HORNBECK OFFSHORE SERVICES INC /LA
Form DEF 14A
April 05, 2007

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 x

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))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

Hornbeck Offshore Services, 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):

x No fee required.

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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:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

Hornbeck Offshore Services, Inc.

April 6, 2007

Dear Fellow Stockholder:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders (the Annual Meeting) of Hornbeck Offshore Services, Inc. to be held in the Company s corporate training room located at 103 Northpark Boulevard, Suite 135, Covington, Louisiana 70433, on Tuesday, May 1, 2007, at 9:00 a.m., Central Daylight Time. For those of you who cannot be present at the Annual Meeting, we urge that you participate by indicating your choices on the enclosed proxy card and completing and returning it at your earliest convenience. If you sign and return your proxy card without specifying your choices, it will be understood that you wish to have your shares voted in accordance with our Board of Directors recommendations.

This booklet includes the Notice of Annual Meeting of Stockholders and the Proxy Statement, which contains details of the business to be conducted at the Annual Meeting. At the Annual Meeting, you will have an opportunity to discuss each item of business described in the Notice of Annual Meeting of Stockholders and Proxy Statement and to ask questions about our operations and the Company.

Our 2006 Annual Report to Stockholders, which is not part of the Proxy Statement, is also enclosed and provides additional information regarding our financial results for the fiscal year ended December 31, 2006.

It is important that your shares are represented at the Annual Meeting, whether or not you are able to attend personally. Accordingly, please complete, sign, date and return the enclosed proxy card as promptly as possible in the envelope provided, or submit your proxy by telephone or Internet, as described in the enclosed proxy card. If you do attend the Annual Meeting, you may withdraw your proxy and vote your shares in person.

On behalf of our Board of Directors, thank you for your cooperation and continued support.

Sincerely,

Todd M. Hornbeck
Chairman, President and

Chief Executive Officer

Hornbeck Offshore Services, Inc.

Notice of Annual Meeting of Stockholders

April 6, 2007

Notice is hereby given that the 2007 Annual Meeting of Stockholders (the Annual Meeting) of Hornbeck Offshore Services, Inc., a Delaware corporation (the Company), will be held on Tuesday, May 1, 2007 at 9:00 a.m., Central Daylight Time, in the Company s corporate training room located at 103 Northpark Boulevard, Suite 135, Covington, Louisiana 70433 for the following purposes, as more fully described in the accompanying Proxy Statement:

1. to elect two Class I directors to serve on the Company s Board of Directors for terms of three years or until their successors are duly elected and qualified or until the earlier of their death, resignation or removal;

2. to ratify the reappointment of Ernst & Young LLP as the Company s independent registered public accountants and auditors for the fiscal year ending December 31, 2007; and

3. to transact such other business as may properly come before the Annual Meeting and any postponement(s) or adjournment(s) thereof.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure that each stockholder s vote is counted at the Annual Meeting, stockholders are requested to complete, sign, date and return the enclosed proxy card as promptly as possible in the envelope provided, or to submit their proxy by telephone or Internet, as described in the enclosed proxy card. Stockholders attending the Annual Meeting may vote in person even if they have previously returned proxy cards.

Only stockholders of record as of the close of business on March 27, 2007 are entitled to receive notice of and to vote at the Annual Meeting and any postponement(s) or adjournment(s) thereof. A list of such stockholders shall be open to the examination of any stockholder of record at the Company s offices during normal business hours for a period of ten days prior to the Annual Meeting, and shall also be open for examination at the Annual Meeting and any postponement(s) or adjournment(s) thereof.

By Order of the Board of Directors,

Paul M. Ordogne
Corporate Secretary

Covington, Louisiana

April 6, 2007

IT IS IMPORTANT THAT YOUR SHARES OF COMMON STOCK BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. PLEASE COMPLETE, SIGN AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE EVEN IF YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING. RETURNING THE PROXY WILL NOT LIMIT YOUR RIGHT TO VOTE IN PERSON OR TO ATTEND THE ANNUAL MEETING, BUT WILL ENSURE YOUR REPRESENTATION IF YOU CANNOT ATTEND. IF YOU HAVE SHARES OF COMMON STOCK IN MORE THAN ONE NAME, OR IF YOUR SHARES ARE REGISTERED IN MORE THAN ONE WAY, YOU MAY RECEIVE MORE THAN ONE COPY OF THE PROXY MATERIAL. IF SO, SIGN AND RETURN EACH OF THE PROXY CARDS YOU RECEIVE SO THAT ALL OF YOUR SHARES MAY BE VOTED. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE ITS USE.

Hornbeck Offshore Services, Inc.

103 Northpark Boulevard, Suite 300

Covington, Louisiana 70433

PROXY STATEMENT

April 6, 2007

General Information

The 2006 Annual Report to Stockholders, including financial statements, will be mailed to stockholders together with these proxy materials on or about April 6, 2007.

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board or the Board of Directors) of Hornbeck Offshore Services, Inc. (Hornbeck Offshore or the Company), for the 2007 Annual Meeting of Stockholders to be held on May 1, 2007, and any postponement(s) or adjournment(s) thereof (the Annual Meeting). This Proxy Statement and the accompanying Notice of Annual Meeting and form of proxy are first being mailed to stockholders on or about April 6, 2007.

Record Date and Voting Securities

Stockholders of record as of the close of business on March 27, 2007 (the Record Date) are entitled to receive notice of and to vote at the Annual Meeting. There were 25,817,881 shares of our common stock issued and outstanding on the Record Date. Each outstanding share of common stock is entitled to one vote upon each matter properly submitted to a vote at the Annual Meeting.

Stockholders that are entitled to vote at the Annual Meeting may do so in person at the Annual Meeting, or by proxy submitted by mail, telephone or Internet as described on the enclosed proxy card.

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Broker non-votes occur when a broker or other nominee does not have discretionary authority to vote the shares with respect to a particular matter and has not received voting instructions from the beneficial owner with respect to that matter.

The vote of a plurality of the shares entitled to vote and represented at a meeting at which a quorum is present is required for the election of directors. Thus, broker non-votes and abstentions will have no effect on the election of directors.

The affirmative vote of a majority of the shares of common stock entitled to vote and represented in person or by proxy at a meeting at which a quorum is present is required to approve the proposals relating to the approval of the ratification of the reappointment of independent registered public accountants and auditors. Shares represented at the Annual Meeting that abstain with respect to this proposal will be considered in determining whether the requisite number of affirmative votes are cast on such matter. Accordingly, such abstentions will have the same effect as a vote against the ratification of the reappointment of independent registered accountants and auditors, as applicable. Broker non-votes will not be treated as shares represented at the Annual Meeting and are not entitled to vote for purposes of this proposal, and therefore will have no effect.

Quorum

Except as may be otherwise required by law or the Company s Second Restated Certificate of Incorporation (Certificate of Incorporation) or Fourth Restated Bylaws (Bylaws), the holders of a majority of the Company s shares of common stock entitled to vote and present in person or represented by proxy shall constitute a quorum at a meeting of the stockholders. The persons whom we appoint to act as inspectors of election will determine whether a quorum exists. Shares of the Company s common stock represented by properly executed and returned proxies will be treated as present. Shares of the Company s common stock present or represented at the Annual Meeting that abstain from voting or that are the subject of broker non-votes will be counted as present for purposes of determining a quorum.

How Your Proxy Will be Voted on Actions to be Taken

The Board of Directors is soliciting a proxy in the enclosed form to provide you with an opportunity to vote on all matters scheduled to come before the Annual Meeting, whether or not you attend in person.

Granting Your Proxy. If you properly execute and return a proxy in the enclosed form, your shares of common stock will be voted as you specify. If you make no specifications, your proxy representing our common stock will be voted:

FOR each of the proposed director nominees; and

FOR the ratification of the reappointment of independent registered public accountants and auditors.

We expect no matters to be presented for action at the Annual Meeting other than the items described in this Proxy Statement. By signing and returning the enclosed proxy, however, you will give to the persons named as proxies therein discretionary voting authority with respect to any other matter that may properly come before the Annual Meeting, and they intend to vote on any such other matter in accordance with their best judgment.

Revoking Your Proxy. If you submit a proxy, you may subsequently revoke it or submit a revised proxy at any time before it is voted. You may also attend the Annual Meeting in person and vote by ballot, which would cancel any proxy that you previously submitted. If you wish to vote in person at the Annual Meeting but hold your stock in street name (that is, in the name of a broker, bank or other institution), then you must have a proxy from the broker, bank or institution in order to vote at the Annual Meeting.

Proxy Solicitation

We will pay all expenses of soliciting proxies for the Annual Meeting. In addition to solicitations by mail, arrangements have been made for brokers and nominees to send proxy materials to their principals, and we will reimburse them for their reasonable expenses. We may have our employees or other representatives (who will receive no additional compensation for their services) solicit proxies by telephone, telecopy, personal interview or other means.

Stockholder Proposals

If you want us to consider including a proposal in next year s proxy statement, you must deliver it in writing to the Corporate Secretary, Hornbeck Offshore Services, Inc., 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433 by no later than December 4, 2007.

If you want to present a proposal at the 2008 Annual Meeting of Stockholders in person but do not wish to have it included in our proxy statement, you must submit it in writing to our Corporate Secretary, at the above address, by January 31, 2008 to be considered timely, in accordance with the specific procedural requirements set forth in our Bylaws. If you would like a copy of these procedures, please contact our Corporate Secretary for a copy of our Bylaws.

Pursuant to the rules of the Securities Exchange Act of 1934, the Company may use discretionary authority to vote with respect to stockholder proposals presented in person at the 2007 Annual Meeting if the stockholder making the proposal has not given the Company timely notice of such proposal.

Delivery of One Proxy Statement and Annual Report to a Single Household to Reduce Duplicate Mailings

Each year in connection with the annual meeting of stockholders, we are required to send to each stockholder of record a proxy statement and annual report, and to arrange for a proxy statement and annual report to be sent to each beneficial stockholder whose shares are held by or in the name of a broker, bank, trust or other nominee. Because some stockholders hold shares of the Company s common stock in multiple accounts, this process results in duplicate mailings of proxy statements and annual reports to stockholders who share the same address. Stockholders may avoid receiving duplicate mailings and save us the cost of producing and mailing duplicate documents as follows:

Stockholders of Record. If your shares are registered in your own name and you are interested in consenting to the delivery of a single proxy statement or annual report, you may contact the Company by mail at 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433, by telephone at (985) 727-2000 or by e-mail at ir@hornbeckoffshore.com.

Beneficial Stockholders. If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single proxy statement or annual report if there are other Hornbeck Offshore stockholders who share an address with you. If you currently receive more than one proxy statement or annual report at your household, and would like to receive only one copy of each in the future, you should contact your nominee.

Right to Request Separate Copies. If you consent to the delivery of a single proxy statement and annual report but later decide that you would prefer to receive a separate copy of the proxy statement or annual report, as applicable, for each stockholder sharing your address, then please notify us or your nominee, as applicable, and we or they will promptly deliver such additional proxy statements or annual reports. If you wish to receive a separate copy of the proxy statement or annual report for each stockholder sharing your address in the future, you may contact the Company by mail at 103 Northpark Boulevard, Suite 300,

Covington, Louisiana, 70433, by telephone at (985) 727-2000 or by e-mail at ir@hornbeckoffshore.com.

Proposal No. 1 Election of Directors

Term of Directors

Our Certificate of Incorporation and Bylaws provide that the Board of Directors is classified into three classes. These are designated as Class I directors, Class II directors and Class III directors, with members of each class holding office for staggered three-year terms. Vacancies on the Board resulting from death, resignation, disqualification, removal or other causes may be filled by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board is present, or by a sole remaining director.

There are currently two Class I directors, whose terms expire at the 2007 Annual Meeting of Stockholders, two Class III directors, whose terms expire at the 2008 Annual Meeting of Stockholders, and three Class II directors, whose terms expire at the 2009 Annual Meeting of Stockholders, or, in all cases, until their successors are duly qualified and elected or until their earlier death, resignation or removal in accordance with the Bylaws.

Director Nominees and Voting

The Board of Directors has nominated for election as directors the two persons named below. Our Bylaws require that our directors be stockholders of the Company. Each of the nominees for election as Class I directors is currently on the Board and has indicated his willingness to serve, if elected, but if either should be unable or unwilling to serve, proxies may be voted for a substitute nominee designated by the Board. If elected at the Annual Meeting, each of the two nominees will serve until the 2010 Annual Meeting of Stockholders (subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal). See Nomination Process below for additional information on the nomination of directors.

If any nominee should be unavailable for election as a result of an unexpected occurrence, the Board s proxies shall vote such shares for the election of such substitute nominee as the Board of Directors may propose. It is not anticipated that any nominee will be unable or unwilling to serve as a director if elected.

The names, ages as of March 27, 2007, principal occupations and other information concerning each nominee for Class I director, are set forth below.

Bruce W. Hunt, 49, has served as one of our directors since August 1997 and was appointed Lead Independent Director in May 2005. He has been President of Petrol Marine Corporation since 1988 and President and Director of Petro-Hunt, L.L.C. since 1997, each of which is an energy-related company. Mr. Hunt served as a director of the original Hornbeck Offshore Services, Inc., a NASDAQ-listed publicly traded offshore service vessel company, from November 1992 to March 1996, when it merged with Tidewater Inc.

Bernie W. Stewart, 62, has served as one of our directors since November 2001 and served as our Chairman of the Board from February 2002 to May 2005. Mr. Stewart was

Senior Vice President, Operations of R&B Falcon Corporation (NYSE:FLC), a contract drilling company, and President of R&B Falcon Drilling U.S., its domestic operating subsidiary, from May 1999 until R&B Falcon Corporation merged with Transocean Sedco Forex Inc. (NYSE:RIG) in January 2001. Between April 1996 and May 1999, he served as Chief Operating Officer of R&B Falcon Holdings, Inc. and as its President from January 1998 until May 1999. From 1993 until joining R&B Falcon Holdings, he was Senior Vice President and Chief Operating Officer of the original Hornbeck Offshore Services, Inc., a NASDAQ-listed publicly traded offshore service vessel company, where he was responsible for overall supervision of the company s operations. From 1986 until 1993, he was President of Western Oceanics, Inc., an offshore drilling contractor. Since leaving R&B Falcon Corporation upon its merger with Transocean Sedco Forex, Mr. Stewart has been an independent business consultant.

The vote of a plurality of the shares entitled to vote and represented at a meeting at which a quorum is present is required for the election of directors.

The Board of Directors unanimously recommends that the stockholders vote FOR the election of each of the nominees.

Incumbent Class II Directors

The names, ages as of March 27, 2007, principal occupations and other information concerning each Class II director, are set forth below.

Larry D. Hornbeck, 68, has served as one of our directors since August 2001. An executive with over 30 years experience in the offshore supply vessel business worldwide, Mr. Larry Hornbeck was the founder of the original Hornbeck Offshore Services, Inc., a NASDAQ-listed publicly traded offshore service vessel company with over 100 vessels operating worldwide. From its inception in 1981 until its merger with Tidewater Inc. (NYSE:TDW), Mr. Larry Hornbeck served as its Chairman of the Board, President and Chief Executive Officer. Following the merger, Mr. Larry Hornbeck served as a director of Tidewater Inc. from March 1996 until October 2000. From 1969 to 1980, Mr. Larry Hornbeck was Chairman, President and Chief Executive Officer of Sealcraft Operators, Inc., a publicly held, specialty service offshore supply vessel company operating worldwide. Mr. Larry Hornbeck is the father of Todd M. Hornbeck, our Chairman, President and Chief Executive Officer.

Steven W. Krablin, 56, was appointed to our Board of Directors as a Class II Director on August 2, 2005. From January 1996 until April 2005, Mr. Krablin served as the Senior Vice President and Chief Financial Officer of National Oilwell, Inc. (NYSE:NOI), a major manufacturer and distributor of oil and gas drilling equipment and related services for land and offshore drilling rigs. In March 2005, National Oilwell merged with Varco International, Inc. (NYSE:VRC) to become National Oilwell Varco, Inc. (NYSE:NOV). Prior to 1996, Mr. Krablin served as Senior Vice President and Chief Financial Officer of Enterra Corporation until its merger with Weatherford International. Since November 2004, Mr. Krablin has also served as a director of Penn Virginia Corporation (NYSE:PVA), an energy company engaged in the exploration, acquisition, development and production of crude oil and natural gas. PVA is also the general partner and largest unit holder in Penn Virginia Resource Partners, L.P. (NYSE: PVR), which manages coal properties and related assets and operates a midstream natural gas gathering and processing business. Mr. Krablin is a certified public accountant.

David A. Trice, 58, has served as one of our directors since October 2002. Mr. Trice has served as the President of Newfield Exploration Company (NYSE:NFX), an independent oil and gas company engaged in the exploration, development and acquisition of crude oil and natural gas properties, since May 1999. At Newfield, he has also served as the Chairman of the Board since September 2004, Chief Executive Officer since February 2000 and as a director since 2000. From May 1999 to February 2000, he served as Chief Operating Officer of Newfield and from July 1997 to May 1999, he served as its Vice President Finance and International. Mr. Trice served as the President, Chief Executive Officer and Director of the Huffco Group, an international exploration and production company, from 1991 to July 1997. Since March 2004, Mr. Trice has served as a director of New Jersey Resources (NYSE: NJR), a retail and wholesale energy service company which provides distribution services to customers in New Jersey and in states from the Gulf coast to New England and Canada. NJR is a Fortune 1000 company and a member of the Forbes Platinum 400. Mr. Trice has also served as a director of Grant Prideco, Inc. (NYSE: GRP), a drill stem technology and drill pipe manufacturing company, since May 2003.

Incumbent Class III Directors

The names, ages as of March 27, 2007, principal occupations and other information concerning each Class III director, are set forth below.

Todd M. Hornbeck, 38, has served as our President and as a director since he co-founded the Company in June 1997. Until February 2002, he also served as Chief Operating Officer. In February 2002, Mr. Todd Hornbeck was appointed Chief Executive Officer and in May 2005, he was appointed Chairman of the Board of Directors. Until February 2007, he also served as our Secretary. Mr. Todd Hornbeck worked for the original Hornbeck Offshore Services, Inc., from 1991 to 1996, serving in various positions relating to business strategy and development. Following its merger with Tidewater Inc. (NYSE:TDW) in March 1996, he accepted a position as Marketing Director Gulf of Mexico with Tidewater, where his responsibilities included managing relationships and overall business development in the U.S. Gulf of Mexico region. He remained with Tidewater until our formation. Mr. Todd Hornbeck currently serves on the Board of Directors of both the National Ocean Industries Association and the Offshore Marine Service Association, and is a member of the International Support Vessel Owners Association. Mr. Todd Hornbeck is the son of Larry D. Hornbeck, one of our directors.

Patricia B. Melcher, 47, has served as one of our directors since October 2002. Ms. Melcher has served as the President of Allegro Capital Management, Inc., a privately-owned investment company focused on private equity investments in and consulting to energy-related companies, since 1997, and served as Interim CEO of Petrocom Energy Ltd., a privately held energy trading firm, from October 1, 2003 to April 1, 2004. Since November 2004, she has co-owned and managed Allegretto Ventures, LLC, a privately-owned company manufacturing premium beverages, and was named Chief Executive Officer in February 2006. From 1989 to 1994, she worked for SCF Partners, L.P., an investment fund sponsor specializing in private equity investments in oilfield service companies, and from 1995 to 1997, she served as a board member and advisory board member of its general partner, L.E. Simmons & Associates, Incorporated. From 1986 to 1989, Ms. Melcher worked for Simmons & Company International, an investment banking firm serving the energy industry.

Board Structure, Committee Composition and Meetings

As of the date of this Proxy Statement, the Board of Directors was comprised of seven members, divided into three classes as described under Term of Directors above. Our Board has a standing audit committee, compensation committee and nominating/corporate governance committee. The Board may also establish other committees from time to time as necessary to facilitate the management of the business and affairs of the Company and to comply with the corporate governance rules of the NYSE.

The Board is comprised of a majority of independent directors including a Lead Independent Director. The Board has determined that Ms. Patricia A. Melcher and Messrs. Bruce W. Hunt, Bernie W. Stewart, Steven W. Krablin and David A. Trice are independent for purposes of Section 303A of the New York Stock Exchange (NYSE) Listed Company Manual, and that the members of the audit committee are also independent for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, or the Exchange Act, and Section 303A.07 of the NYSE Listed Company Manual. The Board based its determinations of independence primarily on a review of the responses our directors provided to questions regarding employment and compensation history, affiliations and family and other relationships. In the case of Mr. David A. Trice, the Board considered the business transactions that have occurred between the Company and Newfield Exploration Company as described below under Certain Relationships with Related Persons. These transactions, taken in the aggregate, were not considered material to the Company or Newfield Exploration Company and did not exceed thresholds set forth in the applicable independence definitions. No other relationships between the Company and any independent directors were discerned.

Effective August 1, 2006, Mr. Andrew L. Waite, resigned from the Board of Directors. Prior to his resignation, the Board had determined that Mr. Waite was independent as such term is described in the preceding paragraph. Mr. Waite was appointed to the Board of Directors in November 2000 as the designee of SCF-IV, L.P. in accordance with a stockholders agreement, and resigned consistent with the terms of that agreement.

During 2006, our Board of Directors held six meetings and took action by unanimous written consent four times. All of the directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of each committee of the Board on which they served. All directors are expected to attend Annual Meetings, and all but one of our directors attended our last Annual Meeting of Stockholders.

The Company has established Corporate Governance Guidelines, which may be found on the Governance page of the Company s website, *www.hornbeckoffshore.com*. The Corporate Governance Guidelines include the definition of independence used by the Company to determine whether its directors and nominees for directors are independent, which are the same qualifications prescribed under the NYSE Listing Standards. Pursuant to the Company s Corporate Governance Guidelines, our non-management directors are required to meet in separate sessions without management on a regularly scheduled basis four times a year. Generally, these meetings occur as an executive session without the management director in attendance in conjunction with regularly scheduled meetings of the Board throughout the year. Because the Chairman of the Board is also a member of management, the separate non-management sessions are presided over by the Lead Independent Director or in his absence by a director elected by a majority of the

non-management directors. If the non-management directors include directors who are not independent directors (as determined by our Board), because the Chairman of the Board is not an independent director, the independent directors separate session is presided over by the Lead Independent Director or in his absence by an independent director elected by a majority of the independent directors.

Committees of the Board of Directors

Audit Committee

The Board of Directors has established an audit committee currently comprised of Ms. Melcher and Messrs. Hunt, Krablin, and Stewart. The audit committee operates under a written charter adopted by the Board of Directors. The Board has determined that each director currently serving on the audit committee meets the independence requirements of the NYSE and satisfies the financial literacy requirements of the NYSE. The Board has also determined that Ms. Melcher and Mr. Krablin qualify as audit committee financial experts as defined in Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act. Each of Ms. Melcher and Mr. Krablin is financially literate and has accounting or related financial management expertise, as described in their biographical information under Director Nominees and Voting above. The audit committee met four times during 2006 and took action by unanimous consent once in 2006.

In addition to certain duties prescribed by applicable law, the audit committee is charged, under its written charter, to select and engage the independent public accountants to audit our annual financial statements, subject to stockholder ratification. The audit committee also establishes the scope of, and oversees the annual audit and approves any other services provided by public accounting firms. Furthermore, the audit committee provides assistance to the Board in fulfilling its oversight responsibility to the stockholders, potential stockholders, the investment community and others relating to the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditor s qualifications and independence, the performance of our internal audit function and independent auditor, and oversees our system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established. In doing so, it is the responsibility of the audit committee to maintain free and open communication between the audit committee and our independent auditors, the internal auditing function and management of the company. See Audit Committee Report below for further information on the functions of the audit committee.

Compensation Committee

The Board of Directors has established a compensation committee currently comprised of Messrs. Krablin, Stewart, and Trice. The compensation committee operates under a written charter adopted by the Board of Directors. In addition to certain duties prescribed by applicable law, the compensation committee is charged, under its written charter, to address all forms of compensation of the Company s executive officers and directors. The compensation committee approves and monitors annual executive and director compensation over the course of each year and as part of the Company s annual budget process. The compensation committee has sole authority to retain compensation consultants and may not form or delegate authority to subcommittees without Board approval. See Compensation

Discussion and Analysis below for additional information on the Company s procedures for consideration and determination of executive and director compensation.

Our Board has determined that each member of the compensation committee meets the independence requirements of the NYSE. The compensation committee met three times during 2006 and took action by unanimous consent once in 2006.

Nominating/Corporate Governance Committee

Our Board of Directors has also established a nominating/corporate governance committee, currently comprised of Messrs. Hunt, Stewart, and Trice. In addition to certain duties prescribed by NYSE listing requirements, the committee is charged, under its written charter, to develop, review and recommend to the Board a set of corporate governance principles for the Company, and to identify, review and recommend to the Board possible candidates for Board membership.

Our Board has determined that each member of the nominating/corporate governance committee meets the independence requirements of the NYSE. The nominating/corporate governance committee met two times and did not take any action by unanimous written consent during 2006.

Availability of Certain Committee Charters and Other Information

The charters for our audit, compensation and nominating/corporate governance committees, as well as our Corporate Governance Guidelines, Procedures for Communication with Directors, Employee Code of Business Conduct and Ethics (which applies to all employees, including our Chief Executive Officer and certain Financial and Accounting Officers), and Code of Business Conduct and Ethics for Members of the Board of Directors, can all be found, free of charge, on the Governance page of the Company s website, *www.hornbeckoffshore.com*. We intend to disclose any changes to or waivers from the Employee Code of Business Conduct and Ethics that would otherwise be required to be disclosed under Item 5.05 of Form 8-K on our website. We will also provide printed copies of these materials to any stockholder or other interested person upon request to Hornbeck Offshore Services, Inc., Attn: Samuel A. Giberga, 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the Securities and Exchange Commission, or the Commission.

We also make available on our website, free of charge, access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, as well as other documents that we file with or furnish to the Commission pursuant to Sections 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such documents are filed with, or furnished to, the Commission.

Nomination Process

It is our Board of Director s responsibility to nominate members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The nominating/corporate governance committee assists the Board by identifying and reviewing potential candidates for Board membership consistent with criteria approved by the Board. The nominating/corporate governance committee also annually recommends qualified candidates (which may include existing directors) for approval by the Board of a slate of nominees to be proposed for election to the Board at the annual meeting of stockholders. In February 2007, the nominating/corporate governance committee met and discussed the Class I director candidates, and recommended to the Board of Directors the reelection of the two candidates nominated above.

As provided in the Company s Bylaws, the Board is authorized to nominate and elect a new director when a vacancy occurs between annual meetings of stockholders. In the event of a vacancy on the Board between annual meetings of the Company s stockholders, the Board may request that the nominating/corporate governance committee identify, review and recommend qualified candidates for Board membership for Board consideration to fill such vacancies, if the Board determines that such vacancies will be filled. The Company s Bylaws allow for up to nine directors. At present, the Company has seven directors and the Board has not taken action to add any additional directors. The Board is permitted by the Bylaws to create a new directorship upon the affirmative vote of 66 2/3% of the directors then in office and to fill existing or newly created directorship slots by a majority vote of the directors then in office.

When formulating its recommendations for potential Board nominees, the nominating/corporate governance committee seeks and considers advice and recommendations from management, other members of the Board and may seek or consider advice and recommendations from consultants, outside counsel, accountants, or other advisors as the nominating/corporate governance committee or the Board may deem appropriate.

Board membership criteria, which are disclosed in the Company s Corporate Governance Guidelines on the Governance page of the Company s website, *www.hornbeckoffshore.com*, are determined by the Board, with input from the nominating/corporate governance committee. The Board is responsible for periodically determining the appropriate skills, perspectives, experiences, and characteristics required of Board candidates, taking into account the Company s needs and current make-up of the Board. This assessment should include appropriate knowledge, experience, and skills in areas deemed critical to understanding the Company and its business; personal characteristics, such as integrity and judgment; and the candidate s commitments to the boards of other companies. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member s service as a director and that he or she devotes the time necessary to discharge his or her duties as a director. The Board believes the qualification guidelines included as Exhibit A to the Company s Corporate Governance Guidelines are currently appropriate, but it may change these guidelines as the Company s and Board s needs warrant.

Nominations for Directors

The nominating/corporate governance committee will consider candidates for director nominees that are recommended by stockholders of the Company in the same manner as Board recommended nominees, in accordance with the procedures set forth in the Bylaws. Any such nominations should be submitted to the Board of Directors care of the Corporate Secretary, Hornbeck Offshore Services, Inc., 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433 and accompany it with the following information:

appropriate biographical information, a statement as to the qualifications of the nominee and any other information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and

the name(s) and address(es) of the stockholder(s) making the nomination and the number of shares of the Company s common stock that are owned beneficially and of record by such stockholder(s).

The written recommendation should be submitted within the time frame described under the caption Stockholder Proposals above.

Communications with the Board of Directors

The Board of Directors, of which a majority are independent, has unanimously approved a process for stockholders, or other interested persons, to communicate with the Board of Directors. This process is located on the Governance page of the Company s website, *www.hornbeckoffshore.com.* The relevant document is titled Procedures for Communication with Directors.

In addition, stockholders, or other interested persons, wishing to communicate with our Board of Directors for Anonymous Complaints about Accounting, Internal Accounting Control and Auditing Issues may call the Company s toll-free Governance Hotline at 1-800-506-6374. Our audit committee monitors these calls. All calls are documented, and those reports that are deemed to be substantive will be passed on to the Board. Stockholders, or other interested persons, calling the hotline should provide a sufficiently detailed description of the nature of the matter that the person wishes to communicate with the Board, as well as a name, telephone number, email address, or other contact information so that the Company can either respond to the communication or obtain additional information about the matter.

Proposal No. 2 Selection and Ratification of the Independent Registered Public Accountants and Auditors

Our audit committee and Board of Directors seek stockholder ratification of the reappointment of Ernst & Young LLP to act as the independent registered public accountants and auditors of our consolidated financial statements for the 2007 fiscal year. If the stockholders do not ratify the appointment of Ernst & Young, the audit committee will reconsider this appointment. Representatives of Ernst & Young are expected to be present at the Annual Meeting to respond to appropriate questions, and those representatives will also have an opportunity to make a statement if they desire to do so.

The affirmative vote of a majority of the shares of common stock entitled to vote and represented in person or by proxy at a meeting at which a quorum is present is required to ratify the selection of the independent auditors.

The Board of Directors unanimously recommends that the stockholders vote FOR the ratification of the reappointment of Ernst & Young LLP as the Company s independent registered public accountants and auditors for fiscal year 2007.

Independent Auditors and Fees

Ernst & Young LLP, certified public accountants, began serving as the Company s independent auditors in 2002. The audit committee approved the reappointment of Ernst & Young LLP as independent registered public accountants and auditors for the 2007 fiscal year, subject to ratification by the stockholders.

The following table presents fees for professional audit services rendered by Ernst & Young for the audit of the Company s annual financial statements for the years ended December 31, 2006 and December 31, 2005, and fees billed for other services rendered by Ernst & Young during those periods.

	Year Ended December 31,	
	2006	2005
Audit fees (1)	$ 392,870	$ 411,500
Audit related fees (2)	14,080	950
Tax fees (3)	198,525	99,289
Total	$ 605,475	$ 511,739

(1) Audit fees: Consists of fees billed for professional services rendered for the audit of the Company s consolidated financial statements, for the review of the interim condensed consolidated financial statements included in quarterly reports, services that are normally provided by Ernst & Young in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation.

(2) Audit related fees: Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company s consolidated financial statements and are not reported under Audit Fees. These services include accounting consultations in connection with acquisitions, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

(3) Tax fees: Consists of tax compliance and preparation and other tax services. Tax compliance and preparation consists of fees billed for professional services related to federal, state and international tax compliance, assistance with tax audits and appeals, assistance related to the impact of mergers and acquisitions, and tax return preparation. Other tax services consist of fees billed for other miscellaneous tax consulting and planning.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors.

The audit committee is responsible for appointing, setting compensation, and overseeing the work of the independent auditors. The audit committee s policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. Requests for approval are generally submitted at a meeting of the audit committee. The audit committee may delegate

pre-approval authority to a committee member, provided that any decisions made by such member shall be presented to the full committee at its next scheduled meeting.

EXECUTIVE OFFICERS

The names, ages as of March 27, 2007, position and other information concerning our executive officers are set forth below.

Name	Age	Position
Todd M. Hornbeck	38	Chairman, President and Chief Executive Officer
James O. Harp, Jr.	46	Executive Vice President and Chief Financial Officer
Carl G. Annessa	50	Executive Vice President and Chief Operating Officer
Samuel A. Giberga	45	Senior Vice President and General Counsel
John S. Cook	37	Vice President and Chief Information Officer

Todd M. Hornbeck has served as our President and as a director since he co-founded the Company in June 1997. Until February 2002, he also served as Chief Operating Officer. In February 2002, he was appointed Chief Executive Officer. In May 2005, he was appointed Chairman of the Board. Until February 2007, he also served as our Secretary. Please refer to Incumbent Class III Directors above for additional information with respect to Mr. Todd Hornbeck s background and experience.

James O. Harp, Jr. was appointed Executive Vice President in February 2005. Prior to that time, Mr. Harp served as our Vice President and Chief Financial Officer beginning in January 2001. Before joining us, Mr. Harp served as Vice President in the Energy Group of RBC Dominion Securities Corporation, an investment banking firm, from August 1999 to January 2001, and as Vice President in the Energy Group of Jefferies & Company, Inc., an investment banking firm, from June 1997 to August 1999. During his investment banking career, Mr. Harp worked extensively with marine-related oil service companies, including as our investment banker in connection with our private placement of common stock in November 2000. From July 1982 to June 1997, he held roles of increasing responsibility in the tax section of Arthur Andersen LLP, ultimately serving as a Tax Principal, and had a significant concentration of international clients in the oil service and maritime industries. Since April 1992, he has also served as Treasurer and Director of SEISCO, Inc., a privately held seismic brokerage company. Mr. Harp is an inactive certified public accountant in Louisiana.

Carl G. Annessa was appointed Executive Vice President in February 2005. Prior to that time, Mr. Annessa served as our Vice President of Operations beginning in September 1997. In February 2002, he was appointed Vice President and Chief Operating Officer. Mr. Annessa is responsible for operational oversight and design and implementation of our vessel construction programs. Prior to joining us, he was employed for 17 years by Tidewater Inc. (NYSE:TDW) in various technical and operational management positions, including management of large fleets of offshore supply vessels in the Arabian Gulf, Caribbean and West African markets, and was responsible for the design of several of Tidewater s vessels. Mr. Annessa was employed for two years by Avondale Shipyards, Inc. as a naval architect before joining Tidewater. Mr. Annessa received a degree in naval architecture and mechanical engineering from the University of Michigan in 1979.

Samuel A. Giberga was appointed Senior Vice President in February 2005. Mr. Giberga has also served as our General Counsel since January 2004. Prior to joining us, Mr. Giberga was engaged in the private practice of law for fourteen years. Mr. Giberga was a partner in

the New Orleans based law firm of Correro, Fishman, Haygood, Phelps, Walmsley & Casteix from February 2000 to December 2003 and served as a partner at Rice, Fowler, Kingsmill, Vance & Flint, LLP from March 1996 to February 2000. During his legal career, Mr. Giberga has worked extensively with marine and energy service companies in a variety of contexts with a significant concentration in general business, international and intellectual property matters. He was also a co-founder of Maritime Claims Americas, L.L.C., which operates a network of correspondent offices for marine protection and indemnity associations throughout Latin America. From June 2005 through February 2007, Mr. Giberga served as a director of the American Steamship Owners Mutual Protection and Indemnity Association Inc. (the American Club), a mutual protection and indemnity association in which the Company s principal operating subsidiaries were entered as members. Mr. Giberga also served as an adjunct professor in intellectual property law matters at Loyola University Law School in New Orleans.

John S. Cook was appointed Vice President and designated an Executive Officer in February 2006. Mr. Cook has served as our Chief Information Officer since May 2002. Before joining us, Mr. Cook held roles of increasing responsibility in the business consulting section of Arthur Andersen LLP from January 1992 to May 2002, ultimately serving as a Senior Manager. During his consulting career, Mr. Cook assisted numerous marine and energy service companies in various business process and information technology initiatives, including strategic planning and enterprise software implementations. Mr. Cook is a certified public accountant in Louisiana and is a member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants and is a Certified Information Systems Auditor and a Project Management Professional.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Philosophies and objectives of the Company s executive compensation program

The Company s executive compensation programs reflect its entrepreneurial culture and philosophy that executives 1) are hired to devise and execute strategies that create long-term stockholder value consistent with our Company s mission statement; and 2) are appropriately rewarded for doing so. The objectives of our executive compensation programs are 1) to attract and retain executives that possess abilities essential to the Company s long-term competitiveness and success; 2) to support a performance-oriented environment; and 3) to create a culture of ownership allowing executives to share meaningfully with stockholders in the long-term enhancement of stockholder value.

The Company s compensation program for executive officers rewards the following attributes:

Performance. The Company rewards decision-making that achieves operating results which increase stockholder value over the long term.

Excellence. The Company expects its executive officers to discharge their duties with excellence and professionalism. The Company expects a high level of enthusiasm, diligence, analytical rigor, business acumen and attention to detail.

Leadership. Executives of the Company are expected to demonstrate leadership.

Teamwork. Executives are evaluated as members of a team, not merely as individuals.

Loyalty. We promote a culture of ownership throughout the Company and reward all employees, including our named executive officers, who remain dedicated to the Company over the long-term with equity ownership opportunities.

The elements of compensation used by the Company

The Company s executive compensation program is comprised of the following elements:

Base Salary

Cash Incentive Compensation

Equity Incentive Compensation

Benefits and Certain Perquisites

Generally. The compensation committee considers Company and individual-specific historical information and data derived from market sources, including data regarding certain peer companies, as points of reference for the appropriate mix of compensation elements. To effectively attract, retain and incentivize the best possible executive talent, the Company believes that an executive s total potential compensation should be attractive, but not guaranteed. The total amount of cash compensation that our executives can earn is contingent upon the Company achieving certain performance measures that are established by the compensation committee. The compensation committee believes these performance measures are set at levels that require stretch and effort by the Company s executives.

As part of our overall compensation plan, the Company has entered into long-term employment agreements with its three most senior executive officers. Todd M. Hornbeck serves as the Company s President and Chief Executive Officer, James O. Harp, Jr. serves as its Executive Vice President and Chief Financial Officer and Carl G. Annessa serves as its Executive Vice President and Chief Operating Officer. Each long-term employment agreement has a current term expiring December 31, 2009. The terms of each agreement automatically extend for an additional year every January 1, unless notice of termination is given before any such date by the employee or us.

Base Salary. The Company pays base salary to executive officers in order to compensate them for day-to-day services rendered to the Company over the course of each year. Salaries for executive officers are reviewed annually by the compensation committee. In determining individual salaries, the compensation committee considers the scope of the executive s job responsibilities, unique skill sets and experience, individual contributions, market conditions, current compensation as compared to peer and competitor companies, as well as the specific actions and strategic activities of such executive officer for the prior year and the financial budget of the Company for the coming year. In 2005, the compensation committee, after interviewing, along with management, a total of five firms, engaged an outside consulting firm to provide a competitive study of our executive and director compensation. The study showed that the Company s base salaries for executive officers were generally low from a competitive position. The compensation committee took the study into account in determining salaries for 2006. For 2007, the compensation committee has, and in considering future compensation it is expected that the compensation committee will, use the report as a baseline analytical tool. As in 2007, the compensation committee will supplement the report by referring to certain more current survey data available to the Company through third-party independent subscription sources or from the consultant, in order to support future base salary assumptions and continue to pay competitive base salaries.

Cash Incentive Compensation. The Company utilizes cash incentive pay in order to incentivize the achievement of specific operating results each year and to encourage short term individual performance. The methodology for determining annual cash incentive pay is identical for all of our named executive officers and is described in the employment agreements of Messrs. Todd Hornbeck, Harp and Annessa . The methodology provides for cash incentive payments comprised of two components.

The first component is based on the Company achieving a target level of earnings before interest, taxes, depreciation and amortization, or EBITDA, as adjusted by loss on early extinguishment of debt (if applicable) and, for 2006, FAS 123R stock-based compensation expense, established at the beginning of the year. The Compensation Committee reviews the recommended cash incentive compensation potential of each executive officer not subject to an employment agreement, and may revise, upward or downward, the threshold, target and maximum percentages of base salary that can be awarded in the first component of such compensation. The table below demonstrates the manner in which the first component is awarded.

Executive	Title	Minimum Cash Incentive Compensation @ 80% of Plan (% of Base Salary)	Cash Incentive Compensation @ 100% of Plan (% of Base Salary)	Maximum Cash Incentive Compensation @ 120% of Plan (% of Base Salary)
Hornbeck, Todd M.	Chairman, President & CEO	10.00%	50.00%	100.00%
Annessa, Carl G.	Executive Vice President & COO	10.00%	37.50%	75.00%
Harp, James O., Jr.	Executive Vice President & CFO	10.00%	37.50%	75.00%
Giberga, Samuel A.	Senior Vice President & General Counsel	6.25%	25.00%	43.75%
Cook, John S.	Vice President & CIO	6.25%	25.00%	43.75%

If the Company achieves an adjusted EBITDA between 80% and 100%, or between 100% and 120%, of the adjusted EBITDA target, an amount equal to the percentage of base salary that will be earned by the named executive officers will be determined by the compensation committee using a curve which is a straight line connecting 80% and 100%, or 100% and 120%, as applicable, so that the cash incentive compensation paid is interpolated based on the actual adjusted EBITDA achieved. Notwithstanding the foregoing, in accordance with the employment agreements, the compensation committee, in its sole discretion, may award a bonus to the named executive officers under the first component for an adjusted EBITDA achievement percentage that is less than 80%, and the compensation committee, in its sole discretion, may award an additional bonus to the named executive officers for an adjusted EBITDA achievement percentage in excess of 120%.

The second component of annual cash incentive compensation represents approximately 50% of the aggregate potential cash incentive compensation that can be earned by our named executive officers and is determined by the compensation committee in its sole discretion based on an evaluation of Company and individual performance. Historically, this component of cash incentive compensation has been approximately equal to the cash award under the first component described above. The compensation committee decides the amount of cash incentive compensation under the second component that is earned by the named executive officers. In extraordinary circumstances, such as the Company s initial public offering of common stock, the compensation committee can, and has, awarded event-driven bonuses that exceed the incentive cash compensation derived under the formulaic approach of the first component applicable to the named executive officers.

The compensation committee has evaluated the foregoing potential cash incentive payments and has determined that, if the adjusted EBITDA target is achieved or exceeded, the cash compensation that our named executive officers can earn will generally equal or exceed the market median for total cash compensation of the peer group designed by our compensation consultant as described below. If the adjusted EBITDA target is not achieved, the potential total cash compensation will generally be less than such market median. Based

on the day-to-day operating challenges confronted by the Company, the compensation committee believes that these levels of potential total cash compensation are reasonable, competitive in the market place and in-line with the Company s compensation philosophy and objectives.

Equity Incentive Compensation. The Company believes that the interests of stockholders are best served when a portion of employee compensation is tied to equity ownership. Pursuant to the Company s incentive compensation plan, as amended, the compensation committee is authorized to grant stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and other equity-based awards. Historically, the Company has used a combination of stock options and restricted stock awards as a means to incentivize long-term employment and performance and to align individual compensation with the objective of building long-term stockholder value.

The compensation committee s practice is to make all annual compensation decisions, including approval of equity awards to named executive officers, at its regularly scheduled February meeting. These awards subsequently become effective upon the Board of Director s approval of the Company s annual operating budget, which occurs in a Board meeting that immediately follows the compensation committee s meeting on the same or the following day. The compensation committee s practice is to award options at an exercise price, and restricted stock awards and restricted stock unit awards based on a price, equal to the New York Stock Exchange s closing price of the Company s common stock on the effective date of the grant. The Board s and the compensation committee s February meetings, held in conjunction with the approval of the annual budget, in which grants are made to named executive officers usually precede the public announcement of the Company s fourth quarter earnings for the prior year by a few days.

The compensation committee exercises discretion in determining the number and type of equity awards to be given to our named executive officers as long-term incentive compensation. In exercising its discretion, the compensation committee considers a number of factors, including individual responsibilities, competitive market data, stock price performance, and individual and Company performance. Subject to the express provisions of the incentive compensation plan and directions from the Board, the compensation committee is authorized, among other things, (i) to select the executives to whom equity awards will be granted; (ii) to determine the type, size and terms and conditions of equity awards, including vesting provisions and whether such equity awards will be time or performance based; and (iii) to establish the terms for treatment of equity awards upon a termination of employment. In setting individual awards for the annual grants made in 2006 and 2007, the compensation committee considered incentive levels that were recommended by the outside consulting firm in 2005. In February 2006, the compensation committee targeted a 50% allocation of the total long-term equity incentive value to be comprised of stock options with the remaining 50% to be comprised of long-term restricted stock awards. For Mr. Todd Hornbeck, the allocation was roughly 64% stock options and 36% restricted stock. For the long-term equity incentive grants awarded in February 2007, the Company used a combination of time-vesting and performance-vesting restricted stock unit awards. This will result in a reduction in compensation-related share dilution when compared to stock options while maintaining the desired incentives for our employees. No options were granted during the annual compensation process in February 2007.

Restricted stock awards given to named executive officers in February 2006 are dependent on 1) such officer s service for three years following the grant and 2) the Company achieving specified relative stock price performance objectives over such three-year period compared to an industry peer group including the fifteen companies that comprise the PHLX Oil Services Index, or OSX, plus three additional public peers in the energy-related marine industry. Vesting of restricted stock units awarded in February 2007 occurs in two equal tranches. The first tranche vests upon an officer s continued service for three years following the grant. The second tranche is performance-vested and is dependent upon (i) such officer s service for three years following the grant and (2) the Company achieving specified relative stock price performance objectives over such three-year period compared to such industry peer group. Historically, our stock option grants have vested in equal annual installments over a two to four-year period, while all of our restricted stock grants to date cliff vest, subject to applicable performance criteria, if any, in one installment on the third anniversary of the grants, thus enhancing the retention value of the grants.

Benefits and Perquisites. The Company provides the named executive officers and other employees with perquisites and other personal benefits as part of providing a competitive executive compensation program and for employee retention. The following table generally identifies the Company s benefit plans and identifies those employees who may be eligible to participate. The named executive officers participate in the following benefit plans in the same manner that our employees do, except where noted as below:

Benefit Plan	Executive Officers	Certain Managers	Full-time Employees	Notes
Medical Insurance	X	X	X	(1)
Dental Insurance	X	X	X	(1)
Employee Assistance Plan	X	X	X	
Life and Disability Insurance	X	X	X	(2)
Flexible Spending Accounts	X	X	X	
Employee Stock Purchase Plan	X	X	X	
401(k) Plan	X	X	X	

(1) Messrs. Todd Hornbeck, James Harp and Carl Annessa have a supplemental medical insurance policy that pays all out-of-pocket medical and dental expenses.

(2) The named executive officers and certain other executive officers have company-paid basic life and accidental death and dismemberment insurance of 1.5 times their salary, up to $300,000. All other employees have company-paid basic life and accidental death and dismemberment insurance of 1.5 times their salary, up to $100,000. In addition, the Chief Executive Officer and the Company s vice presidents are entitled to disability benefits as long as they are disabled from performing their own occupation. For all other employees, they are entitled to disability benefits up to 36 months if they are disabled from performing their own occupation, and after 36 months they must be unable to work in any occupation.

The Company believes it should provide limited perquisites for executive officers. As a result, the Company has historically given nominal perquisites. The following table generally illustrates the perquisites we do and do not provide and identifies those employees who may be eligible to receive them:

Type of Perquisite	Executive Officers	Certain Managers	Full Time Employees
Company Vehicle	X (1)	Not offered	Not offered
Vehicle Allowance	Not offered	X	Not offered
Supplemental Medical Insurance	X (1)	Not offered	Not offered
Country Club Memberships	Not offered	Not offered	Not offered
Dwellings for Personal Use	Not offered	Not offered	Not offered
Security Services	Not offered	Not offered	Not offered

(1) Applicable to Messrs. Todd Hornbeck, James Harp and Carl Annessa.

How the elements of compensation fit into our overall compensation objectives

Consistent with the Company s compensation philosophy and objectives discussed above, the compensation committee believes that its use of the three primary components of compensation described above provides competitive salaries, allows opportunities for significant cash incentive compensation to encourage short-term performance and establishes significant long-term equity incentive opportunities aligned with stockholder interests. The Company also adds value to the compensation package of its executives through certain perquisites.

The role of the compensation committee

Our compensation committee is comprised solely of directors who (i) meet the independence requirements of Section 303A of the New York Stock Exchange (NYSE) Listed Company Manual and any other regulatory requirements, (ii) qualify as Non-Employee Directors under Rule 16b-3 of the Exchange Act, and (iii) satisfy the requirements of an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986. The compensation committee is responsible for 1) establishing and administering an overall compensation program for our executive officers and approving all compensation for named executive officers; 2) establishing and administering the Company s policies governing annual cash compensation and equity incentive awards for employees other than executive officers and 3) administering the Company s incentive compensation and employee benefit plans. The compensation committee meets several times a year to analyze and discuss the Company s compensation plans, proposals and other compensation related issues. It also engages in several informal sessions with and without executive management. These sessions usually coincide with the Company s annual budget process. When appropriate, the compensation committee recommends to the full Board compensation or benefit policies or plans or amendments to existing policies or plans and any amendments necessary to the respective employment agreements applicable to each of our three most senior executive officers. The Chief Executive Officer reviews the performance of the other executive officers and recommends to the compensation committee the base salary, cash incentive compensation and equity incentive compensation for such officers.

The compensation committee uses tally sheets that summarize all elements of annual executive compensation paid and proposed to be paid to our named executive officers to help ensure that there is a correlation between the Company s compensation philosophy and objectives and the actual compensation of our executives. These tally sheets reflect all compensation and related commitments for executive officers, including base salary, annual performance-based cash incentives, cash bonuses, if applicable, outstanding and proposed stock options, restricted stock awards and restricted stock unit awards, benefits and perquisites. The tally sheets and related discussions are intended to provide the compensation committee with a comprehensive single point of reference for all of the compensation earned by or proposed for our executives.

How and when we have used a compensation consultant

The compensation committee has the authority to directly engage independent consultants. On occasion, consultants have provided advice on compensation strategy and program design. Consultants have also been used to compare the Company s compensation programs with those of other companies. In 2005, after interviewing, along with senior management, a total of five consulting firms, the compensation committee retained Mercer Human Resource Consulting (Mercer). Mercer was tasked to provide a comparative study of executive and director compensation and also to provide the compensation committee guidance on benchmarking against peer groups. Mercer designed a peer group that has been used, in part, by the Company in benchmarking the compensation of named executive officers with compensation earned by executives at comparable pay levels at other peer companies. The compensation committee may in the future retain outside compensation consultants, such as Mercer, to review compensation issues.

How and why we benchmark executive compensation against our peers

We compete with other companies for executive talent. In so doing, we consider prevailing executive compensation trends in order to establish whether our compensation is appropriate, competitive and in-line with our overall executive compensation philosophy and objectives. The compensation committee considers competitive market data including compensation levels and other information derived from 1) public filings of seventeen publicly traded energy service companies (including eight publicly traded marine service companies, some of which are direct competitors) identified by Mercer as having sufficiently similar operating characteristics with the Company so as to provide a source of meaningful comparison, our Industry Peers, and 2) published survey information for the energy industry as well as the broader commercial industry, or our General Market Peers. While the compensation committee has considered the compensation practices prevailing in both of the foregoing groups it tends to overweight our Industry Peers. Our competitive market is not comprised strictly of vessel owners because the competition we face for executive talent is not limited to marine companies and we believe that the number of such companies represents too small of a sample size for a reasonable comparison. The companies included in the Industry Peer Group in 2006 and 2007 were:

Industry Peer Group

K-Sea Transportation LP (KSP)
Gulfmark Offshore Inc. (GMRK)
US Shipping Partners LP (USS)
Maritrans Inc. (TUG)
Tidewater Inc. (TDW)
Seabulk International Inc. (SBLK)
Seacor Holdings Inc. (CKH)
Overseas Shipholding Group (OSG)
OMI Corp (OMM)
Kirby Corp (KEX)
Oil States International Inc. (OIS)
Superior Energy Services Inc. (SPIN)
Global Industries LTD (GLBL)
Helix Energy Solutions Group, Inc. (HELX)*
Rowan Companies Inc. (RDC)
Grant Prideco Inc. (GRP)
Oceaneering International (OLL)

* Formerly CalDive International Inc. (CDIS)

Since the 2005 study, the Company has assessed the relative competitiveness of its executive compensation program by referring to 2006 proxy data compiled by a third party subscription service from the public company filings of the Industry Peers identified by Mercer and aged forward one year by the Company using a methodology similar to that previously used by Mercer and an aging factor based on recent survey data available from certain other third party sources.

The role of executive management in the compensation process

The compensation committee works with executive management with respect to the practical aspects of the design and execution of our executive compensation programs.

Because our executives non-equity compensation is derived, in part, from the Company s annual operating performance, the annual budget process is a key component of the process by which compensation is determined. In addition, and as part of the annual budget process, executive management makes proposals concerning compensation issues for the Company overall, including, proposed compensation elements, equity and non-equity incentive targets and the formulas used to determine whether such forms of compensation will be awarded. The Chief Executive Officer and other members of management also evaluate comparative data of the Industry Peers and the General Market Peers in order to compare proposed compensation against such peer companies and provide such information to the compensation committee. Following proposals made by executive management, including the Chief Executive Officer s recommendations regarding the other executive officers, the compensation committee engages in one or more discussion sessions with and without executive management in order to make a final determination of compensation, including compensation for executive officers, that it approves and recommends for inclusion in the annual operating budget to be approved by the Company s Board. Based upon prior experience, it is expected that the compensation committee will in the future accept certain proposals of executive management and reject or modify others.

How and why we use EBITDA as the performance measure we use to determine whether incentive cash compensation has been earned

We disclose and discuss EBITDA as a non-GAAP financial measure in our public releases, including quarterly earnings releases, investor conference calls and other filings with the Commission. We define EBITDA as earnings (net income) before interest, income taxes, depreciation and amortization. We believe that EBITDA is used by investors and other users of our financial statements as a supplemental financial measure that, when viewed with our GAAP results and the accompanying reconciliation, we believe provides additional information that is useful to gain an understanding of the factors and trends affecting our business. We also believe the disclosure of EBITDA helps investors meaningfully evaluate and compare our cash flow generating capacity from quarter to quarter and year to year. EBITDA is used by management (i) as a supplemental internal measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; (ii) to compare to the EBITDA of other companies when evaluating potential acquisitions; and (iii) to assess our ability to service existing fixed charges and incur additional indebtedness. Because management uses EBITDA for such purposes, the compensation committee uses EBITDA, adjusted for certain items, as a significant criterion for determining the amount of annual cash incentive compensation paid to our executive officers and other shore-based employees. We have historically found that EBITDA is superior to other metrics for our company-wide cash incentive program, as it is more easily explained and understood by our typical employee.

Management of dilution caused by equity compensation

Under our incentive compensation plan, the Company is authorized to issue a maximum of 3,500,000 shares of Common Stock as awards (869,315 remain available for grant as of February 28, 2007). The Company is mindful of dilution and the rate at which shares are used and intends to target an annual share usage level within a certain targeted percentage of shares outstanding based on industry benchmarks established by reputable outside

consultants, such as Mercer, and other independent third party sources. The actual annual usage rate based on shares granted divided by total shares outstanding is expected to vary from year to year, depending on the achievement of specified performance targets and objectives. Overall, the shares granted to all employees in February 2006 and February 2007 represented approximately 2% and 1.6% of the then-outstanding shares, respectively. Among the issues considered by the Company in deciding whether to award stock options, restricted stock awards, restricted stock unit awards or some other form of long-term equity incentive compensation is the relative dilutive impact to existing stockholders.

*Tax and accounting treatment issue*s

Under Section 162(m) of the Internal Revenue Code of 1986, as amended, the Company may not deduct, for federal income tax purposes, certain forms of compensation in excess of $1,000,000 that is paid to a named executive officer that is employed by the Company at year-end. As part of its responsibilities, the compensation committee reviews and considers the deductibility of compensation paid to named executive officers under Section 162(m) of the Code, and, generally, has tried to design the compensation payable to the Company s named executive officers so that it is fully deductible by the Company. The Company believes that the compensation currently being paid to its named executive officers is fully deductible by the Company for federal income tax purposes. The compensation committee, however, believes that, in order to ensure competitive levels of total compensation for its named executive officers, there may be circumstances in which the Company s interests are best served by approving compensation for its named executive officers that will not meet the requirements of section 162(m) of the Code and, therefore, will not be deductible by the Company for federal income tax purposes. Accordingly, in the future, the compensation committee may approve compensation for one or more of its named executive officers that is not deductible for federal income tax purposes.

Under FAS 123R, the Company is required to record stock compensation expenses related to equity awards prior to the vesting of those awards, and, for certain performance-based restricted stock valued using a binomial lattice model, even if the vesting event does not occur. As a result, it is possible that the Company will incur compensation expenses for these performance-based restricted stock awards that are never earned by the executive.

Our policies regarding trading in our securities by our executive officers

The Company has in effect a written Insider Trading Policy, which is applicable to all personnel. The policy forbids trading in our securities at any time in which the individual employee is in possession of material non-public information. In addition, irrespective of whether the individual employee is in possession of material non-public information, the policy prohibits trading at any time that the Company has closed its trading window. One effect of the trading window is to limit significantly the period of time in any given year in which trading in our securities may be undertaken by the Company s employees, directors and officers, including the named executive officers. The Company has authorized the use of stock trading plans that comply with Rule 10b5-1 under the Exchange Act. Under such a qualified plan, trading may occur at any time pursuant to a pre-approved trading plan over which the officer or director has no discretion or control. In addition, the Insider Trading Policy contains a prohibition against writing or trading in options on our securities or otherwise engaging in

derivative or hedging transactions involving our securities. The Company does not have a policy restricting the ability of officers or directors, including our named executive officers, from pledging or otherwise using our securities to collateralize indebtedness. While the Company encourages and promotes share ownership by all of its employees, it does not have a written policy concerning share ownership by executive officers or other employees.

Post year-end actions affecting compensation

As discussed above, in February of each year the compensation committee determines the cash incentive compensation and/or bonuses for the executive officers for services provided during the previous fiscal year. The compensation committee also determines equity incentive compensation awards for the named executive officers, taking into account services provided during the previous fiscal year and the intended incentive for long-term employment and performance.

At the February meeting each year, the compensation committee also sets the range of threshold, target and maximum cash incentive compensation awards that each named executive officer will be eligible to receive based on achievement of the Company s adjusted EBITDA target for the then-current year as the first component of the cash incentive awards. All salaries, equity incentive awards, potential 2007 cash incentive awards and the adjusted EBITDA target related thereto applicable to the named executive officers are subject to the full Board approval of the final budget in the Board meeting immediately following the compensation committee meeting.

2006 SUMMARY COMPENSATION TABLE

The table below summarizes the total compensation paid or earned by each of the named executive officers for the fiscal year ended December 31, 2006. The named executive officers did not receive payments which would be characterized as Bonus payments for the fiscal year ended December 31, 2006. Amounts listed under the column Non-Equity Incentive Plan Compensation, were determined by the Committee at its February 12, 2007 meeting and were paid shortly thereafter.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (3)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Todd M. Hornbeck Chairman, President & CEO	2006	$ 450,000	$	$ 160,060	$ 499,895	$ 900,000	$	$ 47,032	$ 2,056,987
James O. Harp, Jr. Executive Vice President & CFO	2006	270,000		77,896	204,072	405,000		32,263	989,231
Carl G. Annessa Executive Vice President & COO	2006	290,000		77,896	207,138	435,000		32,118	1,042,152
Samuel A. Giberga Sr. Vice President & General Counsel	2006	225,000		62,690	115,367	196,875		7,308	607,240
John S. Cook Vice President & CIO	2006	200,000		56,021	99,071	175,000		6,708	536,800

(1) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with FAS 123R of awards pursuant to our incentive compensation plan. Assumptions used in the calculation of these amounts are included in Note 8 to the Company s consolidated financial statements for the fiscal year ended December 31, 2006 included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2007.

(2) The amounts in this column reflect the cash incentive payments to the named executives under both components of annual cash incentive compensation pursuant to the incentive compensation plan and for Messrs. Todd Hornbeck, Harp and Annessa, their employment agreements. See Compensation Discussion and Analysis above for additional information on the cash incentive compensation components and see Employment Agreements below for additional information on the employment agreements.

(3) The amounts in this column reflect for each named executive officer:

Matching contributions allocated by the Company to each of the named executive officers pursuant to the Hornbeck Offshore Services, Inc. 401(k) plan;

The premiums paid for term life insurance policies;

Claims paid under the supplemental health insurance policies for Messrs. Todd Hornbeck, Harp and Annessa of $6,772, $6,725 and $10,373, respectively;

Automobile, fuel and insurance expenses on Company-provided vehicles for Messrs. Todd Hornbeck, Harp and Annessa of $28,895, $18,230 and $14,437, respectively. The amounts reflect the actual lease payments, fuel and insurance costs for Messrs. Todd Hornbeck and Annessa. Mr. Harp s automobile is owned by the Company and his cost includes the 2006 depreciation of the vehicle and his actual fuel and insurance costs.

Employment Agreements

Todd M. Hornbeck serves as our President and Chief Executive Officer, James O. Harp, Jr. serves as our Executive Vice President and Chief Financial Officer and Carl G. Annessa serves as our Executive Vice President and Chief Operating Officer. Each of Messrs. Todd Hornbeck, Harp and Annessa serves under an employment agreement, as amended, with a current term expiring December 31, 2009. The terms of each of their agreements automatically extend for an additional year every January 1, unless

terminated before any such date by the employee or us.

For a detailed description of the determination of the base salary amounts and performance measures, please see the discussion above under the caption Compensation Discussion and Analysis.

For the fiscal year ended December 31, 2006, the employment agreements of Messrs. Todd Hornbeck, Harp and Annessa , in each case, as amended, provided for annual base salaries of $450,000, $270,000 and $290,000 respectively. Their annual base salaries for 2007 have been increased to $500,000, $300,000 and $335,000 respectively.

Equity Compensation Plan Information

Our Board of Directors and stockholders adopted an Incentive Compensation Plan, which was amended and restated with their respective approvals in 2006. The purpose of the Second Amended and Restated Incentive Compensation Plan, or the incentive compensation plan, is to make awards with the purpose of strengthening our Company by providing an incentive to our employees, officers, consultants, non-employee directors and advisors to devote their abilities and energies to our success. The incentive compensation plan provides for the granting or awarding of incentive and nonqualified stock options, stock appreciation and dividend equivalent rights, restricted stock, performance awards and any other awards. All outstanding awards relate to our common stock. With the approval of our stockholders, we have reserved 3,500,000 shares of our common stock for issuance pursuant to awards made under the incentive compensation plan, of which 869,315 shares were available for future grants as of February 28, 2007. On May 3, 2005, our Board of Directors and stockholders adopted the Hornbeck Offshore Services, Inc. 2005 Employee Stock Purchase Plan, or ESPP. Under the ESPP, the Company is authorized to issue up to 700,000 shares of common stock to eligible employees of the Company and its designated subsidiaries, of which 675,616 shares were available for future issuance as of February 28, 2007.

The following table summarizes information as of December 31, 2006 about our plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(3)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,535,764	$ 18.01	2,001,265
Equity compensation plans not approved by security holders			
Total	1,535,764	$ 18.01	2,001,265

(1) This amount includes:

1,215,954 shares issuable upon the exercise of outstanding stock options;

239,117 shares of restricted stock granted in 2006; and

80,693 shares governed by restricted stock unit awards granted in 2006;

but does not include the effect of 397,782 shares governed by restricted stock unit awards granted in connection with annual compensation reviews in early 2007 in part for services rendered in 2006.

(2) The weighted average exercise price of outstanding options, warrants and rights does not take into account restricted stock awards or restricted stock unit awards, since these awards have no exercise price.

(3) This amount includes 1,325,649 and 675,616 shares of common stock available for future issuance under the incentive compensation plan and the ESPP, respectively.

The incentive compensation plan is administered by the compensation committee. Subject to the express provisions of the incentive compensation plan and directions from the Board, the committee is authorized, among other things:

to select the persons to whom stock, options and other awards will be granted;

to determine the type, size and terms and conditions of stock options, restricted stock, restricted stock units and other awards;

to establish the terms for treatment of stock options and other awards upon a termination of employment; and

to delegate to the Chief Executive Officer and to other senior officers of the Company its duties under the incentive compensation plan related to non-executive employee compensation pursuant to conditions or limitations as the compensation committee may establish, subject to certain limitations.

Under the incentive compensation plan, awards other than stock options and stock appreciation rights given to any of our executive officers whose compensation must be disclosed in our annual securities filings, in order to be fully deductible by the Company for federal income tax purposes, must be based on the attainment of certain performance goals established by the compensation committee. The compensation committee, generally, has tried to design the compensation payable to the Company s named executive officers so that it is fully deductible by the Company. Under the incentive compensation plan, the performance measures that may be used by the compensation committee to establish any performance goal that must be attained are limited to earnings per share, return on assets, return on equity, return on capital, net profits after taxes, net profits before taxes, operating profits, EBITDA, stock price and sales or expenses. Additionally, material terms of the performance goals must include the maximum amount of compensation that could be paid any employee, or the formula for calculating the amount of compensation payable if the goals are met; and both the goals and the formulas must be sufficiently objective so that a third party with knowledge of the relevant performance results could assess that the goals were met and calculate the amount to be paid.

Consistent with certain provisions of the Code, there are other restrictions providing for a maximum number of shares that may be granted in any one year to a named executive officer and a maximum amount of compensation payable as an award under the incentive compensation plan (other than stock options and stock appreciation rights) to a named executive officer.

2006 GRANTS OF PLAN-BASED AWARDS

The following table provides information about the equity and non-equity awards we made to our named executive officers under our incentive compensation plan during the year ended December 31, 2006.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($ / Sh)	($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Todd M. Hornbeck	2/14/2006	$	$	$					49,000	$ 33.15	$ 610,917
Chairman, President & CEO	2/14/2006					15,000	30,000				559,904
James O. Harp, Jr.	2/14/2006								13,500	33.15	168,314
Executive Vice President & CFO	2/14/2006					7,300	14,600				272,486
Carl G. Annessa	2/14/2006								13,500	33.15	168,314
Executive Vice President & COO	2/14/2006					7,300	14,600				272,486
Samuel A. Giberga	2/14/2006								10,700	33.15	133,404
Sr. Vice President & General Counsel	2/14/2006					5,875	11,750				219,296
John S. Cook	2/14/2006								9,500	33.15	118,443
Vice President & CIO	2/14/2006					5,250	10,500				195,966

(1) There are no estimated future payouts of non-equity incentive plan awards under the incentive compensation plan. The actual amounts for the 2006 non-equity incentive plan awards paid to the named executive officers in early 2007 for services rendered in 2006 are shown above in the 2006 Summary Compensation Table under the column heading Non-Equity Compensation Plan Compensation.

(2) Amounts in these columns represent restricted stock awards granted to our named executive officers during 2006. The actual number of shares and the related dollar amounts that will be received by the named executive officers under the restricted stock awards included in this column will be calculated as a percentage of the target number of shares of restricted stock awarded to the named executive officers, or the Target Shares, based on the relative stock price performance ranking of the Company compared to a defined peer group for the three-year period ending February 14, 2009, as follows: (1) if the Company ranks in the top 20%, the executive officer will receive 200% of the Target Shares; (2) if the Company ranks in the top 33 1/3% but below the top 20%, the named executive officer will receive between 150% and 200% of the Target Shares; (3) if the Company ranks in the top 50% but below the top 33 1/3%, the executive officer will receive between 100% and 150% of the Target Shares; (4) if the Company ranks in the top 66 2/3% but below the top 50%, the executive officer will receive between 50% and 100% of the Target Shares; and (5) if the Company ranks in the bottom 33 1/3%, the executive officer will receive no shares. Within categories (2), (3) and (4), the appropriate bonus and forfeiture factors related to the Target Shares amount will be interpolated on a straight-line basis between the two performance percentages. The peer group is comprised of the 15 public companies in the OSX and three additional public peers in the energy-related offshore marine industry.

2006 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table summarizes the equity awards we have made to our named executive officers that are outstanding as of December 31, 2006.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) (1) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (3)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Todd M. Hornbeck		49,000		$ 33.15	2/14/2016			30,000	$ 1,071,000
Chairman, President & CEO	18,333	36,667		23.10	2/22/2015				
	40,000	20,000		13.83	2/17/2014				
	25,500			11.20	3/13/2013				
	27,100			6.63	3/9/2011				
James O. Harp, Jr.		13,500		33.15	2/14/2016			14,600	521,220
Executive Vice President & CFO	8,333	16,667		23.10	2/22/2015				
	21,333	10,667		13.83	2/17/2014				
	17,000			11.20	3/13/2013				
	10,000			6.63	1/15/2011				
Carl G. Annessa		13,500		33.15	2/14/2016			14,600	521,220
Executive Vice President & COO	8,333	16,667		23.10	2/22/2015				
	22,666	11,334		13.83	2/17/2014				
	17,000			11.20	3/13/2013				
	5,000			6.63	3/9/2011				
Samuel A. Giberga		10,700		33.15	2/14/2016			11,750	419,475
Sr. Vice President & General Counsel	5,000	10,000		23.10	2/22/2015				
	6,666	3,334		13.83	2/17/2014				
John S. Cook		9,500		33.15	2/14/2016			10,500	374,850
Vice President & CIO	4,000	8,000		23.10	2/22/2015				
	5,333	2,667		13.83	2/17/2014				
	3,600			11.20	3/13/2013				
	12,000			6.63	5/28/2012				

(1) All options listed in this column vest at a rate of 33 1/3% over the first three years starting on the first anniversary date of the ten-year option term.

(2) The performance-based restricted stock shares will vest, depending on the Company s relative stock price performance, versus its peer group, for the period from the grant date through February 14, 2009. The number of shares in this column reflects the maximum amount of shares that could be earned. If the payout of this restricted stock award had occurred on December 31, 2006 based on the performance requirements

defined in the award agreements, the named executive officers would have earned 50% of the Target Shares. See footnote (1) to 2006 Grants of Plan-Based Awards table above for more information.

(3) The amounts in this column equal the number of shares of restricted stock indicated in column (i) multiplied by the closing price of our common stock as of December 31, 2006 ($35.70).

2006 OPTION EXERCISES AND STOCK VESTED TABLE

The following Option Exercises and Stock Vested table provides additional information about the value realized by the named executive officers on option award exercises and stock award vesting during the year ended December 31, 2006.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**
Todd M. Hornbeck		$		$
Chairman, President & CEO				
James O. Harp, Jr.				
Executive Vice President & CFO				
Carl G. Annessa	25,000	691,475		
Executive Vice President & COO				
Samuel A. Giberga				
Sr. Vice President & General Counsel				
John S. Cook				
Vice President & CIO				

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Potential payments upon termination or change in control to Messrs. Todd Hornbeck, Harp and Annessa are governed by the terms of their respective employment agreements. The other named executive officers are not covered under an employment agreement and any payment or the provision of other benefits to them or their respective estates would be determined by the terms of any applicable equity compensation award agreement or by the compensation committee in its discretion.

Payments Made Upon Termination Without Good Cause

Under the employment agreements, in the event any of Messrs. Todd Hornbeck, Harp or Annessa are terminated without good cause as defined in the employment agreements: (i) his unvested stock options would vest upon the termination event, (ii) his performance-based restricted stock would vest at the Target Share amount; and (iii) he would be entitled to his base salary, cash incentive compensation, automobile, and medical and other benefits through the actual expiration date of his agreement.

Payments Made Upon a Change in Control

For purposes of the employment agreements of Messrs. Todd Hornbeck, Harp and Annessa and the incentive compensation plan, a change in control means:

(1) The obtaining by any party or group acting in concert (other than current stockholders or their affiliates) of fifty percent or more of the voting shares of the Company pursuant to a tender offer for such shares as provided under Rule 14d-2 promulgated under the Exchange Act, or any subsequent comparable federal rule or regulation governing tender offers;

(2) Individuals who were members of the Company s Board of Directors immediately prior to any particular meeting of any of the Company s stockholders that involves a contest for the election of directors fail to constitute a majority of the members of the Company s Board of Directors following such election;

(3) The Company executing an agreement concerning the sale of substantially all of its assets to an outside purchaser;

(4) The Company s adoption of a plan of dissolution or liquidation; or

(5) The Company executing an agreement concerning a merger or consolidation in which the Company is not the surviving corporation or if, immediately following such merger or consolidation, less than fifty percent of the surviving corporation s outstanding voting stock is held by persons who were stockholders of the Company immediately prior to the merger or consolidation or their affiliates.

If we should undergo a change in control while the employment agreements are in effect and any of Messrs. Todd Hornbeck, Harp or Annessa is either constructively or actually terminated under the conditions set forth in his agreement, then he will be entitled to receive three times his salary for the year in which the termination occurs, three years of medical and other insurance benefits from the date of termination and, in general, three times the cash incentive compensation and bonus, if applicable, he received for the previous year. To the extent that such medical benefits may be taxable to the employee or his dependents, the Company would gross up the employee for such taxes based on the employee s actual tax rate. In addition, upon a change in control, all unvested stock option shares fully vest and the performance-based restricted stock awards vest at the Company s actual performance level based on the stock price performance through the date immediately prior to the change in control.

Payments Made Upon Voluntary Termination or Termination with Cause

If the employment of any of Messrs. Todd Hornbeck, Harp or Annessa is terminated for good cause or if any of Messrs. Todd Hornbeck, Harp or Annessa voluntarily terminates his employment with the Company, the Company will pay any compensation earned but not paid to him prior to the effective date of termination. Mr. Todd Hornbeck may voluntarily terminate his employment by giving at least ninety days notice. Messrs. Harp and Annessa may voluntarily terminate their employment by giving at least thirty days notice. At that time, the Company would have the right to relieve the employee of their duties; however their salary would continue during the notice period.

Payments Made Upon Death

In the event of the death of a named executive officer (i) his performance-based restricted stock would vest at the Target Share amount and (ii) his estate would receive life insurance proceeds from the Company paid term life insurance policies that were in effect on the date of his death. If any of Messrs. Todd Hornbeck, Harp or Annessa die during the term of his employment, the Company shall pay to his estate the compensation that such executive would have earned for a period of one year, including any bonus or cash incentive compensation earned but not yet paid, and his dependents would be entitled to benefits, including medical, and other benefits and use of the Company automobile for a period of one year.

Payments Made Upon Permanent Disability

In the event any of our named executive officers becomes permanently disabled, his performance-based restricted stock award would vest at the Target Share amount and he would be eligible to receive salary continuation benefits under the Company s disability plan, which is the same plan that all employees participate in after one year of service.

Payments Made Upon Non-renewal of an Employment Agreement

If an employment agreement is not renewed, following payment for the balance of the term of the agreements Messrs. Todd Hornbeck, Harp and Annessa would be entitled to receive an amount equal to one-half of the employee s basic annualized salary for the year preceding such termination plus medical, dental and life insurance benefits for a period of six months after termination.

Material Conditions and Obligations Under the Employment Agreements

Mr. Todd Hornbeck has agreed that during the term of his agreement and Messrs. Harp and Annessa have each agreed that during the term of their respective agreements and for a period of one year after termination, they will not (1) be employed by or associated with or own more than 5% of the outstanding securities of any entity that competes with us in the locations in which we operate, (2) solicit any of our employees to terminate their employment or (3) accept employment with or payments from any of our clients or customers who did business with us while employed by us. We may elect to extend Mr. Annessa s noncompetition period for an additional year by paying his compensation and other benefits for an additional year.

The following table shows the amount of compensation payable to each to our named executive officers under existing contracts, agreements, plans or arrangements, whether written or unwritten, for various scenarios involving termination of employment or a change in control event. The amounts shown assume that such termination was effective as of December 31, 2006, and thus include amounts earned through such time and are estimates of the amounts which would be paid out to the named executive officers upon their termination. The equity value calculations use the closing price of our common stock as of December 31, 2006 ($35.70). The actual amounts to be paid out can only be determined at the time of such executive s separation from the Company.

2006 POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Name	Benefit	Termination w/o Cause Before Change in Control	Change in Control	Actual or Constructive Termination After Change in Control	Voluntary Termination	Death	Permanent Disability (1)	Non-Renewal of Employment Contract
Todd M. Hornbeck	Salary	$ 900,000	$	$ 1,350,000	$	$ 450,000	$	$ 225,000
Chairman, President & CEO	Cash Incentive Compensation	2,700,000(2)		1,800,000		900,000		
	Medical, Dental and Life Insurance(3)	38,579		57,868		318,605(4)		6,051
	Automobile	57,790		86,685		28,895		14,448
	Stock Option Vesting Acceleration	1,024,454	1,024,454(5)	1,024,454(5)				
	Stock Award Vesting Acceleration	535,500	267,750(5)	267,750(5)		535,500	535,500	
	Total	5,256,323	1,292,204	4,586,757		2,233,000	535,500	245,498
James O. Harp, Jr.	Salary	540,000		810,000		270,000		135,000
Executive Vice President & CFO	Cash Incentive Compensation	1,215,000(2)		967,500		405,000		
	Medical, Dental and Life Insurance(3)	38,579		57,868		318,605(4)		6,051
	Automobile	36,460		54,690		18,230		9,115
	Stock Option Vesting Acceleration	477,770	477,770(5)	477,770(5)				
	Stock Award Vesting Acceleration	260,610	130,305(5)	130,305(5)		260,610	260,610	
	Total	2,568,419	608,075	2,498,133		1,272,445	260,610	150,166
Carl G. Annessa	Salary	580,000		870,000		290,000		145,000
Executive Vice President & COO	Cash Incentive Compensation	1,305,000(2)		1,080,000		435,000		
	Medical, Dental and Life Insurance(3)	38,579		57,868		318,605(4)		6,051
	Automobile	28,874		43,311		14,437		7,219
	Stock Option Vesting Acceleration	492,360	492,360(5)	492,360(5)				
	Stock Award Vesting Acceleration	260,610	130,305(5)	130,305(5)		260,610	260,610	
	Total	2,705,423	622,665	2,673,844		1,318,652	260,610	158,269
Samuel A. Giberga	Salary							
Sr. Vice President & General Counsel	Cash Incentive Compensation							
	Medical, Dental and Life Insurance					300,000(4)		
	Automobile							
	Stock Option Vesting Acceleration		226,216					
	Stock Award Vesting Acceleration		104,869			209,738	209,738	
	Total		331,085			509,738	209,738	
John S. Cook	Salary							
Vice President & CIO	Cash Incentive Compensation							
	Medical, Dental and Life Insurance					300,000(4)		
	Automobile							
			183,366					

Stock Option Vesting Acceleration			
Stock Award Vesting Acceleration	93,713	187,425	187,425
Total	277,079	487,425	187,425

(1) The named executive officers would also be eligible to receive salary continuation benefits under the Company s disability plan, which is the same plan that all employees participate in after one year of service.
(2) These amounts include cash incentive payments that the named executive officers would be entitled to receive for 2006, 2007 and 2008.
(3) These amounts include estimated gross up payments on medical benefits, assuming such medical benefits are taxable to the named executive officer at a tax rate of 35%.
(4) This amount includes $300,000 from life insurance proceeds payable to the named executive officer s beneficiaries upon his death.
(5) The acceleration of the vesting of equity plan awards happens upon the occurrence of a change in control and prior to an actual or constructive termination. The amounts that would be payable to Messrs. Todd Hornbeck, Harp and Annessa due to the vesting acceleration are reflected in the column entitled Change in Control and are also reflected in the column entitled Actual or Constructive Termination after Change in Control in order to show the combined effect of a change in control and subsequent termination.

Compensation of Directors

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2006.

2006 Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1) (2)	Option Awards ($) (1) (3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Larry D. Hornbeck	$ 32,400	$ 82,875	$ 33,359	$	$	$	$ 148,634
Bruce W. Hunt	37,200	82,875	33,359				153,434
Steven W. Krablin	42,000	72,642	23,311				137,953
Patricia B. Melcher	45,600	72,642	33,338				151,580
Bernie W. Stewart	43,600	82,875	33,359				159,834
David A. Trice	36,800	72,642	33,338				142,780
Andrew L. Waite (4)	23,500	82,875	33,359				139,734

(1) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with FAS 123R of awards pursuant to the incentive compensation plan. Assumptions used in the calculation of these amounts are included in Note 8 to the Company s consolidated financial statements for the fiscal year ended December 31, 2006 included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2007.

(2) This grant has a grant date fair value of $33.15, which was the closing price on the date of grant. Messrs. Larry Hornbeck, Hunt, Stewart and Waite were all considered to be eligible to retire , as defined under FAS 123R, at the date of the grant under the rules of the incentive compensation plan and, therefore, their shares were fully expensed upon the granting of their shares under FAS 123R. All of the directors had 2,500 shares of time-based restricted stock outstanding at December 31, 2006.

(3) At December 31, 2006, Mr. Larry Hornbeck had 24,125 options outstanding; Mr. Hunt had 33,725 options outstanding; Mr. Krablin had 4,000 options outstanding; Ms. Melcher had 9,659 options outstanding; Mr. Stewart had 35,219 options outstanding; and Mr. Trice had 12,125 options outstanding.

(4) Effective August 1, 2006 Mr. Waite resigned from the Board of Directors.

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill-level required by the Company of members of the Board. Our Chairman, who is also our employee, receives no additional compensation for serving as a director.

Effective as of February 14, 2006, the Board of Directors approved a revised non-employee director compensation policy. For the fiscal year ended December 31, 2006, each non-employee director was entitled to receive an annual cash retainer of $26,000 and attendance fees of $1,200 for each Board meeting attended in person, $800 for each Board meeting attended by telephonic communications, and $800 for each committee meeting attended in person or by telephonic communications. The Chair of each of the audit and compensation committees was each entitled to an additional total retainer of $8,000. Under the revised policy, non-employee directors are entitled to receive a minimum annual grant of options to purchase 4,000 shares of common stock or an award of 2,500 restricted shares of

35

common stock, or some combination of the same, with such options or restricted shares being granted under the incentive compensation plan. The minimum annual grant or award is subject to annual review and may be increased at the discretion of the compensation committee.

The non-employee director compensation policy also provides for longevity service awards to non-employee directors. Upon completion of three years of service as a non-employee director, a director is granted shares of restricted stock and options to purchase the number of shares of common stock equaling 25% of the shares of restricted stock and options granted to such director over the previous three years. Upon completion of five years of service as a non-employee director, a director will be granted shares of restricted stock and options to purchase the number of shares of common stock equaling 50% of the shares of restricted stock and options granted to such director over the previous five years less the number of shares of restricted stock and shares covered by the options awarded to such director after three years of service. Thereafter, upon completion of each successive period of five years of service, a non-employee director will be granted shares of restricted stock and options to purchase the number of shares of common stock equaling 50% of the shares of restricted stock and options granted to such director over the previous five years.

After three years of service as a non-employee director, a non-employee director and his immediate family could elect to participate in the same insurance benefit programs sponsored by the Company on the same monetary terms as our employees. All directors are entitled to be reimbursed for their out-of-pocket expenses incurred in connection with serving on our Board.

In addition to the cash compensation received for their service as directors during 2006 under the terms of the revised non-employee director compensation policy described above, effective February 13, 2007 the compensation committee awarded each of the following non-employee directors 3,000 shares as restricted stock units: Ms. Melcher and Messrs. Larry Hornbeck, Hunt, Krablin, Stewart and Trice. The forfeiture provisions of these restricted stock unit awards lapse on February 13, 2008. On February 12, 2007, the compensation committee approved an increase, effective January 1, 2007, in the annual cash retainer for non-employee directors to $32,500.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on the review and discussions referenced above, the compensation committee recommended to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in this Proxy Statement.

COMPENSATION COMMITTEE OF THE

BOARD OF DIRECTORS

Steven W. Krablin (Chair)

Bernie W. Stewart

David A. Trice

February 28, 2007

Compensation Committee Interlocks and Insider Participation

The current members of our compensation committee are Messrs. Krablin, Stewart, and Trice. None of our executive officers, employees or former executive officers serve on the compensation committee. None of our executive officers serve as a member of a compensation committee or Board of Directors of any other entity, which has an executive officer serving as a member of our Board of Directors.

Mr. David A. Trice, one of our directors and member of the compensation committee, serves as the President, Chief Executive Officer and Chairman of the Board of Directors of Newfield Exploration Company (NYSE:NFX). From time to time in the ordinary course of business, Newfield Exploration Company is a customer of the Company. In 2006, total payments to the Company from Newfield Exploration Company were approximately $1,400,000. These transactions, taken in the aggregate, were not considered material to the Company or Newfield Exploration Company and did not exceed any applicable independence determination thresholds.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our voting securities as of March 27, 2007:

- each person who is known to us to be the beneficial owner of more than 5% of our voting securities;
- each of our directors; and
- each of our executive officers and all of our executive officers and directors as a group.

Unless otherwise indicated, each person named below has an address in care of our principal executive offices and has sole power to vote and dispose of the shares of voting securities beneficially owned by them, subject to community property laws where applicable.

Name	Shares of Common Stock Beneficially Owned ( )	Percentage of Common Stock Beneficially Owned (%)
Executive Officers and Directors:		
Todd M. Hornbeck	706,758(1)	2.7
James O. Harp, Jr.	117,161(2)	*
Carl G. Annessa	141,909(3)	*
Samuel A. Giberga	35,616(4)	*
John S. Cook	46,008(5)	*
Larry D. Hornbeck	167,879(6)	*
Bruce W. Hunt	52,891(7)	*
Steven W. Krablin	4,333(8)	*
Patricia B. Melcher	39,691(9)	*
Bernie W. Stewart	36,385(10)	*
David A. Trice	15,291(11)	*
All directors and executive officers as a group (11 persons)	1,363,922(12)	5.2
Other 5% Stockholders:		
FMR Corp	2,764,011(13)	10.7
William Herbert Hunt Trust Estate	2,058,390(14)	8.0

* Indicates beneficial ownership of less than 1% of the total outstanding common stock.
Beneficial ownership is a term broadly defined by the Commission in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and includes more than typical forms of stock ownership, that is, stock held in the person s name. The term also includes what is referred to as indirect ownership , meaning ownership of shares as to which a person has or shares investment or voting power. For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of March 27, 2007 that such person or group has the right to acquire within 60 days after such date.

(1) Includes 20,000 shares held by two family trusts for which Todd M. Hornbeck either serves as trustee or holds voting power pursuant to a power of attorney, options to purchase an aggregate of 165,599 shares, and 30,000 shares of performance-based restricted stock that are subject to forfeiture.

(2) Includes options to purchase an aggregate of 80,166 shares of common stock and 14,600 shares of performance-based restricted common stock that are subject to forfeiture.
(3) Includes options to purchase an aggregate of 77,166 shares of common stock and 14,600 shares of performance-based restricted common stock that are subject to forfeiture.
(4) Includes options to purchase an aggregate of 23,566 shares of common stock and 11,750 shares of performance-based restricted common stock that are subject to forfeiture.
(5) Includes options to purchase an aggregate of 34,766 shares of common stock and 10,500 shares of performance-based restricted common stock that are subject to forfeiture.

(6) Includes options to purchase an aggregate of 22,791 shares of common stock.
(7) Includes options to purchase an aggregate of 32,391 shares of common stock. Mr. Hunt is a representative of the William Herbert Hunt Trust Estate. As such, Mr. Hunt may be deemed to have voting and dispositive power over the shares beneficially owned by the Trust Estate, as described in the table above and the related footnotes. Mr. Hunt disclaims beneficial ownership of the shares owned by the Trust Estate.
(8) Includes options to purchase an aggregate of 1,333 shares of common stock.
(9) Includes options to purchase an aggregate of 8,325 shares of common stock.
(10) Includes options to purchase an aggregate of 33,885 shares of common stock.
(11) Includes options to purchase an aggregate of 10,791 shares of common stock.
(12) Includes options to purchase an aggregate of 490,779 shares of common stock and 81,450 shares of restricted common stock that are subject to forfeiture.
(13) Based on a Schedule 13G/A dated March 12, 2007 filed with the SEC reflecting shares beneficially owned by the reporting person. FMR Corp s address is 82 Devonshire Street, Boston Massachusetts 02109. The beneficial ownership by FMR Corp. exceeded 10% as a result of a reduction in the announced aggregate number of issued and outstanding shares of common stock of the Company pursuant to a Company share repurchase transaction approved by the Board and, accordingly, there was no triggering event under the Company s Rights Agreement dated June 18, 2003, as amended.
(14) Based on a Schedule 13G dated February 8, 2005 filed with the SEC to reflect shares beneficially owned by the reporting person at December 31, 2004. To the Company s knowledge, there were no transactions by the Trust Estate relating to the Company in 2005 or 2006. The Trust Estate s address is 3900 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas 75201.

Certain Relationships and Related Transactions

The following is a discussion of transactions between our Company and its executive officers, directors and stockholders owning more than 5% of our common stock. We believe that the terms of each of these transactions were at least as favorable as could have been obtained in similar transactions with unaffiliated third parties.

Under the terms of certain agreements, various persons, including Todd M. Hornbeck, Troy A. Hornbeck, Larry D. Hornbeck, James O. Harp, Jr., Carl G. Annessa, Patricia B. Melcher, David A. Trice, and the William Herbert Hunt Trust Estate, have the right to include some or all of their shares of common stock of the Company in any registration statement that we file involving our common stock, subject to certain limitations. Messrs. Todd and Troy Hornbeck and the holders of a majority of the shares of our common stock issued in a November 2000 private placement, are entitled to require us to file a registration statement under the Securities Act of 1933 to sell some or all of the common stock held by them.

Todd M. Hornbeck and Troy A. Hornbeck have agreed to give us notice of and an opportunity to make a competing offer regarding a decision by either of them to sell or consider accepting an offer to sell to a single person or entity shares of common stock representing 5% or more of our common stock, other than in compliance with Rule 144 or to an affiliate or family member of the holder. In addition, certain purchasers that participated in our 2003 private placement agreed to a similar restriction prohibiting the transfer of any of their shares of our common stock to any person or entity that is a competitor of ours.

The Company has entered into indemnity agreements with its executive officers and directors that provide, among other things, that the Company will indemnify such officer or director, under the circumstances and to the extent provided in the agreement, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as an executive officer and director of the Company, and otherwise to the fullest extent permitted under Delaware law and the Company s Bylaws. These agreements are in addition to the indemnification provided to the Company s officers and directors under its Bylaws and in accordance with Delaware law. The Company has agreed to indemnify Todd M. Hornbeck,

the Company s President and Chief Executive Officer for any claims, demands, causes of action and damages that may arise from use of his personal boat for Company business purposes.

For the past nine years, Larry D. Hornbeck s family has personally supported the development of the Company by hosting numerous events at the Hornbeck Family Ranch, located in Houston County, Texas, including constructing at their own expense, a hunting lodge and related facilities. The Hornbeck Family Ranch and related facilities have been used for functions intended to foster client and vendor relations, management retreats, Board meetings and special Company promotional events. Until December 31, 2005, these facilities were used by the Company without charge.

The Board has determined that the use of the Hornbeck Family Ranch in the past and going forward has been and is beneficial to the Company s business. As of February 14, 2006, the Company entered into a Facilities Use Agreement and effected an amendment to an existing Indemnification Agreement with Larry D. Hornbeck, one of our directors. The Facilities Use Agreement and the amendment to such Indemnification Agreement are effective as of January 1, 2006, and were approved by our audit committee and by the independent members of the Board of Directors on February 14, 2006. The Indemnification Agreement, as amended, provides that the Company will indemnify Mr. Larry Hornbeck and certain other indemnitees for any claims, demands, causes of action and damages that may arise out of the Company s use of the Hornbeck Family Ranch and related facilities.

The agreements govern the Company s use of the Hornbeck Family Ranch and related facilities. The Facilities Use Agreement will remain in effect until December 31, 2007 unless it is terminated or extended by its terms. The Facilities Use Agreement automatically renews on an annual basis unless either party provides the other party 30 day s written notice of termination. The Facilities Use Agreement also provides that the Company will pay Mr. Larry Hornbeck an annual use fee of $150,000 for the Company s use of the facilities and reimburse Mr. Larry Hornbeck for certain other variable costs related to the Company s use of the ranch facility. In addition to costs incurred directly by the Company for such activities, the Company replenishes expendable goods used by Company invitees to the facility.

In 2006, Larry D. Hornbeck transferred ownership of the land on which the Hornbeck Family Ranch is located to a family limited partnership in which trusts on the behalf of the children of Todd M. Hornbeck and Troy A. Hornbeck are the limited partners. The general partner of the family limited partnership is controlled by Todd M. Hornbeck and Troy A. Hornbeck. The family limited partnership has entered into a long-term lease with Larry Hornbeck and acknowledged and agreed to the Company s use of the Hornbeck Family Ranch and related facilities under the Facilities Use Agreement and the Indemnification Agreement.

The Company has provided, and may, from time to time in the future at its own expense and with Mr. Larry Hornbeck s prior approval, provide additional amenities for its representatives and invitees. Certain of these amenities may, by their nature, remain with the property should the Company ever cease to use the Ranch. In approving the Facilities Use Agreement and establishing the use fee amount, the audit committee and independent members of the Board considered the costs of comparable facilities and determined that the

combined facilities use fee and anticipated reimbursement of variable costs was substantially lower than costs for the use of such comparable facilities.

Mr. David A. Trice, one of our directors, serves as the President, Chief Executive Officer and Chairman of the Board of Directors of Newfield Exploration Company (NYSE:NFX), an independent oil and gas company engaged in the exploration, development and acquisition of crude oil and natural gas properties. From time to time in the ordinary course of business, Newfield Exploration Company is a customer of the Company. In 2006, total payments to the Company from Newfield Exploration Company were approximately $1,400,000.

Review, Approval or Ratification of Transactions with Related Persons.

We review any transaction in which the Company, a subsidiary of the Company, and our directors, executive officers or their immediate family members or any nominee for director or a holder of more than 5% of any class of our voting security are a participant and the amount of the transaction exceeds $120,000. Our General Counsel is primarily responsible for the development and implementation of processes and controls to obtain information from directors and officers with respect to a related party transaction, including information provided to management in the annual director and officer questionnaires. In addition, the Company has adopted a written Code of Business Conduct and Ethics for members of the Board of Directors that is located on the Governance page of the Company s website, *www.hornbeckoffshore.com*. This policy requires disclosure by directors of any situation that involves, or may reasonably be inferred to involve, a conflict between a director s personal interests and the interests of the Company. The Company s practice when such matters have been disclosed has been to refer the matter for consideration and final determination by the audit committee or the independent directors of the Board, or both, which have considered the fairness of the transaction to the Company, as well as other factors bearing upon its appropriateness. In all such matters, any director having a conflicting interest abstains from voting on the matters.

Compliance with Section 16(a) of the Securities Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Commission and the NYSE. Officers, directors and greater than 10% stockholders are also required by Commission regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on a review of the Forms 3 and 4 and amendments thereto filed during the 2006 fiscal year and written certifications provided to the Company, the Company believes that all of these reporting persons timely complied with their filing requirements.

Audit Committee Report

In accordance with its written charter adopted by the Board of Directors, the audit committee assists the Board in fulfilling its responsibility for oversight of the quality and

integrity of the accounting, auditing and financial reporting practices of the Company. Management is responsible for the Company s financial statements, and the independent auditors are responsible for the examination of those statements.

In keeping with its responsibilities, the audit committee has met and held discussions with management, the independent auditors and the separate accounting consultants engaged to ascertain compliance with Section 404 of the Sarbanes-Oxley Act and to perform the internal audit function. Management represented to the audit committee that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States, and the audit committee has reviewed and discussed the consolidated financial statements with management and the independent auditors, both with and without management present. In addition, the audit committee has discussed with the Company s independent auditors all communications required by generally accepted auditing standards, including those required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees , as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The audit committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and the independent auditor s report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act, and has discussed with the independent auditors all relationships between the auditors and the Company that may bear on the auditor s independence and any relationships that may impact their objectivity and independence and satisfied itself as to the auditor s independence. The audit committee also discussed with management, the independent consultant and professionals performing the internal audit function and the independent auditors the quality and adequacy of the Company s internal controls. The audit committee reviewed with the independent auditor its audit plans, audit scope and identification of audit risks and reviewed the audited financial statements of the Company as of and for the fiscal year ended December 31, 2006, with management and the independent auditors.

Based on the audit committee s discussions with management and the independent auditors, and the audit committee s review of the audited financial statements, representations of management and the report of the independent auditors, the audit committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission. The audit committee reappointed Ernst & Young LLP as independent accountants and auditors for the 2007 fiscal year, subject to stockholder approval.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Patricia B. Melcher (Chair)

Bruce W. Hunt

Steven W. Krablin

Bernie W. Stewart

February 28, 2007

Other Matters

Neither we nor any of the persons named as proxies know of matters other than those described above to be voted on at the 2007 Annual Meeting of Stockholders. However, if any other matters are properly presented at the Annual Meeting, it is the intention of the persons named as proxies to vote in accordance with their judgment on these matters, subject to the direction of the Board of Directors.

Our 2006 Annual Report to Stockholders, which contains a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, accompanies this Proxy Statement, but is not to be deemed a part of the proxy soliciting material.

Stockholders may also obtain a copy of the Company s Annual Report on Form 10-K most recently filed with the Commission without charge by writing to the Corporate Secretary of the Company at 103 Northpark Boulevard, Suite 300, Covington, Louisiana 70433. The Company s Annual Report on Form 10-K and other filings with the Commission may also be accessed on the Company s website at *www.hornbeckoffshore.com* .

By order of the Board of Directors,

Paul M. Ordogne

Corporate Secretary

HORNBECK OFFSHORE SERVICES, INC.

PROXY SOLICITED BY THE BOARD OF DIRECTORS FOR THE

2007 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 1, 2007

The undersigned, revoking any previous proxies for such stock, hereby appoints Todd M. Hornbeck, James O. Harp, Jr. and Paul M. Ordogne proxies of the undersigned with full power of substitution to each, to vote all shares of common stock of Hornbeck Offshore Services, Inc. which the undersigned is entitled to vote at the 2007 Annual Meeting of Stockholders of Hornbeck Offshore Services, Inc. to be held on May 1, 2007, and all postponements or adjournments thereof, with all the power the undersigned would possess if personally present, with authority to vote (i) as specified by the undersigned on the reverse side and (ii) in the discretion of any proxy upon such other business as may properly come before the meeting. The Board of Directors recommends a vote FOR the two director nominees and a vote FOR the ratification of the reappointment of Ernst & Young LLP. This Proxy when properly executed will be voted as directed. If no direction is given, it will be voted FOR each of the above proposals.

Whether or not you plan to attend this meeting, please complete, sign, date and return this proxy card promptly in the enclosed postage-paid envelope.

(Continued and to be signed on the reverse side)

Address Change/Comments (Mark the corresponding box on the reverse side)

Δ FOLD AND DETACH HERE Δ

You can now access your Hornbeck Offshore Services, Inc. account online.

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Mellon Investor Services LLC, Transfer Agent for Hornbeck Offshore Services, Inc., now makes it easy and convenient to get current information on your stockholder account.

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1. Election of Directors To elect two Class I directors to serve on the Company s board of directors for terms of three years or until their successors are duly elected and qualified or until the earlier of their death, resignation or removal:

FOR ALL NOMINEES (except as marked below)	WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES
••	••

Nominees: 01 Bruce W. Hunt

02 Bernie W. Stewart

INSTRUCTION: To withhold authority to vote for any individual nominee, mark FOR ALL NOMINEES and write the nominee s name on the line below.

_____

2. Ratification of Selection of Auditors To ratify the reappointment of Ernst & Young LLP as the Company s independent registered public accountants and auditors for the current fiscal year:

FOR	AGAINST	ABSTAIN
••	••	••

3. Other business To transact such other business as may properly come before the Annual Meeting and any postponements or adjournments thereof.

PLEASE COMPLETE, SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

* Please detach and mail in the envelope provided *

2007 ANNUAL MEETING OF STOCKHOLDERS OF HORNBECK OFFSHORE SERVICES, INC.

May 1, 2007

Signature _____ Date _____ Signature_____ Date _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Δ FOLD AND DETACH HERE Δ

WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING,

BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

Internet and telephone voting is available through 11:59 PM Eastern Time

the day prior to annual meeting day.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner

as if you marked, signed and returned your proxy card.

INTERNET		TELEPHONE
http://www.proxyvoting.com/hos		1-866-540-5760
Use the internet to vote your proxy. Have your proxy card in hand when you access the web site.	**OR**	Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card. To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

Choose **MLink**[SM] for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect**® at www.melloninvestor.com/isd where step-by-step instructions will prompt you through enrollment.