 3,000 shares of unvested restricted Common Stock held by Mr. Hunt, over which he presently has voting power.

Table of Contents

- (13) Includes shares underlying presently exercisable stock options held by Mr. Peak to purchase 20,000 shares. Does not include 10,000 shares underlying stock options held by Mr. Peak that are not presently exercisable and will not become exercisable within sixty days. Includes 3,000 shares of unvested restricted Common Stock held by Mr. Peak, over which he presently has voting power.
- (14) Includes shares underlying stock options held by Mr. Talbott, which are presently exercisable or become exercisable within sixty days, to purchase 1,439,443 shares. Does not include 280,557 shares underlying stock options held by Mr. Talbott that are not presently exercisable and will not become exercisable within sixty days. Includes 78,334 shares of unvested restricted Common Stock held by Mr. Talbott, over which he presently has voting power.
- (15) Includes shares underlying stock options, which are presently exercisable or become exercisable within sixty days, to purchase 4,336,997 shares of Common Stock. Does not include shares underlying stock options to purchase 952,503 shares held by such individuals that are not presently exercisable and will not become exercisable within sixty days. Includes 800 shares of Common Stock over which a director presently has shared voting power. Includes an aggregate of 341,502 shares of unvested restricted Common Stock held by certain directors and executive officers, over which they presently have voting power.

Except as stated herein, each stockholder has sole voting and investment power with respect to Common Stock included in the above table. There are no arrangements known to Patterson-UTI which may result in a change in control.

Table of Contents**AUDIT COMMITTEE REPORT**

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Patterson-UTI filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent Patterson-UTI specifically incorporates this report by reference therein.

The Audit Committee has reviewed and discussed the audited financial statements with management and Patterson-UTI's independent auditors.

The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor's Communication with those Charged with Governance* (superseded Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard Board Standard No. 1, *Independence Discussions with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent auditors the auditors' independence.

Taking the foregoing into consideration, the undersigned Audit Committee members recommended to the Board of Directors that the Board approve the inclusion of the Patterson-UTI's audited financial statements in the Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Audit Committee of the Board of Directors:

Curtis W. Huff, *Chairman*
Charles O. Buckner
Terry H. Hunt

PricewaterhouseCoopers Fees for Fiscal Years 2007 and 2006

In 2007 and 2006, Patterson-UTI and its subsidiaries incurred fees for services provided relating to (i) professional services rendered for the audit of Patterson-UTI's annual financial statements, review of quarterly financial statements, and assessment of Patterson-UTI's internal controls over financial reporting, (ii) professional services rendered for assurance and related services that are reasonably related to the performance of the audit or review of Patterson-UTI's financial statements, (iii) professional services rendered for tax compliance, advice and planning, and (iv) products and services provided by PricewaterhouseCoopers LLP.

Description	Fees Incurred in Fiscal Year 2007	Fees Incurred in Fiscal Year 2006
Audit fees	\$ 1,150,000	\$ 1,228,500
Tax fees	45,000	38,000
All other fees	1,600	1,600
Total	\$ 1,196,600	\$ 1,268,100

The Audit Committee appoints the independent registered public accounting firm. The Audit Committee or Mr. Huff, as Chairman of the Audit Committee, approves all other engagements of the independent registered public accounting firm in advance. In the event Mr. Huff approves any such engagement, he discusses such approval with the Audit Committee at its next meeting.

Fiscal 2007

Audit fees relate to audit services of PricewaterhouseCoopers LLP for fiscal 2007 consisting of the examination of Patterson-UTI's consolidated financial statements, quarterly reviews of Patterson-UTI's interim financial statements and services to assess Patterson-UTI's internal control over financial reporting. Tax fees

Table of Contents

include federal, state, local and foreign tax compliance and related matters. All other fees consists of an annual subscription fee to a software product. The Audit Committee or Mr. Huff, as Chairman of the Audit Committee during fiscal 2007, approved all of the services described above.

Fiscal 2006

Audit fees relate to audit services of PricewaterhouseCoopers LLP for fiscal 2006 consisting of the examination of Patterson-UTI's consolidated financial statements, quarterly reviews of Patterson-UTI's interim financial statements and services to assess Patterson-UTI's internal control over financial reporting. Tax fees include federal, state, local and foreign tax compliance and related matters. All other fees consists of an annual subscription fee to a software product. The Audit Committee or Mr. Peak, as Chairman of the Audit Committee during fiscal 2006, approved all of the services described above.

The Audit Committee has discussed the non-audit services provided by PricewaterhouseCoopers LLP and the related fees and has considered whether those services and fees are compatible with maintaining auditor independence. The Audit Committee determined that such non-audit services were consistent with the independence of PricewaterhouseCoopers LLP.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Patterson-UTI's officers and directors and persons who own more than 10 percent of a registered class of Patterson-UTI's equity securities, to file reports of ownership and changes in ownership with the SEC. Each of these persons is required by SEC regulation to furnish Patterson-UTI with copies of Section 16(a) filings. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to Patterson-UTI during 2007 and Forms 5 and amendments thereto furnished to Patterson-UTI with respect to 2007, or a written representation from the reporting person that no Form 5 is required, all filings required to be made by such officers, directors, and beneficial owners of more than 10 percent of a registered class of Patterson-UTI's common stock were timely made.

Other Business

As of the date of this proxy statement, management of Patterson-UTI was not aware of any matter to be presented at the Meeting other than as set forth herein. If any other matters are properly brought before the Meeting, however, the shares represented by valid proxies will be voted with respect to such matters in accordance with the judgment of the persons voting them.

Stockholder Proposals for 2009 Annual Meeting

All proposals submitted by stockholders for presentation at the 2009 annual meeting must comply with the SEC's rules regarding shareholder proposals. In addition, Patterson-UTI's bylaws provide that for business to be properly brought before an annual meeting by a stockholder, the stockholder, in addition to any other applicable requirements, must be a stockholder of record on the date of the giving of the notice provided for below and on the record date for the determination of stockholders entitled to vote at such annual meeting and must give timely notice of such business in writing to the Secretary of Patterson-UTI. To be timely with respect to the 2009 annual meeting, a stockholder's notice must be delivered to or mailed and received at Patterson-UTI's principal executive offices not earlier than February 5, 2009 and not later than March 7, 2009; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after June 5, 2009, notice by the stockholder to be timely must be received not

later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure of the annual meeting date was made, whichever occurs first.

Table of Contents

A stockholder's notice to the Secretary of Patterson-UTI shall set forth:

a brief description of each matter desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting,

the name and record address of the stockholder proposing such business,

the class and number of shares of Patterson-UTI that are beneficially owned by the stockholder,

any material interest of the stockholder in such business, and

a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

The proxies will have discretionary authority to vote on any matter that properly comes before the meeting if the stockholder has not provided timely written notice as required by the Patterson-UTI bylaws.

Any proposal by a stockholder to be presented at Patterson-UTI's 2009 annual meeting of stockholders must be received by Patterson-UTI no later than December 31, 2008, in order to be eligible for inclusion in Patterson-UTI's proxy statement and proxy used in connection with the 2009 annual meeting.

Patterson-UTI reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal or nomination that does not comply with these and other applicable requirements.

Annual Report

You are referred to Patterson-UTI's annual report to stockholders with a copy of its Annual Report on Form 10-K, for the year ended December 31, 2007, filed with the SEC, enclosed herewith for your information. The annual report to stockholders is not incorporated in this proxy statement and is not to be considered part of the soliciting material.

Table of Contents

APPENDIX A

PATTERSON-UTI ENERGY, INC.

2005 LONG-TERM INCENTIVE PLAN

Patterson-UTI Energy, Inc. (the Company), a Delaware corporation, hereby establishes and adopts the following 2005 Long-Term Incentive Plan (the Plan).

1. PURPOSE OF THE PLAN

The purpose of the Plan is to assist the Company and its Subsidiaries in attracting and retaining selected individuals to serve as directors, employees, consultants and/or advisors of the Company who are expected to contribute to the Company's success and to achieve long-term objectives which will inure to the benefit of all stockholders of the Company through the additional incentives inherent in the Awards hereunder.

2. DEFINITIONS

2.1. *Award* shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Performance Award, Other Stock Unit Award or any other right, interest or option relating to Shares or other property (including cash) granted pursuant to the provisions of the Plan.

2.2. *Award Agreement* shall mean any written agreement, contract or other instrument or document evidencing any Award granted by the Committee hereunder.

2.3. *Board* shall mean the board of directors of the Company.

2.4. *Code* shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.5. *Committee* shall mean the Compensation Committee of the Board, consisting of no fewer than two Directors, each of whom is (i) a Non-Employee Director within the meaning of Rule 16b-3 of the Exchange Act, (ii) an outside director within the meaning of Section 162(m) of the Code, and (iii) an independent director for purpose of the rules and regulations of the NASDAQ Stock Market.

2.6. *Covered Employee* shall mean a covered employee within the meaning of Section 162(m) of the Code.

2.7. *Director* shall mean a non-employee member of the Board.

2.8. *Dividend Equivalents* shall have the meaning set forth in Section 12.5.

2.9. *Employee* shall mean any employee of the Company or any Subsidiary and any prospective employee conditioned upon, and effective not earlier than, such person's becoming an employee of the Company or any Subsidiary. Solely for purposes of the Plan, an Employee shall also mean any consultant or advisor who provides services to the Company or any Subsidiary, so long as such person (i) renders bona fide services that are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (ii) does not directly or indirectly promote or maintain a market for the Company's securities.

2.10. *Exchange Act* shall mean the Securities Exchange Act of 1934, as amended.

2.11. *Fair Market Value* shall mean, with respect to any property other than Shares, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. The Fair Market Value of Shares as of any date shall be the per Share closing price of the Shares as reported on the NASDAQ Stock Market on that date (or if there were no reported prices on such date, on the last preceding date on which the prices were reported) or, if the Company is not then listed on the NASDAQ Stock Market, on the principal national securities exchange on which the Company is listed, and if the Company is not then listed on the NASDAQ Stock Market or any national securities exchange, the Fair Market Value of Shares shall be determined by the Committee in its sole discretion using appropriate criteria.

2.12. *Freestanding Stock Appreciation Right* shall have the meaning set forth in Section 6.1.

A-1

Table of Contents

- 2.13.** *Limitations* shall have the meaning set forth in Section 10.5.
- 2.14.** *Option* shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.
- 2.15.** *Other Stock Unit Award* shall have the meaning set forth in Section 8.1.
- 2.16.** *Participant* shall mean an Employee or Director who is selected by the Committee to receive an Award under the Plan.
- 2.17.** *Payee* shall have the meaning set forth in Section 13.1.
- 2.18.** *Performance Award* shall mean any Award of Performance Shares or Performance Units granted pursuant to Article 9.
- 2.19.** *Performance Period* shall mean that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.
- 2.20.** *Performance Share* shall mean any grant pursuant to Article 9 of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.
- 2.21.** *Performance Unit* shall mean any grant pursuant to Section 9 of a unit valued by reference to a designated amount of property (including cash) other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.
- 2.22.** *Permitted Assignee* shall have the meaning set forth in Section 12.3.
- 2.23.** *Prior Plans* shall mean, collectively, the Company's Amended and Restated 1997 Long-Term Incentive Plan, Amended and Restated Non-Employee Director Stock Option Plan, Non-Employee Directors Stock Option Plan, Amended and Restated 1996 Employee Stock Option Plan, the Company's Amended and Restated 2001 Long-Term Incentive Plan and the Company's 1993 Stock Incentive Plan.
- 2.24.** *Restricted Stock* shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.
- 2.25.** *Restriction Period* shall have the meaning set forth in Section 7.1.
- 2.26.** *Restricted Stock Award* shall have the meaning set forth in Section 7.1.
- 2.27.** *Shares* shall mean the shares of common stock of the Company, par value \$.01 per share.

2.28. *Stock Appreciation Right* shall mean the right granted to a Participant pursuant to Section 6.

2.29. *Subsidiary* shall mean any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than fifty percent (50%) by reason of stock ownership or otherwise.

2.30. *Substitute Awards* shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

2.31. *Tandem Stock Appreciation Right* shall have the meaning set forth in Section 6.1.

Table of Contents

3. SHARES SUBJECT TO THE PLAN

3.1 Number of Shares. (a) Subject to adjustment as provided in Section 12.2 and this Section 3.1, the total number of Shares authorized for grant under the Plan shall be **10,250,000**, reduced by the total number of Shares subject to any options or awards granted under the Prior Plans during the period commencing on January 1, 2005 and ending on the effective date of this Plan (the *Pre-Effective Period*). Any Shares that are subject to Awards of Options or Stock Appreciation Rights, whether granted under this Plan or a Prior Plan during the Pre-Effective Period, shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares that are subject to Awards other than Options or Stock Appreciation Rights, whether awarded under this Plan *prior to June 5, 2008* or a Prior Plan during the Pre-Effective Period, shall be counted against this limit as one and six tenths (1.6) *Shares for every one (1) Share awarded. Any Shares that are subject to Awards other than Options or Stock Appreciation Rights awarded under this Plan on or after June 5, 2008 shall be counted against this limit as two (2) Shares for every one (1) Share awarded.* In connection with the granting of a Performance Unit denominated in dollars, the number of Shares that shall be counted against this limit shall be an amount equal to the quotient of (i) the dollar amount in which the Performance Unit is denominated, divided by (ii) the Fair Market Value of a Share on the date the Performance Unit is granted.

(b) If any Shares subject to an Award or to an award under the Prior Plans are forfeited, expire or otherwise terminate without issuance of such Shares, or any Award or award under the Prior Plans is settled for cash or otherwise does not result in the issuance of all or a portion of the Shares subject to such Award, the Shares shall, to the extent of such forfeiture, expiration, termination, cash settlement or non-issuance, again be available for Awards under the Plan, subject to Section 3.1(d) below. If any Shares subject to an Award are used to exercise Options, are not issued upon the settlement of a Stock Appreciation Right, or are withheld by the Company for income or employment taxes, the Shares, shall not become available for grant under the Plan.

(c) Substitute Awards shall not reduce the Shares authorized for grant under the Plan or authorized for grant to a Participant in any calendar year. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Directors prior to such acquisition or combination.

(d) Any Shares that again become available for grant pursuant to this Article shall be added back as (x) one (1) Share if such Shares were subject to Options or Stock Appreciation Rights granted under the Plan or options or stock appreciation rights granted under the Prior Plans, (y) as one and six tenths (1.6) Shares if such Shares were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan *that are forfeited, expire or otherwise terminate prior to June 5, 2008* or (z) as two (2) Shares if such Shares were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan *that are forfeited, expire or otherwise terminate on or after June 5, 2008.*

3.2. Character of Shares. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

4. ELIGIBILITY AND ADMINISTRATION

4.1. Eligibility. Any Employee or Director shall be eligible to be selected as a Participant.

4.2. Administration. (a) The Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Employees and Directors to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards,

Table of Contents

not inconsistent with the provisions of the Plan, to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property, subject to Section 8.1; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other property and other amounts payable with respect to an Award made under the Plan shall be deferred either automatically or at the election of the Participant; (vii) determine whether, to what extent and under what circumstances any Award shall be canceled or suspended; (viii) interpret and administer the Plan and any instrument or agreement entered into under or in connection with the Plan, including any Award Agreement; (ix) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent that the Committee shall deem desirable to carry it into effect; (x) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xi) determine whether any Award will have Dividend Equivalents; and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b) Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company, any Participant, and any Subsidiary. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings.

(c) To the extent not inconsistent with applicable law, including Section 162(m) of the Code, or the rules and regulations of the NASDAQ Stock Market (or any other principal national securities exchange on which the Company is then listed), the Committee may delegate to a committee of one or more directors of the Company or, to the extent permitted by law, to one or more executive officers or a committee of executive officers the right to grant Awards to Employees who are not Directors or executive officers of the Company and the authority to take action on behalf of the Committee pursuant to the Plan to cancel or suspend Awards to Employees who are not Directors or executive officers of the Company; provided, however, (i) the resolution providing such authorization sets forth the total number of Awards such officer(s) may grant; and (ii) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

5. OPTIONS

5.1. *Grant of Options.* Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan; provided that incentive stock options may be granted only to eligible Employees of the Company or of any parent or subsidiary corporation (as permitted by Section 422 of the Code and the regulations thereunder). Any Option shall be subject to the terms and conditions of this Article and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

5.2. *Award Agreements.* All Options granted pursuant to this Article shall be evidenced by a written Award Agreement in such form and containing such terms and conditions as the Committee shall determine which are not inconsistent with the provisions of the Plan. The terms of Options need not be the same with respect to each Participant. Granting of an Option pursuant to the Plan shall impose no obligation on the recipient to exercise such Option. Any individual who is granted an Option pursuant to this Article may hold more than one Option granted pursuant to the Plan at the same time. The Award Agreement also shall specify whether the Option is intended to qualify as an incentive stock option as defined in Section 422 of the Code.

5.3. *Option Price.* Other than in connection with Substitute Awards, the option price per each Share purchasable under any Option granted pursuant to this Article shall not be less than 100% of the Fair Market Value of such Share on the date of grant of such Option. Other than pursuant to Section 12.2, the Committee shall not without the approval of the Company's stockholders (a) lower the option price per Share of an Option after it is granted, (b) cancel an

Option when the option price per Share exceeds the Fair Market Value of the underlying Shares in exchange for another Award (other than in connection with Substitute Awards), and (c) take any other action with respect to an Option that may be treated as a repricing under the rules and regulations of the NASDAQ Stock Market (or any other principal national securities exchange on which the Company is then listed).

5.4. *Option Term.* The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Option shall be exercisable after the expiration of ten years from the date the Option is granted.

A-4

Table of Contents

5.5. Exercise of Options. Vested Options granted under the Plan shall be exercised by the Participant or by a Permitted Assignee thereof (or by the Participant's executors, administrators, guardian or legal representative, as may be provided in an Award Agreement) as to all or part of the Shares covered thereby, by the giving of written notice of exercise to the Company or its designated agent, specifying the number of Shares to be purchased, accompanied by payment of the full purchase price for the Shares being purchased. Unless otherwise provided in an Award Agreement, full payment of such purchase price shall be made at the time of exercise and shall be made (a) in cash or cash equivalents (including certified check or bank check or wire transfer of immediately available funds), (b) by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company's earnings), (c) with the consent of the Committee, by delivery of other consideration (including, where permitted by law and the Committee, other Awards) having a Fair Market Value on the exercise date equal to the total purchase price, (d) with the consent of the Committee, by withholding Shares otherwise issuable in connection with the exercise of the Option, (e) through any other method specified in an Award Agreement, or (f) any combination of any of the foregoing. The notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. In no event may any Option granted hereunder be exercised for a fraction of a Share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

5.6. Form of Settlement. In its sole discretion, the Committee may provide, at the time of grant, that the Shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

5.7. Vesting. Except for certain limited situations (including the death, disability or retirement of the Participant or a Change of Control referred to in Article 11), Options shall vest over a period of not less than one year from date of grant (but permitting pro rata vesting over such time); provided, that such vesting shall not be required with respect to any Substitute Awards. The vesting schedule shall be set forth in the Award Agreement.

5.8. Incentive Stock Options. The Committee may grant Options intended to qualify as incentive stock options as defined in Section 422 of the Code, to any employee of the Company or any Subsidiary, subject to the requirements of Section 422 of the Code. Notwithstanding anything in Section 3.1 to the contrary and solely for the purposes of determining whether Shares are available for the grant of incentive stock options under the Plan, the maximum aggregate number of Shares with respect to which incentive stock options may be granted under the Plan shall be the number of Shares authorized for grant under Section 3.1.

6. STOCK APPRECIATION RIGHTS

6.1. Grant and Exercise. The Committee may provide Stock Appreciation Rights (a) in conjunction with all or part of any Option granted under the Plan or at any subsequent time during the term of such Option (Tandem Stock Appreciation Right), (b) in conjunction with all or part of any Award (other than an Option) granted under the Plan or at any subsequent time during the term of such Award, or (c) without regard to any Option or other Award (a Freestanding Stock Appreciation Right), in each case upon such terms and conditions as the Committee may establish in its sole discretion.

6.2. Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(a) Upon the exercise of a Stock Appreciation Right, the holder shall have the right to receive the excess of (i) the Fair Market Value of one Share on the date of exercise or such other amount as the Committee shall so determine at any

time during a specified period before the date of exercise over (ii) the grant price of the right on the date of grant, or in the case of a Tandem Stock Appreciation Right granted on the date of grant of the related Option, as specified by the Committee in its sole discretion, which, except in the case of Substitute Awards or in connection with an adjustment provided in Section 12.2, shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be.

A-5

Table of Contents

(b) Upon the exercise of a Stock Appreciation Right, payment shall be made in whole Shares.

(c) Any Tandem Stock Appreciation Right may be granted at the same time as the related Option is granted or at any time thereafter before exercise or expiration of such Option.

(d) Any Tandem Stock Appreciation Right related to an Option may be exercised only when the related Option would be exercisable and the Fair Market Value of the Shares subject to the related Option exceeds the option price at which Shares can be acquired pursuant to the Option. In addition, (i) if a Tandem Stock Appreciation Right exists with respect to less than the full number of Shares covered by a related Option, then an exercise or termination of such Option shall not reduce the number of Shares to which the Tandem Stock Appreciation Right applies until the number of Shares then exercisable under such Option equals the number of Shares to which the Tandem Stock Appreciation Right applies, and (ii) no Tandem Stock Appreciation Right granted under the Plan to a person then subject to Section 16 of the Exchange Act shall be exercised during the first six months of its term for cash, except as provided in Article 11.

(e) Any Option related to a Tandem Stock Appreciation Right shall no longer be exercisable to the extent the Tandem Stock Appreciation Right has been exercised.

(f) The provisions of Stock Appreciation Rights need not be the same with respect to each recipient.

(g) The Committee may impose such other conditions or restrictions on the terms of exercise and the exercise price of any Stock Appreciation Right, as it shall deem appropriate, including providing that the exercise price of a Tandem Stock Appreciation Right may be less than the Fair Market Value on the date of grant if the Tandem Stock Appreciation Right is added to an Option following the date of the grant of the Option. Notwithstanding the foregoing provisions of this Section 6.2(g), but subject to Section 12.2, a Freestanding Stock Appreciation Right shall generally have the same terms and conditions as Options, including (i) an exercise price not less than Fair Market Value on the date of grant, (ii) a term not greater than ten years, and (iii) not being exercisable before the expiration of one year from the date of grant to an employee of the Company or any Subsidiary (but may become exercisable pro rata over such time), except for Substitute Awards, under circumstances contemplated by Article 11 or as may be set forth in an Award Agreement with respect to (x) retirement, death or disability of a Participant or (y) special circumstances determined by the Committee, such as the achievement of performance objectives. In addition to the foregoing, but subject to Section 12.2, the base amount of any Stock Appreciation Right shall not be reduced after the date of grant.

(h) The Committee may impose such terms and conditions on Stock Appreciation Rights granted in conjunction with any Award (other than an Option) as the Committee shall determine in its sole discretion.

7. RESTRICTED STOCK AWARDS

7.1. Grants. Awards of Restricted Stock may be issued hereunder to Participants either alone or in addition to other Awards granted under the Plan (a Restricted Stock Award), and such Restricted Stock Awards shall also be available as a form of payment of Performance Awards and other earned cash-based incentive compensation. A Restricted Stock Award shall be subject to restrictions imposed by the Committee covering a period of time specified by the Committee (the Restriction Period). The Committee has absolute discretion to determine whether any consideration (other than services) is to be received by the Company or any Subsidiary as a condition precedent to the issuance of Restricted Stock.

7.2. Award Agreements. The terms of any Restricted Stock Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan. The terms of Restricted Stock Awards need not be the same with respect to each Participant.

7.3. *Rights of Holders of Restricted Stock.* Beginning on the date of grant of the Restricted Stock Award and subject to execution of the Award Agreement, the Participant shall become a shareholder of the Company with respect to all Shares subject to the Award Agreement and shall have all of the rights of a shareholder, including the right to vote such Shares and the right to receive distributions made with respect to such Shares unless otherwise provided in such Award Agreement; provided, however, that any Shares or any other property (other than cash)

A-6

Table of Contents

distributed as a dividend or otherwise with respect to any Restricted Stock as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Stock.

7.4. *Minimum Vesting Period.* Except for certain limited situations (including the death, disability or retirement of the Participant, or a Change of Control referred to in Article 11), or special circumstances determined by the Committee (such as the achievement of performance objectives) Restricted Stock Awards subject solely to continued employment restrictions of employees of the Company or any Subsidiary shall have a Restriction Period of not less than three years from date of grant (but permitting pro rata vesting over such time); provided, that the provisions of this Section shall not be applicable to any grants to new hires to replace forfeited awards from a prior employer, Substitute Awards or grants of Restricted Stock in payment of Performance Awards and other earned cash-based incentive compensation or grants to non-employee Directors. Subject to the foregoing three-year minimum vesting requirement, the Committee may, in its sole discretion and subject to the limitations imposed under Section 162(m) of the Code and the regulations thereunder in the case of a Restricted Stock Award intended to comply with the performance-based exception under Section 162(m) of the Code, waive the forfeiture period and any other conditions set forth in any Award Agreement subject to such terms and conditions as the Committee shall deem appropriate.

7.5 *Section 83(b) Election.* The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

8. OTHER STOCK UNIT AWARDS

8.1. *Grants.* Other Awards of units having a value equal to an identical number of Shares (Other Stock Unit Awards) may be granted hereunder to Participants, in addition to other Awards granted under the Plan. Other Stock Unit Awards shall also be available as a form of payment of other Awards granted under the Plan and other earned cash-based incentive compensation.

8.2. *Award Agreements.* The terms of Other Stock Unit Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan. The terms of such Awards need not be the same with respect to each Participant.

8.3. *Vesting.* Except for certain limited situations (including the death, disability or retirement of the Participant or a Change of Control referred to in Article 11), Other Stock Unit Awards subject solely to continued employment restrictions of employees of the Company or any Subsidiary shall be subject to restrictions imposed by the Committee for a period of not less than three years from date of grant (but permitting pro rata vesting over such time); provided, that such restrictions shall not be applicable to any Substitute Awards, grants of Other Stock Unit Awards in payment of Performance Awards pursuant to Article 9 and other earned cash-based incentive compensation, or grants of Other Stock Unit Awards on a deferred basis.

8.4. *Payment.* Except as provided in Article 10 or as maybe provided in an Award Agreement, Other Stock Unit Awards may be paid in cash, Shares, other property, or any combination thereof, in the sole discretion of the Committee at the time of payment. Other Stock Unit Awards may be paid in a lump sum or in installments following the lapse of the restrictions applicable to such Awards, but, unless expressly provided in an Award Agreement, no later than 21/2 months following the end of the calendar year in which such restrictions lapse, or in accordance with procedures established by the Committee, on a deferred basis subject to the requirements of Section 409A of the Code.

9. PERFORMANCE AWARDS

9.1. Grants. Performance Awards in the form of Performance Shares or Performance Units, as determined by the Committee in its sole discretion, may be granted hereunder to Participants, for no consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted

A-7

Table of Contents

under the Plan. The performance goals to be achieved for each Performance Period shall be conclusively determined by the Committee and may be based upon the criteria set forth in Section 10.2.

9.2. Award Agreements. The terms of any Performance Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan, including whether such Awards shall have Dividend Equivalents. The terms of Performance Awards need not be the same with respect to each Participant.

9.3. Terms and Conditions. The performance criteria to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award; provided, however, that a Performance Period shall not be shorter than 12 months nor longer than five years. The amount of the Award to be distributed shall be conclusively determined by the Committee.

9.4. Payment. Except as provided in Article 11 or as may be provided in an Award Agreement, Performance Awards will be distributed only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property, or any combination thereof, in the sole discretion of the Committee at the time of payment. Performance Awards may be paid in a lump sum or in installments, but, unless expressly provided in an Award Agreement, no later than 21/2 months following the close of the calendar year that contains the end of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis subject to the requirements of Section 409A of the Code.

10. CODE SECTION 162(m) PROVISIONS

10.1. Covered Employees. Notwithstanding any other provision of the Plan, if the Committee determines at the time a Restricted Stock Award, a Performance Award or an Other Stock Unit Award is granted to a Participant who is, or is likely to be, as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Article 10 is applicable to such Award.

10.2. Performance Criteria. If the Committee determines that a Restricted Stock Award, a Performance Award or an Other Stock Unit Award is subject to this Article 10, the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one or any combination of the following: net sales; revenue growth; pre-tax income before allocation of corporate overhead and bonus; earnings per share; operating income, net income; division, group or corporate financial goals; return on stockholders' equity; total stockholder return; return on assets; attainment of strategic and operational initiatives; appreciation in and/or maintenance of the price of the Shares or any other publicly-traded securities of the Company; market share; gross profits; earnings before taxes; earnings before interest and taxes; earnings before interest, taxes, depreciation, depletion and amortization; economic value-added models; comparisons with various stock market indices; reductions in costs; cash flow, cash flow per share; return on invested capital, cash flow return on investment; improvement in or attainment of expense levels or working capital levels; cash margins; safety records; and rig utilization and rig count growth. Such performance goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The Committee may also exclude the impact of an event or occurrence which the Committee determines should appropriately be excluded, including (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (c) the cumulative effects of tax or accounting changes in accordance with generally accepted accounting principles. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the

requirements of, Section 162(m) of the Code, and the regulations thereunder.

10.3. Adjustments. Notwithstanding any provision of the Plan (other than Article 11), with respect to any Restricted Stock, Performance Award or Other Stock Unit Award that is subject to this Section 10, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not

Table of Contents

waive the achievement of the applicable performance goals, except in the case of the death or disability of the Participant or as otherwise determined by the Committee in special circumstances.

10.4. Restrictions. The Committee shall have the power to impose such other restrictions on Awards subject to this Article as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for performance-based compensation within the meaning of Section 162(m) of the Code.

10.5. Limitations on Grants to Individual Participant. Subject to adjustment as provided in Section 12.2, no Participant may be granted (i) Options or Stock Appreciation Rights during any 12-month period with respect to more than 1,000,000 Shares or (ii) Restricted Stock, Performance Awards and/or Other Stock Unit Awards that are denominated in Shares in any 12-month period with respect to more than 500,000 Shares (the Limitations). In addition to the foregoing, the maximum dollar value payable to any Participant in any 12-month period with respect to Performance Awards is \$5,000,000. If an Award is cancelled, the cancelled Award shall continue to be counted toward the applicable Limitations.

11. CHANGE OF CONTROL PROVISIONS

Impact of Change of Control. The terms of any Award may provide in the Award Agreement evidencing the Award that, upon a Change of Control of the Company (as that term may be defined therein), (a) Options and Stock Appreciation Rights outstanding as of the date of the Change of Control immediately vest and become fully exercisable, (b) that Options and Stock Appreciation Rights outstanding as of the date of the Change of Control may be cancelled and terminated without payment therefore if the Fair Market Value of one Share as of the date of the Change of Control is less than the per Share Option exercise price or Stock Appreciation Right grant price, (c) restrictions and deferral limitations on Restricted Stock lapse and the Restricted Stock become free of all restrictions and limitations and become fully vested, (d) all Performance Awards shall be considered to be earned and payable (either in full or pro rata based on the portion of Performance Period completed as of the date of the Change of Control), and any deferral or other restriction shall lapse and such Performance Awards shall be immediately settled or distributed to the extent permitted under Section 409A of the Code, (e) the restrictions and deferral limitations and other conditions applicable to any Other Stock Unit Awards or any other Awards shall lapse, and such Other Stock Unit Awards or such other Awards shall become free of all restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant to the extent permitted under Section 409A of the Code, and (f) such other additional benefits as the Committee deems appropriate shall apply, subject in each case to any terms and conditions contained in the Award Agreement evidencing such Award. For purposes of the Plan, a Change of Control shall mean an event described in an Award Agreement evidencing the Award or such other event as determined in the sole discretion of the Board. Notwithstanding any other provision of the Plan, the Committee, in its discretion, may determine that, upon the occurrence of a Change of Control of the Company, each Option and Stock Appreciation Right outstanding shall terminate within a specified number of days after notice to the Participant, and/or that each Participant shall receive, with respect to each Share subject to such Option or Stock Appreciation Right, an amount equal to the excess of the Fair Market Value of such Share immediately prior to the occurrence of such Change of Control over the exercise price per share of such Option and/or Stock Appreciation Right; such amount to be payable in cash, in one or more kinds of stock or property (including the stock or property, if any, payable in the transaction) or in a combination thereof, as the Committee, in its discretion, shall determine.

12. GENERALLY APPLICABLE PROVISIONS

12.1. Amendment and Termination of the Plan. The Board may, from time to time, alter, amend, suspend or terminate the Plan as it shall deem advisable, subject to any requirement for stockholder approval imposed by applicable law, including the rules and regulations of the NASDAQ Stock Market (or any other principal national securities exchange on which the Company is listed) provided that the Board may not amend the Plan in any manner

that would result in noncompliance with Rule 16b-3 of the Exchange Act; and further provided that the Board may not, without the approval of the Company's stockholders, amend the Plan to (a) increase the number of Shares that may be the subject of Awards under the Plan (except for adjustments pursuant to Section 12.2), (b) expand the types of awards available under the Plan, (c) materially expand the class of persons eligible to participate in the Plan, (d) amend any provision of Section 5.3, (e) increase the maximum permissible term of any Option specified by

A-9

Table of Contents

Section 5.4, or (f) amend any provision of Section 10.4. In addition, no amendments to, or termination of, the Plan shall in any way impair the rights of a Participant under any Award previously granted without such Participant's consent.

12.2. Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Shares or the value thereof, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee, in its sole discretion, deems equitable or appropriate, including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Plan and, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion; provided, however, that the number of Shares subject to any Award shall always be a whole number.

12.3. Transferability of Awards. Except as provided below, no Award and no Shares subject to Awards described in Article 8 that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution, and such Award may be exercised during the life of the Participant only by the Participant or the Participant's guardian or legal representative. Notwithstanding the foregoing, a Participant may assign or transfer an Award with the consent of the Committee (i) for charitable donations; (ii) to the Participant's spouse, children or grandchildren (including any adopted and stepchildren and grandchildren), or (iii) a trust for the benefit of one or more of the Participants or the persons referred to in clause (ii) (each transferee thereof, a Permitted Assignee); provided that such Permitted Assignee shall be bound by and subject to all of the terms and conditions of the Plan and the Award Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan. The Company shall cooperate with any Permitted Assignee and the Company's transfer agent in effectuating any transfer permitted under this Section. Notwithstanding the foregoing, no Incentive Stock Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all Incentive Stock Options granted to a Participant under this Plan shall be exercisable during his or her lifetime only by such Participant.

12.4. Termination of Employment. The Committee shall determine and set forth in each Award Agreement whether any Awards granted in such Award Agreement will continue to be exercisable, and the terms of such exercise, on and after the date that a Participant ceases to be employed by or to provide services to the Company or any Subsidiary (including as a Director), whether by reason of death, disability, voluntary or involuntary termination of employment or services, or otherwise. The date of termination of a Participant's employment or services will be determined by the Committee, which determination will be final.

12.5. Deferral; Dividend Equivalents. The Committee shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred. Such deferrals shall be administered in a manner that is intended to comply with Section 409A of the Code and shall be construed and interpreted in accordance with such intent. Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award (including any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, cash, stock or other property dividends, or cash payments in amounts equivalent to cash, stock or other property dividends on Shares (Dividend Equivalents) with respect to the number of Shares covered by the Award, as determined by the Committee, in its sole discretion. The Committee may provide that such amounts and Dividend Equivalents (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested and may provide that such amounts and Dividend Equivalents are subject to the same vesting or performance conditions as the underlying Award.

Table of Contents**13. MISCELLANEOUS**

13.1. Tax Withholding. The Company shall have the right to make all payments or distributions pursuant to the Plan to a Participant (or a Permitted Assignee thereof) (any such person, a Payee) net of any applicable federal, state and local taxes required to be paid or withheld as a result of (a) the grant of any Award, (b) the exercise of an Option or Stock Appreciation Right, (c) the delivery of Shares or cash, (d) the lapse of any restrictions in connection with any Award or (e) any other event occurring pursuant to the Plan. The Company or any Subsidiary shall have the right to withhold from wages or other amounts otherwise payable to such Payee such minimum statutory withholding taxes as may be required by law, or to otherwise require the Payee to pay such withholding taxes. If the Payee shall fail to make such tax payments as are required, the Company or its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Payee or to take such other action as may be necessary to satisfy such withholding obligations. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligation for the payment of such taxes by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company's earnings), or by directing the Company to retain Shares (up to the Participant's minimum required tax withholding rate or such other rate that will not trigger a negative accounting impact) otherwise deliverable in connection with the Award.

13.2. Right of Discharge Reserved; Claims to Awards. Nothing in the Plan nor the grant of an Award hereunder shall confer upon any Employee or Director the right to continue in the employment or service of the Company or any Subsidiary or affect any right that the Company or any Subsidiary may have to terminate the employment or service of (or to demote or to exclude from future Awards under the Plan) any such Employee or Director at any time for any reason. Except as specifically provided by the Committee, the Company shall not be liable for the loss of existing or potential profit from an Award granted in the event of termination of an employment or other relationship. No Employee or Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

13.3. Prospective Recipient. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

13.4. Cancellation of Award. Notwithstanding anything to the contrary contained herein, all outstanding Awards granted to any Participant shall be canceled if the Participant, without the consent of the Company, while employed by the Company or any Subsidiary or after termination of such employment or service, establishes a relationship with a competitor of the Company or any Subsidiary or engages in activity that is in conflict with or adverse to the interest of the Company or any Subsidiary, as determined by the Committee in its sole discretion.

13.5. Stop Transfer Orders. All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

13.6. Nature of Payments. All Awards made pursuant to the Plan are in consideration of services performed or to be performed for the Company or any Subsidiary, division or business unit of the Company. Any income or gain realized pursuant to Awards under the Plan and any Stock Appreciation Rights constitute a special incentive payment to the Participant and shall not be taken into account, to the extent permissible under applicable law, as compensation for purposes of any of the employee benefit plans of the Company or any Subsidiary except as may be determined by the

Committee or by the Board or board of directors of the applicable Subsidiary.

13.7. Other Plans. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

A-11

Table of Contents

13.8. Severability. If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

13.9. Construction. As used in the Plan, the words *include* and *including*, and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words *without limitation*.

13.10. Unfunded Status of the Plan. The Plan is intended to constitute an unfunded plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver the Shares or payments in lieu of or with respect to Awards hereunder; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

13.11. Governing Law. The Plan and all determinations made and actions taken thereunder, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware, without reference to principles of conflict of laws, and construed accordingly.

13.12. Effective Date of Plan; Termination of Plan. The Plan shall be effective on the date of the approval of the Plan by the holders of the shares entitled to vote at a duly constituted meeting of the stockholders of the Company. The Plan shall be null and void and of no effect if the foregoing condition is not fulfilled and in such event each Award shall, notwithstanding any of the preceding provisions of the Plan, be null and void and of no effect. Awards may be granted under the Plan at any time and from time to time on or prior to the tenth anniversary of the effective date of the Plan, on which date the Plan will expire except as to Awards then outstanding under the Plan. Such outstanding Awards shall remain in effect until they have been exercised or terminated, or have expired.

13.13. Foreign Employees. Awards may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

13.14. Compliance with Section 409A of the Code. This Plan is intended to comply and shall be administered in a manner that is intended to comply with Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent that an Award or the payment, settlement or deferral thereof is subject to Section 409A of the Code, the Award shall be granted, paid, settled or deferred in a manner that will comply with Section 409A of the Code, including regulations or other guidance issued with respect thereto, except as otherwise determined by the Committee. Any provision of this Plan that would cause the grant of an Award or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a

timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code.

13.15. Captions. The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

A-12

Table of Contents

13.16 *Notification of Disqualifying Disposition.* If any Participant shall make any disposition of Shares issued pursuant to the exercise of an incentive stock option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

13.17 *Sarbanes Oxley Act.* If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, or if the Participant is one of the persons subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, the Participant shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the twelve-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever just occurred) of the financial document embodying such financial reporting requirement.

13.18 *Retirement and Welfare Plans.* Neither Awards made under the Plan nor Shares or cash paid pursuant to such Awards, may be included as compensation for purposes of computing the benefits payable to any Participant under the Company's or any Subsidiary's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a participant's benefit.

13.19 *Indemnification.* Each person who is or shall have been a member of the Board, or a Committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 4.2 shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation of Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Table of Contents

PATTERSON-UTI ENERGY, INC. VOTE BY INTERNET OR TELEPHONE

QUICK EASY IMMEDIATE As a stockholder of Patterson-UTI Energy, Inc., you have the option of voting your shares electronically through the Internet or on the telephone, eliminating the need to return the proxy card. Your electronic vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card. Votes submitted electronically over the Internet or by telephone must be received by 7:00 p.m., Eastern Time, on June 4, 2008. 3 Vote Your Proxy on the Internet: Vote Your Proxy by Phone: Vote Your Proxy by Mail: Call 1 (866) 894-0537 Go to www.continentalstock.com OR Use any touch-tone telephone to vote OR Mark, sign, and date your proxy card, Have your proxy card available when your proxy. Have your proxy card then detach it, and return it in the you access the above website. Follow available when you call. Follow the postage-paid envelope provided. the prompts to vote your shares. voting instructions to vote your shares. PLEASE DO NOT RETURN THE PROXY CARD IF YOU ARE VOTING ELECTRONICALLY OR BY PHONE FOLD AND DETACH HERE AND READ THE REVERSE SIDE PROXY Please mark THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE NOMINEES FOR ELECTION AS DIRECTORS, FOR THE APPROVAL OF THE AMENDMENT TO THE PATTERSON your votes X UTI 2005 LONG-TERM INCENTIVE PLAN AND FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP. like this THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED BY THE PROXIES IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THE PROXIES WILL VOTE FOR THE NOMINEES FOR ELECTION AS DIRECTORS, FOR THE APPROVAL OF THE AMENDMENT TO THE PATTERSON UTI 2005 LONG-TERM INCENTIVE PLAN AND FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS NOTED BELOW. FOR AGAINST ABSTAIN 1. ELECTION OF BOARD FOR all nominees listed WITHHOLD AUTHORITY to 2. Approve the amendment to the Patterson-UTI 2005 Long-Term OF DIRECTORS. below (except as indicated vote for all nominees listed Incentive Plan to increase the number of shares authorized for issuance to the contrary below) below under the plan. FOR AGAINST ABSTAIN Nominees for election to the Board of Directors: 01 Mark S. Siegel, 02 Cloyce A. Talbott, 03 Kenneth N. Berns, 04 Charles O. Buckner, 05 Curtis W. Huff, 06 Terry H. Hunt and 07 Kenneth R. Peak. 3. Ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for the fiscal year (INSTRUCTION: To withhold authority to vote for any one or more individual nominees, ending December 31, 2008; and write the name of each such nominee in the space provided below.) 4. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Meeting or any and all adjournments or postponements thereof. IF YOU WISH TO VOTE ELECTRONICALLY, PLEASE READ THE INSTRUCTIONS ABOVE. COMPANY ID: PROXY NUMBER: ACCOUNT NUMBER: Signature Signature Date , 2008. NOTE: Please sign exactly as your name or names appear on this card. Joint owners should each sign personally. When signing as attorney, executor, administrator, personal representative, trustee or guardian, please give your full title as such. For a corporation, partnership or other entity, please sign in the full corporate name by the President or other authorized officer or the full partnership or other entity name by an authorized person, as the case may be. (Please mark, sign, date, and return this proxy in the enclosed envelope.)

Table of Contents

Your Vote Is Important! Follow Instructions on The Reverse Side. PLEASE VOTE Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be Held on June 5, 2008. The 2008 Proxy Statement and 2007 Annual Report to Stockholders are available at <http://www.patenergy.com/proxy> FOLD AND DETACH HERE AND READ THE REVERSE SIDE PROXY PROXY PATTERSON-UTI ENERGY, INC. PROXY FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 5, 2008 THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS The undersigned stockholder of Patterson-UTI Energy, Inc. (the Company) hereby appoints Mark S. Siegel, Douglas J. Wall and John E. Volmer III, and each of them, proxies of the undersigned, each with full power to act without the other and with full power of substitution, to vote all of the shares which the undersigned is entitled to vote at the annual meeting of stockholders of the Company to be held Thursday, June 5, 2008, at 10:00 a.m., local time, at the Wyndham Hotel Greenspoint, 12400 Greenspoint Drive, Houston, Texas, 77060, and at any and all adjournments or postponements thereof, with the same force and effect as if the undersigned were personally present. The undersigned hereby instructs the above-named proxies to vote the shares represented by this proxy in the manner as directed by the undersigned on the reverse side of this proxy card. If no directions are made, the Proxies will vote FOR the nominees for directors, FOR the approval of the amendment to the Patterson UTI 2005 Long-Term Incentive Plan and FOR the ratification of the selection of PricewaterhouseCoopers LLP as set forth on the reverse side. Please mark, sign, date and return this proxy card promptly using the enclosed envelope, or follow the instructions on the reverse side to vote your shares by Internet or by telephone. (continued on the reverse side)