ROWAN COMPANIES INC
Form 11-K
June 29, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 11-K

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___ to ___

Commission File
Number 1-5491

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

LETOURNEAU, INC. SAVINGS AND INVESTMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Rowan Companies, Inc.
2800 Post Oak Boulevard, Suite 5450
Houston, Texas 77056-6189

REQUIRED INFORMATION

The LeTourneau, Inc. Savings and Investment Plan (the Plan) is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of the Plan for and as of the fiscal year and fiscal year-ends reflected therein, which have been prepared in accordance with the financial reporting requirements of ERISA, are attached hereto as Appendix 1 and incorporated herein by this reference.

SIGNATURES

The Plan, Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

LETOURNEAU, INC. SAVINGS AND INVESTMENT PLAN

By: LeTourneau, Inc. Savings
And Investment Plan
Administrative Committee:

/s/ WILLIAM H. WELLS June 29, 2007
William H. Wells

LETOURNEAU, INC. SAVINGS AND INVESTMENT PLAN
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Note: Schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for reporting and disclosure under ERISA have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

LeTourneau, Inc. Savings and Investment Plan:

We have audited the accompanying statements of net assets available for benefits of the LeTourneau, Inc. Savings and Investment Plan (the Plan) as of December 31, 2006 and 2005, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005 and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ McConnell & Jones llp

Houston, Texas

June 20, 2007

LETOURNEAU, INC. SAVINGS AND INVESTMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2006 AND 2005

	2006	**2005**
ASSETS:		
Investment, at fair value:		
Plan interest in Master Trust [1]	$ 48,706,900	$ 43,844,597
Total investments	48,706,900	43,844,597
Receivables:		
Employee contributions receivable	318,710	286,597
Employer contributions receivable	114,768	104,391
Total receivables	433,478	390,988
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	49,140,378	44,235,585
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	58,697	60,434
NET ASSETS AVAILABLE FOR BENEFITS	$ 49,199,075	$ 44,296,019

1 Represents 5% or more of net assets available for benefits.

See Notes to Financial Statements.

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LETOURNEAU, INC. SAVINGS AND INVESTMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	**2005**
ADDITIONS:		
Additions to net assets attributed to:		
Contributions:		
Employee	$ 3,954,451	$ 3,514,870
Employer	1,364,758	1,126,638
Total contributions	5,319,209	4,641,508
Plan interest in net income of Master Trust	3,159,810	3,121,966
TOTAL ADDITIONS	8,479,019	7,763,474
DEDUCTIONS:		
Deductions from net assets attributed to:		
Employee withdrawals	3,575,963	4,547,708
TOTAL DEDUCTIONS	3,575,963	4,547,708
NET INCREASE	4,903,056	3,215,766
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	44,296,019	41,080,253
End of year	$ 49,199,075	$ 44,296,019

See Notes to Financial Statements.

LETOURNEAU, INC. SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

1. PLAN DESCRIPTION

The following brief description of the LeTourneau, Inc. Savings and Investment Plan (the Plan) is provided for general informational purposes only. Participants should refer to the Plan agreement for more complete information.

General The Plan is a defined contribution, individual account 401(k) plan covering substantially all employees of LeTourneau Technologies, Inc. and its wholly owned subsidiaries, collectively referred to herein as LeTourneau .

Participation Employees are eligible to enter the Plan on the January 1 or July 1 immediately following the completion of 1,000 hours of service in the 12-month period beginning on the employee s date of hire and ending on the anniversary of such date.

Funding Plan participants may make contributions of up to 60% of their regular compensation on a before- or after-tax basis. LeTourneau makes a matching contribution equal to 50% of the first 6% of the participant s before-tax contribution. Participants who attain the age of 50 before the end of the Plan year may make additional before-tax contributions to the Plan ($5,000 for 2006 and $4,000 for 2005).

Investment Options The assets of the Plan are held in the Master Trust for Rowan Companies and Affiliates Defined Contribution Plans (the Master Trust) and managed by Fidelity Management Trust Company, the Trustee of the Plan (the Trustee). Plan participants direct the investment of their accounts among the Plan s investment options and may, at their sole discretion, transfer amounts between such options, including the Rowan Companies Unitized Stock Fund, at any time.

Expenses Participants accounts are charged with investment advisory and other fees by the Trustee through charges by the underlying funds. Other expenses of administering the Plan and Master Trust are borne by the Plan or by LeTourneau, at its discretion.

Vesting Provisions Participants are 100% vested at all times in their own contributions, plus any earnings accrued thereon, and achieve 100% vesting in employer matching contributions, plus any earnings thereon, after either three years of qualified service, attainment of age 60 or upon death or disability.

Distributions Participants can obtain lump-sum or installment distributions of vested balances upon termination of employment, retirement, disability or death. Participants may be permitted to withdraw their before-tax account upon attainment of age 59 $^{1}/2$ or hardship in accordance with the terms of the Plan.

Forfeitures Upon termination of employment, participants nonvested balances are forfeited. Such forfeitures can be applied to reduce employer contributions or Plan administrative expenses otherwise payable by LeTourneau. During 2006, LeTourneau utilized approximately $5,000 of employee forfeitures for Plan administrative expenses and approximately $31,000 to reduce employer contribution. At December 31, 2006 and 2005, Plan assets included approximately $720 and $20,600, respectively, of nonvested forfeited accounts.

Plan Termination Although it has not expressed any intention to do so, LeTourneau may terminate the Plan at any time subject to the provisions of the Employee Retirement Income Security Act of 1974. In the event the Plan is terminated, each participant shall be entitled to 100% of all contributions, plus any earnings accrued thereon, as of the date of termination.

Party-in-Interest Transactions The investment by the Trustee of Plan contributions into mutual funds managed by an affiliate of the Trustee are party-in-interest transactions, and the related management fees are deducted from investment earnings. LeTourneau is also a party-in-interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition The Plan s investments are stated at fair value as determined by quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. The net increase (decrease) in fair value of investments consists of the net change in unrealized gains (losses) in fair values and realized gains (losses) upon the sale of investment securities. The net change in unrealized gains (losses) and realized gains (losses) upon sale are determined using fair values as of the beginning of the year or the purchase price if the investment securities are acquired during the year. Participant loans are valued at cost, which approximates fair value.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement basis for that portion attributable to fully benefit responsive investment contracts because it represents the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the amount necessary to adjust the fully benefit-responsive investment contracts from fair value to contract value. The Plan has adopted the FSP for the year ended December 31, 2006 and has retroactively restated the presentation of investments in the accompanying Statement of Net Assets Available for Plan Benefits at December 31, 2005 as required by the FSP.

Payment of Benefits Benefits are recorded when paid.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. RISKS AND UNCERTAINTIES

The Plan provides for various investments in common stock and registered investment companies. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term.

4. INVESTMENT IN ROWAN MASTER TRUST

The Master Trust for Rowan Companies and Affiliates Defined Contribution Plans commingles, for investment and administrative purposes, Plan assets with those of another plan sponsored by Rowan. The Trustee maintains supporting records for the purpose of allocating investment gains or losses to the participating plans. The investment accounts of the Master Trust are valued at fair value at the end of each trading day based upon quoted market prices. Net investment gains or losses for each day are allocated by the Trustee to each participating plan based on the plans relative interest in the investment units of the Master Trust. At December 31, 2006 and 2005, the Master Trust held the following investments:

	2006		2005	
	Amount	%	Amount	%
Investments at fair value:				
Rowan Companies Unitized Stock Fund	$ 19,213,104	16%	$ 16,577,861	15%
Registered investment companies	101,936,261	84%	94,314,152	85%
Total investments at fair value	121,149,365	100%	110,892,013	100%
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	100,247		114,881	
Total Investments	$ 121,249,612		$ 111,006,894	

Investment income for the Master Trust for the years ended December 31, 2006 and 2005 was as follows:

	2006	2005
Investment income:		
Increase (decrease) in fair value of investments:		
Rowan Companies Unitized Stock Fund	$ (1,223,247)	$ 5,497,980
Registered investment companies	(953,673)	3,964,303
Interest and dividends	9,615,379	590,628
Net investment income	7,438,459	10,052,911
Expenses	(22,403)	(17,685)
Net income	$ 7,416,056	$ 10,035,226

The Plan s interest in the Master Trust s total investment units was approximately 40% at December 31, 2006 and 2005, with the balance attributed to the other Rowan-sponsored plan.

5. BENEFIT- RESPONSIVE INVESTMENT CONTRACTS

The Plan has interest in a Stable Value Fund that has investments in fixed income securities and bond funds and may include derivative instruments, such as futures contracts and swap agreements. The stable value fund also enters into a wrapper contract issued by a third-party.

As described in Note 2 above, because these contracts are fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to these contracts. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than zero percent. Such interest rates are reviewed on a quarterly basis for resetting.

6. TAX STATUS OF THE PLAN

The Internal Revenue Service has determined and informed LeTourneau by a letter dated March 24, 2004, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The determination is applicable for Plan amendments executed and/or dated through June 19, 2003. The Plan has been amended since that date; however, the Plan administrator and LeTourneau believe that the Plan continues to be operated in compliance with the applicable requirements of the IRC.

7. TRANSACTIONS WITH PARTIES-IN-INTEREST

Certain Plan investments are funds managed by Fidelity Investments, Inc. (the recordkeeper and trustee) and therefore qualify as party-in-interest transactions. Other party-in-interest investments held by the Plan include Company common stock totalling $4,137,379 and $3,522,457 at December 31, 2006 and 2005, respectively.

Fees paid during the year for legal, accounting, and other professional services rendered by parties-in-interest were based on customary and reasonable rates for such services.

8. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500:

	December 31 2006
Net Assets Available for Benefits per the financial statements	$ 49,199,075
Adjustment from contract value to fair value for fully benefit responsive contracts	(58,697)
Net Assets Available for Benefits per Form 5500	$ 49,140,378

The following is a reconciliation of the changes in net assets available for benefits per the financial statements to Form 5500 for the year ended December 31, 2006:

Increase in Net Assets Available for Benefits per the financial statements	$ 4,903,056
Adjustment from contract value to fair value for fully benefit responsive contracts	(58,697)
Increase in Net Assets Available for Benefits per Form 5500	$ 4,844,359

Exhibit Index

EXHIBIT 23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM