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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .... to ....

Commission file number 1-13926

DIAMOND OFFSHORE DRILLING, INC.
(Exact name of registrant as specified in its charter)

Delaware	76-0321760
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15415 Katy Freeway
Houston, Texas
77094
(Address of principal executive offices)
(Zip Code)
(281) 492-5300
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 30, 2003 Common stock, $0.01 par value per share 130,336,455 shares

DIAMOND OFFSHORE DRILLING, INC.

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QUARTER ENDED MARCH 31, 2003

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	MARCH 31, 2003 (UNAUDITED)	DECEMBER 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 195,525	$ 184,910
Marketable securities	495,563	627,614
Accounts receivable	138,297	146,957
Rig inventory and supplies	46,715	45,405
Prepaid expenses and other	27,172	28,870
Total current assets	903,272	1,033,756
DRILLING AND OTHER PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	2,250,999	2,164,627
GOODWILL, NET OF ACCUMULATED AMORTIZATION OF $30,684	21,311	24,714
OTHER ASSETS	35,443	35,668
Total assets	$ 3,211,025	$ 3,258,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 11,155	$ 11,155
Accounts payable	37,144	39,721
Accrued liabilities	65,703	63,113
Taxes payable	7,403	4,413
Total current liabilities	121,405	118,402
LONG-TERM DEBT	928,313	924,475
DEFERRED TAX LIABILITY	360,643	375,309
OTHER LIABILITIES	33,401	33,065
Total liabilities	1,443,762	1,451,251
COMMITMENTS AND CONTINGENCIES (NOTE 9)	--	--
STOCKHOLDERS' EQUITY:		
Preferred stock (par value $0.01, 25,000,000 shares authorized, none issued and outstanding)	--	--
Common stock (par value $0.01, 500,000,000 shares authorized, 133,457,055 shares issued and 130,336,455 shares outstanding at March 31, 2003 and December 31, 2002)	1,335	1,335
Additional paid-in capital	1,263,692	1,263,692
Retained earnings	583,484	621,342
Accumulated other comprehensive loss	(3,123)	(730)
Treasury stock, at net cost (3,120,600 shares at March 31, 2003 and December 31, 2002)	(78,125)	(78,125)
Total stockholders' equity	1,767,263	1,807,514
Total liabilities and stockholders' equity	$ 3,211,025	$ 3,258,765

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	THREE MONTHS ENDED MARCH 31, 2003	2002
REVENUES:		
Contract drilling	$ 139,859	$ 193,668
Revenues related to reimbursable expenses	6,290	7,882
Total revenues	146,149	201,550
OPERATING EXPENSES:		
Contract drilling	113,670	120,947
Reimbursable expenses	5,738	7,212
Depreciation	47,277	42,697
General and administrative	7,200	6,648
Total operating expenses	173,885	177,504
OPERATING INCOME (LOSS)	(27,736)	24,046
OTHER INCOME (EXPENSE):		
Interest income	4,156	9,581
Interest expense	(5,575)	(5,470)
Gain (loss) on sale of marketable securities	(61)	3,492
Other, net	1,743	853
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(27,473)	32,502
INCOME TAX BENEFIT (EXPENSE)	5,907	(9,944)
NET INCOME (LOSS)	$ (21,566)	$ 22,558
EARNINGS (LOSS) PER SHARE:		
BASIC	$ (0.17)	$ 0.17
DILUTED	$ (0.17)	$ 0.17
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Shares of common stock	130,336	131,786
Dilutive potential shares of common stock	--	9,482
Total weighted average shares outstanding	130,336	141,268

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	THREE MONTHS ENDED MARCH 31, 2003	2002
OPERATING ACTIVITIES:		
Net income (loss)	$ (21,566)	$ 22,558
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	47,277	42,697
(Gain) on sale of assets	(1)	(32)
(Gain) loss on sale of marketable securities, net	61	(3,492)
Deferred tax provision (benefit)	(9,974)	6,665
Accretion of discounts on marketable securities	(856)	(649)
Amortization of debt issuance costs	297	328
Amortization of discount on zero coupon convertible debentures	3,838	3,707
Changes in operating assets and liabilities:		
Accounts receivable	8,660	32,724
Rig inventory and supplies and other current assets	388	18,798
Other assets, non-current	(72)	448
Accounts payable and accrued liabilities	13	(4,894)
Taxes payable	2,990	1,976
Other liabilities, non-current	336	(4,253)
Other items, net	(810)	458
Net cash provided by operating activities	30,581	117,039
INVESTING ACTIVITIES:		
Capital expenditures (excluding rig acquisitions)	(70,226)	(57,187)
Rig acquisitions	(63,500)	--
Proceeds from sale of assets	78	902
Proceeds from sale of marketable securities	877,961	914,184
Purchase of marketable securities	(748,664)	(887,681)
Securities repurchased under repurchase agreements	--	(199,062)
Proceeds from settlement of forward contracts	677	270
Net cash used in investing activities	(3,674)	(228,574)
FINANCING ACTIVITIES:		
Acquisition of treasury stock	--	(20,000)
Settlement of put options	--	(1,193)
Payment of dividends	(16,292)	(16,507)
Net cash used in financing activities	(16,292)	(37,700)
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,615	(149,235)
Cash and cash equivalents, beginning of period	184,910	398,990
Cash and cash equivalents, end of period	$ 195,525	$ 249,755

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The consolidated financial statements of Diamond Offshore Drilling, Inc. and subsidiaries (the "Company") should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 1-13926).

Interim Financial Information

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all disclosures required by generally accepted accounting principles for complete financial statements. The consolidated financial information has not been audited but, in the opinion of management, includes all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the consolidated balance sheets, statements of operations, and statements of cash flows at the dates and for the periods indicated. Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years.

Cash and Cash Equivalents and Marketable Securities

Short-term, highly liquid investments that have an original maturity of three months or less and deposits in money market mutual funds that are readily convertible into cash are considered cash equivalents.

The Company's investments are classified as available for sale and stated at fair value. Accordingly, any unrealized gains and losses, net of taxes, are reported in the Consolidated Balance Sheets in "Accumulated other comprehensive loss" until realized. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity and such adjustments are included in the Consolidated Statements of Operations in "Interest income." The sale and purchase of securities are recorded on the date of the trade. The cost of debt securities sold is based on the specific identification method. Realized gains or losses and declines in value, if any, judged to be other than temporary are reported in the Consolidated Statements of Operations in "Other income (expense)."

Securities Sold Under Agreements to Repurchase

The Company accounts for repurchase agreements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." From time to time the Company may lend securities to unrelated parties, primarily major brokerage firms. Borrowers of these securities must transfer to the Company cash collateral equal to the securities transferred. Cash deposits from these transactions are invested in short-term investments and are included in the Consolidated Balance Sheets in "Cash and cash equivalents." A liability is recognized for the obligation to return the cash collateral. The Company continues to receive interest income on the loaned debt securities, as beneficial owner, and accordingly, the loaned debt securities are included in the Consolidated Balance Sheets in "Marketable securities." Interest expense associated with the related liability is recorded as an offset to "Interest income" in the Consolidated Statements of Operations. During the three months ended March 31, 2002, loaned debt securities that were outstanding at December 31, 2001, were returned to the Company. The Company did not have any loaned debt securities outstanding at March 31, 2003 or December 31, 2002.

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and its corresponding amendments under SFAS No. 138. Derivative financial instruments of the Company include forward exchange contracts and a contingent interest provision that is embedded in the 1.5% convertible senior debentures due 2031 (the "1.5% Debentures") issued on April 11, 2001. See Note 4.

Supplementary Cash Flow Information

There were no cash payments made for interest on long-term debt during the quarters ended March 31, 2003 and 2002. Cash payments made for foreign income taxes, net of foreign tax refunds, were $1.4 million and $1.3 million during the quarters ended March 31, 2003 and 2002, respectively. There were no payments of U.S. income taxes in the first quarter of 2003. In the first quarter of 2002 a $16.0 million refund of U.S. income tax was received.

Capitalized Interest

Interest cost for construction and upgrade of qualifying assets is capitalized. A reconciliation of the Company's total interest cost to "Interest expense" as reported in the Consolidated Statements of Operations is as follows:

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	(IN THOUSANDS)	
Total interest cost including amortization of debt issuance costs	$ 6,499	$ 6,584
Capitalized interest	(924)	(1,114)
Total interest expense as reported	$ 5,575	$ 5,470

Debt Issuance Costs

Debt issuance costs are included in the Consolidated Balance Sheets in "Other assets" and are amortized over the terms of the related debt.

Treasury Stock and Common Equity Put Options

Depending on market conditions, the Company may, from time to time, purchase shares of its common stock or issue put options in the open market or otherwise. The purchase of treasury stock is accounted for using the cost method which reports the cost of the shares acquired in "Treasury stock" as a deduction from stockholders' equity in the Consolidated Balance Sheets.

There were no treasury stock purchases in the first quarter of 2003. During the first quarter of 2002 the Company purchased 500,000 shares of its common stock at an aggregate cost of $20.0 million, or at an average cost of $40.00 per share, upon the exercise of put options sold in February 2001. The Company reduced "Additional paid-in capital" in the Consolidated Balance Sheet by $3.1 million, the amount of the premium received for the sale of these put options, and reported the net cost of the shares, $16.9 million, in "Treasury stock."

At March 31, 2002, put options covering 23,600 shares of the Company's common stock at an exercise price of $24.46 per share were outstanding. The options gave the holders the right to require the Company to repurchase up to the contracted number of shares of its common stock at the stated exercise price per share at any time prior to their expiration. The Company had the option to settle in cash or shares of common stock. Premiums received for these options were recorded in "Additional paid-in capital" in the Consolidated Balance Sheets.

The Company settled put options which covered 1,000,000 shares of its common stock during the first quarter of 2002 with cash payments totaling $1.2 million. The Company reduced "Additional paid-in capital" in the Consolidated Balance Sheet for amounts paid to settle these put options. Put options sold in October 2001, which covered 163,721 shares of the Company's common stock, expired during the first quarter of 2002.

There were no common equity put options issued or outstanding at December 31, 2002, March 31, 2003 or during the quarter ended March 31, 2003.

As of April 30, 2003, Loews Corporation ("Loews") owned 53.8% of the outstanding shares of common stock of the Company. The Company was a wholly owned subsidiary of Loews prior to its initial public offering in October 1995.

Comprehensive Income (Loss)

A reconciliation of net income (loss) to comprehensive income (loss) at March 31, 2003 and 2002 is as follows:

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	(IN THOUSANDS)	
NET INCOME (LOSS)	$ (21,566)	$ 22,558
OTHER COMPREHENSIVE GAINS (LOSSES), NET OF TAX:		
Foreign currency translation loss.......................	(87)	(17)
Unrealized holding loss on investments..................	(2,293)	(3,985)
Reclassification adjustment for gain included in net income (loss).................................	(13)	(2,610)
COMPREHENSIVE INCOME (LOSS)	$ (23,959)	$ 15,946

Currency Translation

The Company's primary functional currency is the U.S. dollar. Certain of the Company's subsidiaries use the local currency in the country where they conduct operations as their functional currency. These subsidiaries translate assets and liabilities at period-end exchange rates while income and expense accounts are translated at average exchange rates. Translation adjustments are reflected in the Consolidated Balance Sheets in "Accumulated other comprehensive loss." Currency transaction gains and losses are included in the Consolidated Statements of Operations in "Other income (expense)." Additionally, translation gains and losses of subsidiaries operating in hyperinflationary economies are included in operating results.

Stock-Based Compensation

The Company accounts for its 2000 Stock Option Plan in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for the options granted to employees under the plan. Had compensation expense for the Company's stock options been recognized based on the fair value of the options at the grant dates, using the methodology prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income (loss) and earnings (loss) per share would have been as follows:

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
Net Income (Loss) as reported	$ (21,566)	$ 22,558
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	--	--
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(265)	(207)
Pro forma net income (loss)	$ (21,831)	$ 22,351
Earnings (Loss) Per Share of Common Stock:		
As reported	$ (0.17)	$ 0.17
Pro forma	$ (0.17)	$ 0.17
Earnings (Loss) Per Share of Common Stock - assuming dilution:		
As reported	$ (0.17)	$ 0.17
Pro forma	$ (0.17)	$ 0.17

Revenue Recognition

Income from dayrate drilling contracts is recognized currently. In connection with such drilling contracts, the Company may receive lump-sum fees for the mobilization of equipment and personnel. The excess of mobilization fees received over costs incurred to mobilize an offshore rig from one market to another is recognized in income over the primary term of the related drilling contract. Absent a contract, mobilization costs are recognized currently. Lump-sum payments received from customers relating to specific contracts are deferred and amortized to income over the primary term of the related drilling contract.

Income from offshore turnkey drilling contracts is recognized on the completed contract method, with revenues accrued to the extent of costs until the specified turnkey depth and other contract requirements are met. Provisions for future losses on turnkey drilling contracts are recognized when it becomes apparent that expenses to be incurred on a specific contract will exceed the revenue from that contract.

Income from reimbursements received for the purchase of supplies, equipment, personnel services and other services provided at the request of the customer in accordance with a contract or agreement is recorded, for the gross amount billed to the customer, as "Revenues related to reimbursable expenses" in the Consolidated Statements of Operations in accordance with the guidance provided by the Emerging Issues Task Force 01-14 "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expense Incurred."

Use of Estimates in the Preparation of Financial Statements

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Reclassifications

Certain amounts applicable to prior periods have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

Recent Accounting Pronouncements

In December 2002 the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company accounts for stock-based employee compensation in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." However, the Company has adopted the provisions of SFAS No. 148 which require prominent disclosure regarding the method of accounting for stock-based employee compensation in its annual and interim financial statements.

In July 2002 the FASB issued SFAS No. 146, "Accounting for costs associated with exit or disposal activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company's adoption of SFAS No. 146 has not had, nor is it expected to have, a material impact on the Company's consolidated results of operations, financial position or cash flows.

In April 2002 the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment to FASB Statement No. 13, and Technical Corrections." The rescission of SFAS No. 4 and 64 by SFAS No. 145 streamlines the reporting of debt extinguishments and requires that only gains and losses from extinguishments meeting the criteria in APB Opinion 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" would be classified as extraordinary. Thus, gains or losses arising from extinguishments that are part of a company's recurring operations would not be reported as an extraordinary item. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002 with earlier adoption encouraged. The Company adopted SFAS No. 145 in April 2002 and, accordingly, reclassified its April 2001 loss of $7.7 million, net-of-tax, from early extinguishment of debt, as a result of the Company's redemption of its outstanding 3.75% convertible subordinated notes due 2007, out of extraordinary items.

In August 2001 the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 with early adoption encouraged. The adoption of SFAS No. 143 in January 2003 has not had, nor is it expected to have, a material impact on the Company's consolidated results of operations, financial position or cash flows.

2. EARNINGS (LOSS) PER SHARE

A reconciliation of the numerators and the denominators of the basic and diluted per-share computations follows:

	THREE MONTHS ENDED MARCH 31, 2003	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
NET INCOME (LOSS) - BASIC (NUMERATOR):	$ (21,566)	$ 22,558
Effect of dilutive potential shares 1.5% Debentures	--	971
NET INCOME (LOSS) INCLUDING CONVERSIONS - DILUTED (NUMERATOR)	$ (21,566)	$ 23,529
WEIGHTED AVERAGE SHARES - BASIC (DENOMINATOR):	130,336	131,786
Effect of dilutive potential shares		
1.5% Debentures	--	9,383
Stock options	--	4
Put options	--	95
WEIGHTED AVERAGE SHARES INCLUDING CONVERSIONS - DILUTED (DENOMINATOR)	130,336	141,268
EARNINGS (LOSS) PER SHARE:		
Basic	$ (0.17)	$ 0.17
Diluted	$ (0.17)	$ 0.17

The computation of diluted earnings per share ("EPS") for the quarters ended March 31, 2003 and 2002 excludes approximately 6.9 million potentially dilutive shares issuable upon conversion of the Company's zero coupon convertible debentures due 2020 ("Zero Coupon Debentures"). For the quarter ended March 31, 2003 the computation of diluted EPS excludes 9.4 million potentially dilutive shares issuable upon conversion of the Company's 1.5% Debentures. The inclusion of such shares would be antidilutive.

Put options covering 1,663,721 shares of common stock at various stated exercise prices per share were outstanding during part of the first quarter of 2002 prior to their expiration or settlement. Put options covering 23,600 shares of common stock at an exercise price of $24.46 per share were outstanding at March 31, 2002. The computation of diluted EPS for the first quarter of 2002 excluded put options covering 937,321 shares of common stock because the options' exercise prices were less than the average market price per share of the common stock. There were no put options outstanding during the quarter ended March 31, 2003.

The computation of diluted EPS for the quarters ended March 31, 2003 and 2002 did not include stock options representing 421,900 shares and 218,300 shares of common stock, respectively. These stock options were excluded because the options' exercise prices were more than the average market price per share of the common stock.

3. MARKETABLE SECURITIES

Investments classified as available for sale are summarized as follows:

	MARCH 31, 2003		
	COST	UNREALIZED GAIN (LOSS)	FAIR VALUE
	(IN THOUSANDS)		
Debt securities issued by the U.S. Treasury and other U.S. government agencies:			
Due within one year	$ 324,746	$ (6)	$ 324,740
Collateralized mortgage obligations	170,198	625	170,823
Total	$ 494,944	$ 619	$ 495,563

	DECEMBER 31, 2002		
	COST	UNREALIZED GAIN	FAIR VALUE
	(IN THOUSANDS)		
Debt securities issued by the U.S. Treasury and other U.S. government agencies:			
Due within one year	$ 449,445	$ 20	$ 449,465
Collateralized mortgage obligations	174,003	4,146	178,149
Total	$ 623,448	$ 4,166	$ 627,614

All of the Company's investments are included as current assets in the Consolidated Balance Sheets in "Marketable securities," representing the investment of cash available for current operations.

Proceeds from sales of marketable securities and gross realized gains and losses are summarized as follows:

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	(IN THOUSANDS)	
Proceeds from sales	$ 877,961	$ 914,184
Gross realized gains	108	6,264
Gross realized losses	(169)	(2,772)

4. DERIVATIVE FINANCIAL INSTRUMENTS

Forward Exchange Contracts

The Company operates internationally, resulting in exposure to foreign exchange risk. This risk is primarily associated with costs payable in foreign currencies for employee compensation and for purchases from foreign suppliers. The Company's primary technique for minimizing its foreign exchange risk involves structuring customer contracts to provide for payment in both the U. S. dollar and the foreign currency whenever possible. The payment portion denominated in the foreign currency is based on anticipated foreign currency requirements over the contract term. In some instances, when customer contracts cannot be structured to generate a sufficient amount of foreign currency for operating purposes, a foreign exchange forward contract may be used to minimize the forward exchange risk. A forward exchange contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified foreign exchange rates on specified dates.

In June 2002 the Company entered into forward contracts to purchase approximately 50.0 million Australian dollars, 4.2 million Australian dollars to be purchased monthly from August 29, 2002 through June 26, 2003 and 3.8 million to be purchased on July 31, 2003. In July 2001 the Company entered into twelve forward contracts to purchase 3.5 million Australian dollars at each month through July 31, 2002. These forward contracts are derivatives as defined by SFAS No. 133. SFAS No. 133 requires that each derivative be stated in the balance sheet at its fair value with gains and losses reflected in the income statement except that, to the extent the derivative qualifies for hedge accounting, the gains and losses are reflected in income in the same period as offsetting losses and gains on the qualifying hedged positions. SFAS No. 133 further provides specific criteria necessary for a derivative to qualify for hedge accounting. The forward contracts purchased by the Company in 2002 and 2001 do not qualify for hedge accounting. At March 31, 2003, an asset of $0.8 million, reflecting the fair value of the forward contracts, was included with "Prepaid expenses and other" in the Consolidated Balance Sheet. A pre-tax gain of $1.4 million (comprised of a $0.7 million realized gain and a $0.7 million unrealized gain) was recorded in the Consolidated Statements of Operations for the quarter ended March 31, 2003 in "Other income (expense)." For the quarter ended March 31, 2002 a pre-tax gain of $0.7 million related to the forward contracts (comprised of a $0.3 million realized gain and a $0.4 million unrealized gain) was recorded in the Consolidated Statements of Operations in "Other income (expense)."

Contingent Interest

The Company's $460.0 million principal amount of 1.5% Debentures, issued April 11, 2001 which are due April 15, 2031, contain a contingent interest provision. The contingent interest component is an embedded derivative as defined by SFAS No. 133 and accordingly must be split from the host instrument and recorded at fair value on the balance sheet. The contingent interest component had no value at issuance, at December 31, 2002 or at March 31, 2003.

5. DRILLING AND OTHER PROPERTY AND EQUIPMENT

Cost and accumulated depreciation of drilling and other property and equipment are summarized as follows:

	MARCH 31, 2003	DECEMBER 31, 2002
	(IN THOUSANDS)	
Drilling rigs and equipment	$ 3,209,670	$ 3,091,892
Construction work-in-progress	156,940	141,247
Land and buildings	15,035	15,035
Office equipment and other	21,254	21,076
Cost	3,402,899	3,269,250
Less: accumulated depreciation	(1,151,900)	(1,104,623)
Drilling and other property and equipment, net	$ 2,250,999	$ 2,164,627

Construction work-in-progress at March 31, 2003 included $143.2 million for the significant upgrade of the Ocean Rover to high specification capabilities.

In March 2003, Diamond Offshore Drilling Limited, a subsidiary of the Company, completed the acquisition of the third-generation semisubmersible drilling rig, Omega, renamed Ocean Patriot, for $65.0 million. The Company capitalized $63.5 million to drilling rigs and equipment and recorded $1.5 million to rig inventory.

In December 2002, the acquisition of the third-generation semisubmersible drilling rig, West Vanguard, renamed Ocean Vanguard, was completed for $68.5 million. The Company capitalized $67.0 million to drilling rigs and equipment and recorded $1.5 million to rig inventory.

6. GOODWILL

Goodwill from the merger with Arethusa Off-Shore Limited ("Arethusa") in 1996 was generated from an excess of the purchase price over the net assets acquired. Prior to January 1, 2002 the Company was amortizing goodwill on a straight-line basis over 20 years. The Company adopted SFAS No. 142 on January 1, 2002 and, accordingly, suspended amortization of goodwill at that time.

For purposes of applying SFAS No. 142, the Company determined that it has one reporting unit to which to assign goodwill. The Company performed the annual goodwill impairment test on December 31, 2002 and determined that the fair value of the reporting unit exceeded its carrying value, and accordingly, no further steps were required for testing goodwill impairment at that time. Annual goodwill impairment testing will be performed at each year-end.

There were no recognized intangible assets other than goodwill associated with the Arethusa merger.

During each of the three months ended March 31, 2003 and 2002, an adjustment of $3.4 million was recorded to reduce goodwill. The adjustments represent the tax benefits not previously recognized for the excess of tax deductible goodwill over book goodwill. The Company will continue to reduce goodwill in future periods as the tax benefits of excess tax goodwill over book goodwill are recognized. Goodwill is expected to be reduced to zero during the year 2004.

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	MARCH 31, 2003	DECEMBER 31, 2002
	(IN THOUSANDS)	
Payroll and benefits	$ 29,057	$ 29,337
Personal injury and other claims	6,815	6,815
Interest payable	3,953	1,588
Deferred revenue	2,366	3,539
Other	23,512	21,834
Total	$ 65,703	$ 63,113

8. LONG-TERM DEBT

Long-term debt consists of the following:

	MARCH 31, 2003	DECEMBER 31, 2002
	(IN THOUSANDS)	
Zero Coupon Debentures	$ 443,526	$ 439,688
1.5% Debentures	460,000	460,000
Ocean Alliance lease-leaseback agreement	35,942	35,942
	939,468	935,630
Less: Current maturities	(11,155)	(11,155)
Total	$ 928,313	$ 924,475

9. COMMITMENTS AND CONTINGENCIES

Various claims have been filed against the Company in the ordinary course of business, including claims by offshore workers alleging personal injuries. Management believes that the Company has established adequate reserves for any liabilities that may reasonably be expected to result from these claims. In the opinion of management, no pending or threatened claims, actions or proceedings against the Company are expected to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

10. SEGMENTS AND GEOGRAPHIC AREA ANALYSIS

The Company reports its operations as one reportable segment, contract drilling of offshore oil and gas wells. Although the Company provides contract drilling services from different types of offshore drilling rigs and provides such services in many geographic locations, these operations have been aggregated into one reportable segment based on the similarity of economic characteristics among all divisions and locations, including the nature of services provided and the type of customers of such services.

Similar Services

Revenues from external customers for contract drilling and similar services by equipment-type are listed below (eliminations offset dayrate revenues earned when the Company's rigs are utilized in its integrated services):

	THREE MONTHS ENDED MARCH 31, 2003	2002
	(IN THOUSANDS)	
High Specification Floaters	$ 63,634	$ 74,647
Other Semisubmersibles	51,703	88,080
Jack-ups	23,566	29,500
Integrated Services	1,189	1,823
Eliminations	(233)	(382)
Total Contract Drilling Revenues	139,859	193,668
Revenues Related to Reimbursable Expenses	6,290	7,882
Total revenues	$ 146,149	$ 201,550

Geographic Areas

At March 31, 2003, the Company had drilling rigs located offshore nine countries other than the United States. As a result, the Company is exposed to the risk of changes in social, political, economic and other conditions inherent in foreign operations and the Company's results of operations and the value of its foreign assets are affected by fluctuations in foreign currency exchange rates. Revenues by geographic area are presented by attributing revenues to the individual country or areas where the services were performed.

	THREE MONTHS ENDED MARCH 31, 2003	2002
	(IN THOUSANDS)	
Revenues from unaffiliated customers:		
United States	$ 79,760	$ 97,343
Foreign:		
Europe/Africa	5,861	31,127
Australia/Southeast Asia	20,053	31,150
South America	40,475	41,930
Total revenues	$ 146,149	$ 201,550

11. INCOME TAXES

In 2002 the Company formed a Cayman Island corporation, Diamond Offshore International Limited, which is a wholly-owned subsidiary of the Company. Certain of the Company's rigs that operate internationally are now owned and operated, directly or indirectly, by the Cayman Island subsidiary. Effective January 1, 2003 the Company began to postpone remittance of the earnings from this subsidiary to the U.S. and indefinitely reinvest these earnings internationally. Consequently, no U.S. taxes were provided on these earnings in the first quarter of 2003 and the estimated total Company annual effective tax rate as of March 31, 2003 was 21.5%.

In the first quarter of 2002, a portion of the earnings from the Company's U.K. subsidiaries were considered to be indefinitely reinvested. No U.S. taxes were provided on these earnings in the first quarter of 2002 and the estimated annual effective tax rate as of March 31, 2002 was 30.6%. These U.K. subsidiaries are now owned, directly or indirectly, by Diamond Offshore International Limited, the Company's newly formed Cayman Island subsidiary. Consequently, earnings from the U.K. subsidiaries for the quarter ended March 31, 2003 are part of the earnings of the Cayman Island subsidiary on which no U.S. taxes are provided.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements (including the Notes thereto) included elsewhere herein. References to the "Company" mean Diamond Offshore Drilling, Inc., a Delaware corporation, and its subsidiaries.

The Company is a leader in deep water drilling with a fleet of 47 offshore drilling rigs. The fleet consists of 32 semisubmersibles, 14 jack-ups and one drillship.

GENERAL

Revenues. The Company's revenues vary based upon demand, which affects the number of days the fleet is utilized and the dayrates earned. When a rig is idle, generally no dayrate is earned and revenues will decrease as a result. Revenues can also increase or decrease as a result of the acquisition or disposal of rigs. In order to improve utilization or realize higher dayrates, the Company may mobilize its rigs from one market to another. During periods of mobilization, however, revenues may be adversely affected. As a response to changes in demand, the Company may withdraw a rig from the market by stacking it or may reactivate a rig stacked previously, which may decrease or increase revenues, respectively.

Revenues from dayrate drilling contracts are recognized currently. The Company may receive lump-sum payments in connection with specific contracts. Such payments are recognized as revenues over the term of the related drilling contract. Mobilization revenues, less costs incurred to mobilize an offshore rig from one market to another, are recognized over the primary term of the related drilling contract.

Revenues from offshore turnkey drilling contracts are accrued to the extent of costs until the specified turnkey depth and other contract requirements are met. Income is recognized on the completed contract method. Provisions for future losses on turnkey contracts are recognized when it becomes apparent that expenses to be incurred on a specific contract will exceed the revenue from that contract.

Revenues from reimbursements received for the purchase of supplies, equipment, personnel services and other services provided at the request of the customer in accordance with a contract or agreement are recorded for the gross amount billed to the customer, as "Revenues related to reimbursable expenses" in the Consolidated Statements of Operations in accordance with the guidance provided by the Emerging Issues Task Force 01-14 "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expense Incurred."

Operating Income. Operating income is primarily affected by revenue factors, but is also a function of varying levels of operating expenses. Operating expenses generally are not affected by changes in dayrates and may not be significantly affected by fluctuations in utilization. For instance, if a rig is to be idle for a short period of time, the Company may realize few decreases in operating expenses since the rig is typically maintained in a prepared state with a full crew. In addition, when a rig is idle, the Company is responsible for certain operating expenses such as rig fuel and supply boat costs, which are typically a cost of the operator under a drilling contract. However, if the rig is to be idle for an extended period of time, the Company may reduce the size of a rig's crew and take steps to "cold stack" the rig, which lowers expenses and partially offsets the impact on operating income. The Company recognizes as operating expenses activities such as inspections, painting projects and routine overhauls, meeting certain criteria, which maintain rather than upgrade its rigs. These expenses vary from period to period. Costs of rig enhancements are capitalized and depreciated over the expected useful lives of the enhancements. Higher depreciation expense decreases operating income in periods subsequent to capital upgrades.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are included in Note 1 of its Notes to Consolidated Financial Statements in Part I, Item 1 of this report. Management's judgments, assumptions and estimates are inherent in the preparation of the Company's financial statements and the application of its significant accounting policies. The Company believes that its most critical accounting estimates are as follows:

Property, Plant and Equipment. Drilling and other property and equipment is carried at cost. Maintenance and routine repairs are charged to income currently while replacements and betterments, which meet certain criteria, are capitalized. Depreciation is amortized on the straight-line method over the remaining estimated useful lives. Management makes judgments, assumptions and estimates regarding capitalization, useful lives and salvage values. Changes in these assumptions could produce results that differ from those reported. The Company also evaluates its property and equipment for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management's assumptions are an inherent part of an asset impairment evaluation and the use of different assumptions could produce results that differ from those reported.

Personal Injury Claims. The Company's retention of liability for personal injury claims, which primarily results from Jones Act liability in the Gulf of Mexico, is $0.5 million per claim with an aggregate annual deductible of $1.5 million. The Company estimates its liability for personal injury claims based on the existing facts and circumstances in conjunction with historical experience regarding past personal injury claims. Eventual settlement or adjudication of these claims could differ significantly from the estimated amounts.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2003 AND 2002

Comparative data relating to the Company's revenues and operating expenses by equipment type are listed below (eliminations offset (i) dayrate revenues earned when the Company's rigs are utilized in its integrated services and (ii) intercompany expenses charged to rig operations). Certain amounts applicable to the prior periods have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

	THREE MONTHS ENDED MARCH 31, 2003	2002	INCREASE/ (DECREASE)
	(in thousands)		
CONTRACT DRILLING REVENUE			
High Specification Floaters	$ 63,634	$ 74,647	$ (11,013)
Other Semisubmersibles	51,703	88,080	(36,377)
Jack-ups	23,566	29,500	(5,934)
Integrated Services	1,189	1,823	(634)
Eliminations	(233)	(382)	149
TOTAL CONTRACT DRILLING REVENUE	$ 139,859	$ 193,668	$ (53,809)
REVENUES RELATED TO REIMBURSABLE EXPENSES	$ 6,290	$ 7,882	$ (1,592)
CONTRACT DRILLING EXPENSE			
High Specification Floaters	$ 38,276	$ 35,528	$ 2,748
Other Semisubmersibles	49,717	56,873	(7,156)
Jack-ups	24,251	25,682	(1,431)
Integrated Services	1,249	2,841	(1,592)
Other	410	405	5
Eliminations	(233)	(382)	149
TOTAL CONTRACT DRILLING EXPENSE	$ 113,670	$ 120,947	$ (7,277)
REIMBURSABLE EXPENSES	$ 5,738	$ 7,212	$ (1,474)
OPERATING INCOME (LOSS)			
High Specification Floaters	$ 25,358	$ 39,119	$ (13,761)
Other Semisubmersibles	1,986	31,207	(29,221)
Jack-ups	(685)	3,818	(4,503)
Integrated Services	(60)	(1,018)	958
Other	(410)	(405)	(5)
Reimbursables, net	552	670	(118)
Depreciation	(47,277)	(42,697)	(4,580)
General and Administrative Expense	(7,200)	(6,648)	(552)
TOTAL OPERATING INCOME (LOSS)	$ (27,736)	$ 24,046	$ (51,782)

High Specification Floaters.

Revenues. Contract drilling revenues from high specification floaters decreased $11.0 million during the first quarter of 2003 compared to the same quarter of 2002. Lower average operating dayrates for most of the rigs in this classification contributed $13.3 million to the overall decrease as the average dayrate fell from $115,800 per day in the first quarter of 2002 to $94,300 per day in the first quarter of 2003.

An improvement in utilization for high specification floaters in the first quarter of 2003 contributed $2.3 million to revenues and partially offset the negative effect of lower average dayrates. This improvement resulted primarily from the Ocean Baroness, which was on contract part of the first quarter of 2003 but did not begin operating in the first quarter of 2002 until mid-March when its upgrade to high specification capabilities was complete. However, excluding the Ocean Baroness, the utilization rate for the remaining rigs in this classification declined to 86% in the first quarter of 2003 from 88% for the same period in 2002, primarily due to the Ocean

Valiant which was stacked most of the first quarter of 2003 but worked the entire first quarter of 2002. Partially offsetting, the Ocean Star operated throughout the first quarter of 2003 but was in a shipyard for inspection and repair in the same period in 2002.

Contract Drilling Expense. Contract drilling expense for high specification floaters for the quarter ended March 31, 2003 increased $2.7 million from the same period in 2002. This increase in operating costs occurred primarily as a result of the Ocean Baroness operating throughout the first quarter of 2003 compared to the first quarter of 2002 when the rig operated only 15 days after completing its upgrade to high specification capabilities. Contract drilling expenses were also higher in the first quarter of 2003 due to the Ocean Valiant's mobilization to a shipyard for inspection. Partially offsetting was a decrease in operating costs in the first quarter of 2003 which resulted from the mobilization, inspection and repair of the Ocean Star in the first quarter of 2002.

Other Semisubmersibles.

Revenues. Revenues from other semisubmersibles for the quarter ended March 31, 2003 decreased $36.4 million from the same period in 2002. A decline in utilization reduced revenues $25.0 million as utilization rates fell from 69% during the first quarter of 2002 to 43% during the first quarter of 2003. The Ocean Princess and Ocean Whittington were stacked and the Ocean Liberator was cold stacked the entire first quarter of 2003. The Ocean Guardian and Ocean Epoch were stacked most of the first quarter of 2003. All of these rigs worked most of the same period in 2002.

Lower average operating dayrates for other semisubmersibles resulted in an $11.4 million revenue reduction as average operating dayrates fell from $67,700 per day during the first quarter of 2002 to $61,700 per day for the same period of 2003. The most significant dayrate changes were to the Ocean Worker, Ocean Winner and the Ocean Nomad which decreased by $72,800, $35,400 and $32,800, respectively.

Contract Drilling Expense. Contract drilling expense for other semisubmersibles in the first quarter of 2003 decreased $7.2 million compared to the same period of 2002. The reduction is primarily due to the Ocean Voyager, Ocean Liberator, Ocean Endeavor and the Ocean New Era, which were cold stacked the entire first quarter of 2003. All of these rigs, except for the Ocean New Era, worked during part of the first quarter of 2002. Also, contract drilling expenses for the Ocean Worker were lower in first quarter of 2003 compared to the same period in 2002 when costs were incurred for the rig's mobilization, inspection and repairs. Partially offsetting were contract drilling expenses generated by the Ocean Vanguard and the Ocean Patriot, which the Company purchased in December 2002 and March 2003, respectively.

Jack-Ups.

Revenues. Revenues from jack-ups decreased $5.9 million during the first quarter of 2003 compared to the same quarter of 2002. Lower utilization resulted in $4.6 million of the overall revenue decline as utilization fell from 78% during the first quarter of 2002 to 68% during the same period of 2003. During the quarter ended March 31, 2003 the Ocean Tower spent the entire period in a shipyard undergoing a cantilever upgrade and various other projects and the Ocean Sovereign spent most of the quarter in a shipyard for a leg extension upgrade. These rigs operated throughout most of the first quarter of 2002. The Ocean Spartan was stacked for approximately one-half of the first quarter of 2003 but worked most of the first quarter of 2002. The revenue decline was partially offset by the Ocean Drake which worked the entire first quarter of 2003 but was stacked for approximately one-half of the first quarter of 2002.

Average operating dayrates dropped to $27,600 per day during the first quarter of 2003, from $29,900 per day during the first quarter of 2002, contributing $1.3 million to the overall revenue decline. The Ocean Heritage experienced the largest decrease, from $69,600 per day during the first quarter of 2002 to $46,700 during the same quarter of 2003.

Contract Drilling Expense. Contract drilling expense for jack-ups during the first quarter of 2003 decreased $1.4 million from the same period in 2002. Lower costs resulted primarily from the Ocean Champion, which was cold stacked the entire first quarter of 2003 but only one-half of the first quarter of 2002, and the Ocean Tower which was undergoing an upgrade during most of the first quarter of 2003.

Integrated Services.

During the first quarter of 2003 integrated services had an operating loss of $0.1 million as only one turnkey plug and abandon project in the Gulf of Mexico was completed in the quarter. During the same period in 2002, an integrated services' operating loss of $1.0 million resulted from a turnkey well in the Gulf of Mexico.

Reimbursables, net.

Reimbursables include items that the Company purchases, and/or services it performs, at the request of its customers. Revenues related to reimbursable items, offset by the related expenditures for these items, were $0.6 million and $0.7 million for the quarters ended March 31, 2003 and 2002, respectively.

Depreciation.

Depreciation expense increased $4.6 million to $47.3 million in the first quarter of 2003 compared to $42.7 million in the first quarter of 2002. Higher depreciation in 2003 resulted primarily from additional depreciation for the Ocean Baroness, which completed an upgrade to high specification capabilities and began operations in mid-March 2002, additional depreciation for four of the Company's jack-up rigs which completed upgrades in late 2002 and the first quarter of 2003 and depreciation of the Ocean Vanguard, a semisubmersible rig which the Company purchased in December 2002.

General and Administrative Expense.

General and administrative expense for the first quarter of 2003 of $7.2 million increased $0.6 million over $6.6 million for the first quarter of 2002, primarily due to higher professional expenses for legal fees and tax planning for foreign operations during the first quarter of 2003.

Interest Income.

Interest income of $4.2 million for the first quarter of 2003 decreased $5.4 million, from $9.6 million for the same period in 2002, primarily due to less cash investment in the first quarter of 2003 in addition to lower interest rates earned on cash and marketable securities in the first quarter of 2003.

Gain (Loss) on Sale of Marketable Securities.

A loss on the sale of marketable securities of $0.1 million occurred in the first quarter of 2003 compared to a $3.5 million gain on the sale of marketable securities for the same period in 2002.

Income Tax Benefit (Expense).

An income tax benefit of $5.9 million was recognized on a pre-tax loss of $27.5 million in the first quarter of 2003 compared to tax expense of $9.9 million which was recognized on pre-tax income of $32.5 million in the first quarter of 2002.

The total Company effective income tax rate for the first quarter of 2003 was 21.5%. In 2002 the Company formed a Cayman Island corporation, Diamond Offshore International Limited, which is a wholly owned subsidiary of the Company. Certain of the Company's rigs that operate internationally are now owned and operated, directly or indirectly, by the Cayman Island subsidiary. Effective January 1, 2003 the Company began to postpone remittance of the earnings from this subsidiary to the U.S. and to indefinitely reinvest these earnings internationally. Consequently, no U.S. taxes were provided on these earnings in the first quarter of 2003.

The total Company effective income tax rate for the first quarter of 2002 was 30.6%. In the first quarter of 2002, a portion of the earnings from the Company's U.K. subsidiaries were considered to be indefinitely reinvested and no U.S. taxes were provided on those earnings. These U.K. subsidiaries are now owned, directly or indirectly, by Diamond Offshore International Limited, the Company's newly formed Cayman Island subsidiary. Consequently, earnings from the U.K. subsidiaries for the quarter ended March 31, 2003 are part of the earnings of the Cayman Island subsidiary on which no U.S. taxes are provided.

INDUSTRY CONDITIONS

The offshore contract drilling industry has historically been very cyclical with the demand for its services fluctuating in correlation with the price of oil and natural gas. However, the strong product prices that were prevalent throughout 2002 and in the first quarter of 2003 did not generate the expected increase in dayrates and utilization. The Company believes that its customers were hesitant to spend money on drilling because of a lack of confidence in product price sustainability as well as uncertainty surrounding the economy in general and the effects of the war in Iraq on the oil markets.

In the Gulf of Mexico, well-to-well contracts continue to be the norm for the Company's deep water semisubmersible fleet, its mid-water semisubmersible fleet and its jack-up fleet and there continues to be limited backlog. Consequently, the Company does not foresee any significant improvement in this market in the short term but it believes that this market could rebound later in the year in response to low oil and natural gas inventories.

Internationally, the Company expects the markets in which it operates to remain relatively flat and consequently expects utilization and rates in these markets to remain relatively unchanged in the short-term. However, the Company has received a letter of intent from one of its customers to operate the Ocean Rover for a three well program following the completion of its upgrade. The Company expects the rig to be out of the shipyard in July 2003. In addition, the Company has entered into a drilling contract to operate the Ocean Baroness offshore Indonesia and estimates the initial term of the drilling contract to be approximately 400 days.

The Company notes that no assurance can be given that any improvement in industry conditions would necessarily result in improved dayrates or utilization of the Company's rigs.

OPERATIONS OUTSIDE THE UNITED STATES

The Company's non-U.S. operations are subject to certain political, economic and other uncertainties not normally encountered in U.S. operations, including risks of war and civil disturbances (or other risks that may limit or disrupt markets), expropriation and the general hazards associated with the assertion of national sovereignty over certain areas in which operations are conducted. No prediction can be made as to what governmental regulations may be enacted in the future that could adversely affect the international offshore contract drilling industry. The Company's operations outside the United States may also face the additional risk of fluctuating currency values, hard currency shortages, controls of currency exchange and repatriation of income or capital.

The Company currently has operations in Vietnam, Singapore, Indonesia, and Australia and in addition is performing rig upgrades on the Ocean Rover and Ocean Sovereign in a Singapore shipyard. These areas have been identified as at risk for exposure to severe acute respiratory syndrome (SARS). The Company is closely monitoring this situation and has implemented steps to minimize the impact on its operations. As of the date of this report, the outbreak of SARS has not had a material impact on the Company's operations or rig upgrades. However, there can be no assurance that SARS, and measures taken to combat its spread, will not adversely affect future operations, rig upgrades or financial results.

LIQUIDITY

At March 31, 2003, the Company's cash and marketable securities totaled $691.1 million, down from $812.5 million at December 31, 2002. A discussion of the sources and uses of cash for the quarter ended March 31, 2003 compared to the same period in 2002 follows.

	THREE MONTHS ENDED MARCH 31, 2003	2002	CHANGE
	(IN THOUSANDS)		
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income (loss)	$ (21,566)	$ 22,558	$ (44,124)
Depreciation	47,277	42,697	4,580
Deferred tax provision	(9,974)	6,665	(16,639)
Other non-cash items, net	3,339	(138)	3,477
Net changes in operating assets and liabilities	11,505	45,257	(33,752)
	$ 30,581	$ 117,039	$ (86,458)

Cash generated by a net loss adjusted for non-cash items, including depreciation, for the first quarter of 2003 decreased $86.5 million compared to the same period in 2002 primarily due to a decline in the results of operations in 2003.

	THREE MONTHS ENDED MARCH 31, 2003	2002	CHANGE
	(IN THOUSANDS)		
NET CASH USED IN INVESTING ACTIVITIES			
Capital expenditures (excluding rig acquisition)	$ (70,226)	$ (57,187)	$ (13,039)
Rig acquisition	(63,500)	--	(63,500)
Proceeds from sale of assets	78	902	(824)
Proceeds from sale of marketable securities	877,961	914,184	(36,223)
Purchase of marketable securities	(748,664)	(887,681)	139,017
Securities repurchased under repurchase agreements	--	(199,062)	199,062
Proceeds from settlement of forward contracts	677	270	407
	$ (3,674)	$ (228,574)	$ 224,900

Net cash used in investing activities decreased $224.9 million for the first quarter of 2003 compared to the same period in 2002. This decrease in cash usage was primarily due to the first quarter 2002 expenditure of $199.1 million used for the repurchase of securities sold under repurchase agreements in 2001 and a decrease in cash provided by investing activities in the first quarter of 2003 from the net sale of certain of the Company's investments in marketable securities. Cash used for the purchase of the semisubmersible rig, Omega, renamed the Ocean Patriot, and higher capital expenditures primarily for the ongoing upgrade of the Ocean Rover and the upgrade of three of the Company's jack-up rigs in the first quarter of 2003 was greater compared to similar purchases in the same period of 2002.

	THREE MONTHS ENDED MARCH 31, 2003	2002	CHANGE
	(IN THOUSANDS)		
NET CASH USED IN FINANCING ACTIVITIES			
Payment of dividends	$ (16,292)	$ (16,507)	$ 215
Acquisition of treasury stock	--	(20,000)	20,000
Settlement of put options	--	(1,193)	1,193
	$ (16,292)	$ (37,700)	$ 21,408

The Company spent $16.3 million of cash in the first quarter of 2003 for the payment of dividends to stockholders compared to $16.5 million in the first quarter of 2002, as a result of the Company's purchase of shares of its common stock during 2002.

During the first quarter of 2002, the Company purchased 500,000 shares of its common stock at an aggregate cost of $20.0 million, or $40.00 per share, upon the exercise of put options sold in February 2001. See " -- Treasury Stock and Common Equity Put Options" in Note 1 to the Company's Consolidated Financial Statements in Item 1 of

Part I of this report. Depending on market conditions, the Company may, from time to time, purchase shares of its common stock or issue put options in the open market or otherwise.

In addition, cash was used in financing activities in the first quarter of 2002 for payments totaling $1.2 million for the settlement of put options which covered 1,000,000 shares of the Company's common stock. The options gave the holders the right to require the Company to repurchase up to the contracted number of shares of its common stock at the stated exercise price per share at any time prior to their expiration. The Company had the option to settle in cash or shares of its common stock. See "--Treasury Stock and Common Equity Put Options" in Note 1 to the Company's Consolidated Financial Statements in Item 1 of Part I of this report.

Contractual Cash Obligations.

The Company's long-term debt and operating leases have not changed materially outside the ordinary course of the Company's business from those discussed and reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

The Company is contingently liable as of March 31, 2003 in the amount of $39.8 million under certain performance, bid, customs and export bonds. Banks have issued letters of credit securing certain of these bonds. All of these obligations expire in less than one year.

Other.

The Company has an effective shelf registration statement under which it has the ability to issue an aggregate of approximately $117.5 million in debt, equity and other securities. In addition, the Company may issue, from time to time, up to eight million shares of common stock, which shares are registered under an acquisition shelf registration statement (upon effectiveness of an amendment thereto reflecting the effect of the two-for-one stock split declared in July 1997), in connection with one or more acquisitions by the Company of securities or assets of other businesses.

At March 31, 2003 and December 31, 2002, the Company had no off-balance sheet debt.

The Company believes it has the financial resources needed to meet its business requirements in the foreseeable future, including capital expenditures for rig upgrades and continuing rig enhancements, and working capital requirements.

CAPITAL RESOURCES

Cash required to meet the Company's capital commitments is determined by evaluating the need to upgrade rigs to meet specific customer requirements and by evaluating the Company's ongoing rig equipment replacement and enhancement programs, including water depth and drilling capability upgrades. It is management's opinion that operating cash flows and the Company's cash reserves will be sufficient to meet these capital commitments; however, the Company will continue to make periodic assessments based on industry conditions. In addition, the Company may, from time to time, issue debt or equity securities, or a combination thereof, to finance capital expenditures, the acquisition of assets and businesses or for general corporate purposes. The Company's ability to effect any such issuance will be dependent on the Company's results of operations, its current financial condition, current market conditions and other factors beyond its control.

During the first quarter of 2003, the Company spent $39.9 million, including capitalized interest expense, for rig upgrades, of which $24.1 million was for the deepwater upgrade of the Ocean Rover and $15.8 million was for the upgrade of six of the Company's jack-up rigs. The Company expects to spend a total of approximately $125 million for rig upgrade capital expenditures during 2003 ($80 million to complete the upgrade to the Ocean Rover and $45 million to complete the upgrades to three of the Company's jack-up rigs).

The upgrade of the Ocean Rover, which began in January 2002, is expected to be completed in the third quarter of 2003. The upgraded rig will be able to operate in 7,000-foot water depths on a stand alone basis, and water depths in excess of 7,000 feet should be achievable utilizing augmented mooring systems on a case by case basis.

The Company's two year program to expand the capabilities of its jack-up fleet by significantly upgrading six of its 14 jack-up rigs is now more than 50% complete. Three of these upgrades were completed in 2002. The Ocean Titan and Ocean Tower, both 350-foot water depth capability independent-leg slot rigs prior to the upgrades, are having cantilever packages installed. The Ocean Tower completed its cantilever upgrade in March 2003 for approximately $25.8 million and is currently in a Gulf of Mexico shipyard completing other capital projects. The upgrade of the Ocean Titan is scheduled to begin in the second quarter of 2003. The Ocean Sovereign, a 250-foot water depth independent-leg cantilever rig, is currently in a shipyard undergoing leg extension installations to allow the rig to work in water depths up to 300 feet.

During the quarter ended March 31, 2003, the Company spent $30.3 million on its continuing rig enhancement program and to meet other corporate capital expenditure requirements. In addition, the Company spent $65.0 million ($63.5 million capitalized to rig equipment) for the purchase of the third-generation semisubmersible drilling rig, Omega, renamed the Ocean Patriot. The Company expects to spend a total of approximately $110 million in 2003 for capital expenditures associated with its continuing rig enhancement program (other than rig upgrades) and other corporate requirements.

The Company expects to finance these capital expenditures through the use of existing cash balances or internally generated funds.

INTEGRATED SERVICES

The Company's wholly owned subsidiary, Diamond Offshore Team Solutions, Inc. ("DOTS"), from time to time, selectively engages in drilling services pursuant to turnkey or modified-turnkey contracts under which DOTS agrees to drill a well to a specified depth for a fixed price. In such cases, DOTS generally is not entitled to payment unless the well is drilled to the specified depth and other contract requirements are met. Profitability of the contract is dependent upon its ability to keep expenses within the estimates used in determining the contract price. Drilling a well under a turnkey contract therefore typically requires a greater cash commitment by the Company and exposes the Company to risks of potential financial losses that generally are substantially greater than those that would ordinarily exist when drilling under a conventional dayrate contract. DOTS also offers a portfolio of drilling services including overall project management, extended well tests, and completion operations. During the quarter ended March 31, 2003 integrated services had an operating loss of $0.1 million as only one turnkey plug and abandon project in the Gulf of Mexico was completed in the quarter. During the quarter ended March 31, 2002 integrated services had an operating loss of $1.0 million resulting from a turnkey well, also in the Gulf of Mexico.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2002 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company accounts for stock-based employee compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." However, the Company has adopted the provisions of SFAS No. 148 which require prominent disclosure regarding the method of accounting for stock-based employee compensation in its annual and interim financial statements.

In July 2002 the FASB issued SFAS No. 146, "Accounting for costs associated with exit or disposal activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company's adoption of SFAS No. 146 has not had, nor is it expected to have, a material impact on the Company's consolidated results of operations, financial position or cash flows.

In April 2002 the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment to FASB Statement No. 13, and Technical Corrections." The rescission of SFAS No. 4 and 64 by SFAS No. 145 streamlines the reporting of debt extinguishments and requires that only gains and losses from extinguishments meeting the criteria in APB Opinion 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" would be classified as extraordinary. Thus, gains or losses arising from extinguishments that are part of a company's recurring operations would not be reported as an extraordinary item. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002 with earlier adoption encouraged. The Company adopted SFAS No. 145 in April 2002 and, accordingly, reclassified its April 2001 loss of $7.7 million, net-of-tax, from early extinguishment of debt, as a result of the Company's redemption of its outstanding 3.75% convertible subordinated notes due 2007, out of extraordinary items.

In August 2001 the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 with early adoption encouraged. The adoption of SFAS No. 143 in January 2003 has not had, nor is it expected to have, a material impact on the Company's consolidated results of operations, financial position or cash flows.

FORWARD-LOOKING STATEMENTS

Certain written and oral statements made or incorporated by reference from time to time by the Company or its representatives are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain or be identified by the words "expect," "intend," "plan," "predict," "anticipate," "estimate," "believe," "should," "could," "may," "might," "will be," "will continue," "will likely result," "project," "forecast," "budget" and similar expressions. Statements by the Company in this report that contain forward-looking statements include, but are not limited to, information concerning possible or assumed future results of operations of the Company and statements about the following subjects:

- future market conditions and the effect of such conditions on the Company's future results of operations (see " - Industry Conditions");
- future uses of and requirements for financial resources, including, but not limited to, expenditures related to the upgrades of the Ocean Rover and three of the Company's jack-up rigs (see " - Liquidity" and " - Capital Resources");
- interest rate and foreign exchange risk (see "Quantitative and Qualitative Disclosures About Market Risk");
- future contractual obligations (see " - Liquidity - Contractual Cash Obligations");
- business strategy;
- growth opportunities;
- competitive position;
- expected financial position;
- future cash flows;
- future dividends;
- financing plans;
- tax planning;
- budgets for capital and other expenditures (see "--Capital Resources");
- timing and cost of completion of rig upgrades and other capital projects (see "--Capital Resources");
- delivery dates and drilling contracts related to rig conversion and upgrade projects (see " -- Industry Conditions" and "Capital Resources");
- plans and objectives of management;
- performance of contracts;
- outcomes of legal proceedings;
- compliance with applicable laws; and
- adequacy of insurance or indemnification.

Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected or expressed in forward-looking statements. Such risks and uncertainties include, among others, the following:

- general economic and business conditions;
- worldwide demand for oil and natural gas;
- changes in foreign and domestic oil and gas exploration, development and production activity;
- oil and natural gas price fluctuations and related market expectations;
- the ability of the Organization of Petroleum Exporting Countries, commonly called OPEC, to set and maintain production levels and pricing, and the level of production in non-OPEC countries;
- policies of the various governments regarding exploration and development of oil and gas reserves;
- advances in exploration and development technology;
- the political environment of oil-producing regions;
- casualty losses;
- operating hazards inherent in drilling for oil and gas offshore;
- industry fleet capacity;
- market conditions in the offshore contract drilling industry, including dayrates and utilization levels;
- competition;
- changes in foreign, political, social and economic conditions;
- risks of international operations, compliance with foreign laws and taxation policies and expropriation or nationalization of equipment;
- foreign exchange and currency fluctuations and regulations, and the inability to repatriate income or capital;
- risks of war, military operations, other armed hostilities, terrorist acts and embargoes;
- changes in offshore drilling technology, which could require significant capital expenditures in order to maintain competitiveness;
- regulatory initiatives and compliance with governmental regulations;
- compliance with environmental laws and regulations;
- customer preferences;
- effects of litigation;
- cost, availability and adequacy of insurance;
- adequacy of the Company's sources of liquidity;
- risks inherent in turnkey operations, including the risk of failure to complete a well and cost overruns;
- the availability of qualified personnel to operate and service the Company's drilling rigs; and
- various other matters, many of which are beyond the Company's control.

The risks included here are not exhaustive. Other sections of this report and the Company's other filings with the Securities and Exchange Commission include additional factors that could adversely affect the Company's business, results of operations and financial performance. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements. Forward-looking statements included in this report speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information included in this Item 3 is considered to constitute "forward-looking statements" for purposes of the statutory safe harbor provided in Section 27A of the Securities Act and Section 21E of the Exchange Act. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" in Item 2 of Part I of this report.

The Company's measure of market risk exposure represents an estimate of the change in fair value of its financial instruments. Market risk exposure is presented for each class of financial instrument held by the Company at March 31, 2003 and December 31, 2002 assuming immediate adverse market movements of the magnitude described below. The Company believes that the various rates of adverse market movements represent a measure of exposure to loss under hypothetically assumed adverse conditions. The estimated market risk exposure represents the hypothetical loss to future earnings and does not represent the maximum possible loss or any expected actual loss, even under adverse conditions, because actual adverse fluctuations would likely differ. In addition, since the Company's investment portfolio is subject to change based on its portfolio management strategy as well as in response to changes in the market, these estimates are not necessarily indicative of the actual results which may occur.

Exposure to market risk is managed and monitored by senior management. Senior management approves the overall investment strategy employed by the Company and has responsibility to ensure that the investment positions are consistent with that strategy and the level of risk acceptable to it. The Company may manage risk by buying or selling instruments or entering into offsetting positions.

Interest Rate Risk

The Company has exposure to interest rate risk arising from changes in the level or volatility of interest rates. The Company's investments in marketable securities are primarily in fixed maturity securities. The Company monitors its sensitivity to interest rate risk by evaluating the change in the value of its financial assets and liabilities due to fluctuations in interest rates. The evaluation is performed by applying an instantaneous change in interest rates by varying magnitudes on a static balance sheet to determine the effect such a change in rates would have on the recorded market value of the Company's investments and the resulting effect on stockholders' equity. The analysis presents the sensitivity of the market value of the Company's financial instruments to selected changes in market rates and prices which the Company believes are reasonably possible over a one-year period.

The sensitivity analysis estimates the change in the market value of the Company's interest sensitive assets and liabilities that were held on March 31, 2003 and December 31, 2002 due to instantaneous parallel shifts in the yield curve of 100 basis points, with all other variables held constant.

The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Accordingly the analysis may not be indicative of, is not intended to provide, and does not provide a precise forecast of the effect of changes of market interest rates on the Company's earnings or stockholders' equity. Further, the computations do not contemplate any actions the Company could undertake in response to changes in interest rates.

The Company's long-term debt, as of March 31, 2003 and December 31, 2002 is denominated in U.S. dollars. The Company's debt has been primarily issued at fixed rates, and as such, interest expense would not be impacted by interest rate shifts. The impact of a 100 basis point increase in interest rates on fixed rate debt would result in a decrease in market value of $154.0 and $153.8 million, respectively. A 100 basis point decrease would result in an increase in market value of $192.5 and $192.7 million, respectively.

Foreign Exchange Risk

Foreign exchange rate risk arises from the possibility that changes in foreign currency exchange rates will impact the value of financial instruments. As of March 31, 2003, the Company had contracted to purchase 50.0 million Australian dollars, 4.2 million Australian dollars to be purchased monthly from August 29, 2002 through June 26, 2003 and 3.8 million to be purchased on July 31, 2003. These foreign exchange forward contracts are recorded at their fair value determined by discounting future cash flows at current forward rates.

An asset of $0.8 million and $0.2 million reflecting the fair value of the forward contracts was included with "Prepaid expenses and other" in the Consolidated Balance Sheet at March 31, 2003 and December 31, 2002, respectively. The sensitivity analysis assumes an instantaneous 20% change in the foreign currency exchange rates versus the U.S. dollar from their levels at March 31, 2003 and December 31, 2002, with all other variables held constant.

The following table presents the Company's market risk by category (interest rates and foreign currency exchange rates):

	FAIR VALUE ASSET (LIABILITY)		MARKET RISK	
CATEGORY OF RISK EXPOSURE:	MARCH 31, 2003	DECEMBER 31, 2002	MARCH 31, 2003	DECEMBER 31, 2002
	(IN THOUSANDS)			
Interest rate:				
Marketable securities..........	$ 495,563 (a)	$ 627,614 (a)	$ 11,000(c)	$ 21,500(c)
Long-term debt................	(911,800)(b)	(901,800)(b)		
Foreign Exchange..................	848	151	1,000(d)	2,300(d)

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(a) The fair market value of the Company's investment in marketable securities is based on the quoted closing market prices on March 31, 2003 and December 31, 2002.

(b) The fair values of the Company's 1.5% convertible senior debentures due 2031 and zero coupon convertible debentures due 2020 are based on the quoted closing market prices on March 31, 2003 and December 31, 2002. The fair value of the Company's Ocean Alliance lease-leaseback agreement is based on the present value of estimated future cash flows using a discount rate of 6.01% for March 31, 2003 and 6.62% for December 31, 2002.

(c) The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of an increase in interest rates of 100 basis points at March 31, 2003 and December 31, 2002.

(d) The calculation of estimated market risk exposure is based on assumed adverse changes in the underlying reference price or index of a decrease in foreign exchange rates of 20% at March 31, 2003 and December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES.

The Company's management formed a disclosure controls and procedures committee (the "Disclosure Committee") in 2002. The purpose and responsibility of the Disclosure Committee is to coordinate and review the process by which information is recorded, processed and reported on a timely basis as required to be disclosed by the Company in its reports filed, furnished or submitted under the Exchange Act. In addition, the Disclosure Committee is responsible for ensuring that this information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

Based on their evaluation of the Company's disclosure controls and procedures conducted within 90 days of the date of filing this report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that as of the date of their evaluation, the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) promulgated under the Exchange Act) are effective.

Changes in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

See the Exhibit Index for a list of those exhibits filed herewith.

(b) The Company made the following reports on Form 8-K during the first quarter of 2003:

Date of Report	Description of Report
January 9, 2003	Item 9 Regulation FD disclosure (informational only)
January 27, 2003	Item 9 Regulation FD disclosure (informational only)
March 4, 2003	Item 9 Regulation FD disclosure of CEO/CFO Certifications (pursuant to section 906 of the Sarbanes-Oxley Act of 2002) for the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (informational only)
March 6, 2003	Item 9 Regulation FD disclosure (informational only)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIAMOND OFFSHORE DRILLING, INC.
(Registrant)

Date 05-May-2003	By:	\s\ Gary T. Krenek Gary T. Krenek Vice President and Chief Financial Officer
Date 05-May-2003		\s\ Beth G. Gordon Beth G. Gordon Controller (Chief Accounting Officer)

CERTIFICATIONS

I, James S. Tisch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diamond Offshore Drilling, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date 05-May-2003

\s\ James S. Tisch

James S. Tisch
Chief Executive Officer

CERTIFICATIONS

I, Gary T. Krenek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diamond Offshore Drilling, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date 05-May-2003

\s\ Gary T. Krenek

Gary T. Krenek
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998).
3.2	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001).
99.1*	Certification dated May 5, 2003 by the chief executive officer of the Company furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)
99.2*	Certification dated May 5, 2003 by the chief financial officer of the Company furnished solely pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)

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* Filed herewith

EXHIBIT 99.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James S. Tisch, as Chief Executive Officer of Diamond Offshore Drilling, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the accompanying Form 10-Q report of the Company for the period ending March 31, 2003, as filed with the U.S. Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2003

/s/ James S. Tisch

James S. Tisch,
Chief Executive Officer of the Company

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary T. Krenek, as Chief Financial Officer of Diamond Offshore Drilling, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the accompanying Form 10-Q report of the Company for the period ending March 31, 2003, as filed with the U.S. Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2003

/s/ Gary T. Krenek

Gary T. Krenek,
Chief Financial Officer of the Company

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.