

SMITH INTERNATIONAL INC
 Form 4
 July 02, 2008

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
DORMAN MARGARET K

2. Issuer Name and Ticker or Trading Symbol
SMITH INTERNATIONAL INC [SII]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
PO BOX 60068
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
06/30/2008

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Sr. VP, CFO & Treasurer

HOUSTON, TX 77205
 (City) (State) (Zip)

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

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

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

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) | | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|-----------|---|----------------|
| | | | Code | V | Amount | (D) | Price | | | |
| Common Stock | 06/30/2008 | | M | | 34,000 | A | \$ 19.41 | 90,858 | D | |
| Common Stock | 06/30/2008 | | M | | 26,000 | A | \$ 17.36 | 116,858 | D | |
| Common Stock | 06/30/2008 | | S | | 60,000 | D | \$ 82.4306 (1) | 56,858 | D | |
| Common Stock | | | | | | | | 5,344 (2) | I | By 401(k) Plan |

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

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(9-02)

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

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Employee Stock Option (right to buy) | \$ 19.41 | 06/30/2008 | | M | 34,000 | <u>(3)</u> 12/02/2013 | Common Stock | 34,000 | |
| Employee Stock Option (right to buy) | \$ 17.36 | 06/30/2008 | | M | 26,000 | 12/03/2006 12/03/2012 | Common Stock | 26,000 | |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| DORMAN MARGARET K PO BOX 60068 HOUSTON, TX 77205 | | | Sr. VP, CFO & Treasurer | |

Signatures

Margaret K. Dorman
Date: 07/01/2008

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1)

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Average sale price for an open market transaction executed by a broker-dealer. The price breakdown for the sale includes: 10,000 shares at \$82.4062, 10,000 shares at \$82.3142, 10,000 shares at \$82.3581, 10,000 shares at \$82.3715, 8,500 shares at \$82.40, and 11,500 shares at \$82.6899.

- (2) Includes 17 shares acquired under Smith International's 401(k) Plan since the date of the reporting person's last ownership report.
- (3) The option vested in four equal installments on 12/2/2004, 12/2/2005, 12/2/2006 and 12/2/2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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