

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 24, 1996

REGISTRATION NO. 333-2680

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE

AMENDMENT NO. 2

TO
FORMS S-4/S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

DIAMOND OFFSHORE DRILLING, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	1381 (Primary Standard Industrial Classification Code Number)	76-0321760 (I.R.S. Employer Identification Number)
DIAMOND OFFSHORE DRILLING, INC. 15415 KATY FREEWAY, SUITE 400 HOUSTON, TEXAS 77094 (713) 492-5300 (Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)	RICHARD L. LIONBERGER, ESQ. VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY 15415 KATY FREEWAY, SUITE 400 HOUSTON, TEXAS 77094 (713) 492-5300 (Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent For Service)	

Copies to:

JAMES L. RICE III, ESQ.
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(713) 546-5000

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SKADDEN, ARPS, SLATE, MEAGHER & FLOM
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
(212) 735-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective and all other conditions to the amalgamation (the "Acquisition") of AO Acquisition Limited with Arethusa (Off-Shore) Limited pursuant to the Plan of Acquisition described in the enclosed Prospectus/Joint Proxy Statement have been satisfied or waived. If any of the securities being registered on these Forms are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Post-Effective Amendment No. 2 to Registration Statement No. 333-2680 is being filed for the sole purpose of adding the following exhibit to the Registration Statement: Term Drilling Contract dated March 29, 1996 between Diamond Offshore and Chevron U.S.A. Production Company with respect to the Ocean Quest.

II-1

FORM S-4 ITEM 21/FORM S-1 ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NO. -----	DESCRIPTION -----
1.1	Form of U.S. Purchase Agreement*
1.2	Form of International Purchase Agreement*
2.1	Plan of Acquisition*
2.2	Amendment No. 1 to Plan of Acquisition*
2.3	Amalgamation Agreement*
3.1	Restated Certificate of Incorporation of Diamond Offshore (incorporated by reference herein to Exhibit 3.1 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
3.2	Amended By-laws of Diamond Offshore*
3.2.1	Amendment of the Company's By-laws on November 8, 1995*
3.2.2	Amendment of the Company's By-laws on April 3, 1996*
5.1	Opinion of Weil, Gotshal & Manges LLP regarding validity of the securities being registered*
8.1	Opinion of Weil, Gotshal & Manges LLP regarding certain tax matters*
10.1	Fee Agreement*
10.2	Amendment No. 1 to Fee Agreement*
10.3	Loews Stockholder's Agreement*
10.4	Amendment No. 1 to Loews Stockholder's Agreement*
10.5	Shareholders Agreement*
10.6	Amendment No. 1 to Shareholders Agreement*
10.7	Termination and Settlement Agreement dated October 10, 1995 between Loews and Diamond Offshore (incorporated by reference herein to Exhibit 10.1 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.8	Registration Rights Agreement dated October 16, 1995 between Loews and Diamond Offshore (incorporated by reference herein to Exhibit 10.2 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.9	Services Agreement dated October 16, 1995 between Loews and Diamond Offshore (incorporated by reference herein to Exhibit 10.3 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.10	Agreement ("Rose Employment Agreement"), dated November 1, 1992, between Diamond Offshore and Robert E. Rose (incorporated by reference herein to Exhibit 10.7 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.11	Amendment, dated December 27, 1995, to the Rose Employment Agreement (incorporated by reference herein to Exhibit 10.5 of Diamond Offshore's Annual Report on Form 10-K for the fiscal year ended December 31, 1995)
10.12	Credit Agreement among Diamond Offshore, Diamond Offshore Limited, various lending institutions, Bankers Trust Company and Christiania Bank og Kreditkasse, New York Branch, as Co-Arrangers and Bankers Trust Company, as Administrative Agent dated as of February 8, 1996 and amended and restated as of March 27, 1996*

EXHIBIT NO. -----	DESCRIPTION -----
10.13	Diamond Offshore Management Bonus Program (incorporated by reference herein to Exhibit 10.9 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.14	Form of Diamond Offshore Executive Deferred Compensation Plan (incorporated by reference herein to Exhibit 10.10 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.15	Term Drilling Contract dated March 29, 1996 between Diamond Offshore and Chevron U.S.A. Production Company with respect to the Ocean Quest
10.16	Letter of Intent entered into September 6, 1995 between Diamond Offshore and Texaco Exploration and Production Inc. with respect to the Ocean Star (formerly named Ocean Countess) (incorporated by reference herein to Exhibit 10.12 of Diamond Offshore's Registration Statement No. 33-95484 on Form S-1)
10.17	Diamond Offshore Drilling, Inc. Nonqualified Stock Option Plan for Certain Former Directors of Arethusa*
10.18	Diamond Offshore Drilling, Inc. Stock Option Plan for Certain Former Employees of Arethusa*
21.1	List of Subsidiaries of Diamond Offshore*
23.1	Consent of Deloitte & Touche LLP*
23.2	Consent of Arthur Andersen & Co.*
23.3	Consent of Klynveld Peat Marwick Goerdeler*
23.4	Consent of Weil, Gotshal & Manges LLP. Reference is made to Exhibit 5.1
23.5	Consent of Weil, Gotshal & Manges LLP. Reference is made to Exhibit 8.1
23.6	Consent of CS First Boston Corporation*
23.7	Consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated*
24.1	Powers of Attorney*
99.1	Fairness Opinion of CS First Boston Corporation*
99.2	Fairness Opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated*
99.3	Excerpts from The Companies Act of 1981 of Bermuda, as amended*
99.4	Form of Diamond Offshore proxy card*
99.5	Form of Arethusa proxy card*

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* Previously filed.

(b) Financial Statement Schedules

Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Post-Effective Amendment No. 2 to Registration Statement on Forms S-4/S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on May 24th, 1996.

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ RICHARD L. LIONBERGER

Name: Richard L. Lionberger
Title: Vice President, General
Counsel and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post-Effective Amendment No. 2 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
----- /s/ ROBERT E. ROSE* ----- Robert E. Rose	President, Chief Executive Officer and Director (principal executive officer)	May 24, 1996
----- /s/ LAWRENCE R. DICKERSON* ----- Lawrence R. Dickerson	Senior Vice President and Chief Financial Officer (principal financial officer)	May 24, 1996
----- /s/ GARY T. KRENEK* ----- Gary T. Krenek	Controller (principal accounting officer)	May 24, 1996
----- /s/ JAMES S. TISCH* ----- James S. Tisch	Chairman of the Board	May 24, 1996
----- /s/ HERBERT C. HOFMANN* ----- Herbert C. Hofmann	Director	May 24, 1996
----- *By: /s/ RICHARD L. LIONBERGER ----- Richard L. Lionberger Attorney-in-Fact		

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TERM DRILLING CONTRACT

"OCEAN QUEST"

THIS AGREEMENT, dated March 29, 1996, by and between CHEVRON U.S.A. INC., a Pennsylvania corporation, hereinafter referred to as "OPERATOR," and DIAMOND OFFSHORE COMPANY hereinafter referred to as "CONTRACTOR."

W I T N E S S E T H:

OPERATOR is desirous of having a well or wells for hydrocarbons drilled on its offshore leases in the Gulf of Mexico. CONTRACTOR is willing to drill such well or wells upon the terms and conditions herein contained.

N O W, T H E R E F O R E:

For the considerations hereinafter stated, CONTRACTOR hereby agrees to drill for OPERATOR with CONTRACTOR's drilling unit "Ocean Quest", for a term period of three (3) years.

SECTION I

NATURE OF CONTRACT

This is a contract for drilling services and is not to be construed as a charter of a vessel to OPERATOR. Except when and to the extent that OPERATOR assumes control and supervision under the provisions of Section X hereof,

CONTRACTOR shall remain in complete control of all operations and all personnel engaged by it hereunder at all times. Nothing herein stated is to be construed as a charter, demise or lease of the drilling unit, the CONTRACTOR to remain responsible for the management, operations, navigation, manning, control, insurance, all local, state and federal taxes related to CONTRACTOR's equipment and personnel, and all other matters incident to the operations herein provided and the performance of this contract, the same as when operating or trading for its own account.

SECTION II

COMMENCEMENT DATE AND TERM

CONTRACTOR shall, on or about August 15, 1996, commence drilling operations. The term of this contract is three (3) years from commencement of mobilization from the shipyard dock at Texas Drydock in Sabine Pass to the first designated location. OPERATOR shall have the right to extend the term of this contract upon mutually agreeable terms, rates, and conditions between the parties, provided that written notice of the election to extend is given ninety (90) days prior to the end of the primary term. OPERATOR shall further have the option to terminate this contract at any time subsequent to completion of the well then in progress at the end of the second year of the primary term, subject to payment by OPERATOR to CONTRACTOR of the Operating Rate then in effect, less any Daywork Rate received

by CONTRACTOR resulting from operations for a third party, per 24-hour day remaining in year three (3) of the primary term.

EARLY TERMINATION

1) ACTUAL OR CONSTRUCTIVE TOTAL LOSS

In the event of actual or constructive total loss of the drilling unit (as determined by CONTRACTOR's underwriters) termination shall be immediate with CONTRACTOR having no recourse against OPERATOR other than amounts earned up to such loss.

2) UNSATISFACTORY PERFORMANCE

In the event of OPERATOR's dissatisfaction with the safety practices or operating performance of CONTRACTOR's personnel, OPERATOR shall provide CONTRACTOR with written notice as to the circumstances of its dissatisfaction. CONTRACTOR shall be allowed seven (7) days to commence good faith efforts to remedy such circumstances. In the event such circumstances are not remedied to OPERATOR's satisfaction within thirty (30) days, OPERATOR shall have the option to terminate this contract subject only to payment of amounts earned up to such termination, and demobilization of the drilling unit pursuant to Section V, Item 1) hereof.

3) DAMAGE TO, LOSS OF OR FAILURE OF CRITICAL DRILLING UNIT SYSTEM OR EQUIPMENT

In the event critical drilling unit systems or equipment fails or is damaged or lost as a result of operations hereunder, the provisions of Section V, Item 6), a) b) and d) shall apply until such time as CONTRACTOR determines the period of time necessary to make repairs and/or replace such equipment. Subsequent to such determination, the term of this contract and payment of applicable dayrates shall be suspended until such time as the affected equipment is repaired or replaced after which the contract term and payment of applicable dayrates shall recommence. Mobilization and demobilization to support this operation is for CONTRACTOR's account.

Notwithstanding the above, OPERATOR shall have the option to terminate this contract at any time during such suspension subject to demobilization of the drilling unit pursuant to Section V, Item 1) hereof and to a lump sum payment to a Contractor calculated as follows:

Days of Suspension -----	Percentage of Remaining Investment Principal -----
Less than 90	100%
90 to 108	75%
181 to 360	50%
Over 360	25%

For purposes of computing the remaining investment principal, the gross amount, before applying the appropriate percentage, shall be calculated by multiplying \$47,500.00 by the number of days remaining under the primary three (3) year term.

SECTION III

EQUIPMENT, MATERIALS & SUPPLIES

(1) CONTRACTOR shall furnish on location at its own expense for drilling under this agreement:

Complete semi-submersible drilling unit "Ocean Quest" with all the tools, machinery, equipment and appurtenances as stipulated in Exhibit "A" attached hereto. CONTRACTOR shall furnish adequate roustabouts and crane operators to load and off-load OPERATOR and CONTRACTOR material and supplies and catering personnel and services adequate for CONTRACTOR, OPERATOR and third party personnel.

It being understood that the enumeration above of specific items of rig supplies and appurtenances to be furnished by CONTRACTOR shall not be deemed to relieve CONTRACTOR from furnishing at its own expense such other items as may be required for diligent, skillful and workmanlike drilling, including connections and

equipment necessary to control such pressures as may be encountered. Moreover, OPERATOR shall have the right to inspect and reject for cause any machinery, equipment, tools, appliances, materials, supplies or instruments furnished by CONTRACTOR, and CONTRACTOR shall be required to replace any rejected equipment or material with equipment or material acceptable to OPERATOR. The acceptance or rejection, or failure to accept or reject, any items shall neither diminish the warranty or liability of CONTRACTOR nor enlarge the liability or responsibility of OPERATOR.

(2) CONTRACTOR shall arrange for welding supplies required for welding on OPERATOR-furnished material, and any extra labor requested by OPERATOR, but CONTRACTOR shall be reimbursed by OPERATOR for the actual cost of such items.

(3) OPERATOR shall arrange for, secure, and furnish at its own expense: Caisson for well protection;

Casing shoes and other necessary casing appliances;

Cement and any necessary services of third parties for cementing casing;

Bits;

Drilling Water;

Potable Water;

Power Casing & Tubing Tongs;

Mud and any other necessary weighting materials. OPERATOR to have the right to specify the quality and type of mud and weighting materials to be used. CONTRACTOR agrees to keep an orderly inventory of mud materials in order that an inventory may be made at any time and to keep an accurate record of mud deliveries and mud usage by tours;

Devices and services of third parties for surveys and tests;

Casing tools, tubing tools, and casing crews not provided in Exhibit "A";

Casing, liner, tubing and necessary fittings for completion;

Drill pipe, drill collars and related equipment, other than as provided by CONTRACTOR as specified in Exhibit "A";

Necessary marine and air transportation between shore and well location for labor, equipment and supplies;

Fuel.

(4) It is recognized by CONTRACTOR and OPERATOR that various items of equipment, materials, supplies and labor, in addition to those referred to herein, may be required for drilling and completing or abandoning the well. In the event additional items are required, such items shall be arranged for, secured and paid for from time to time as mutually agreed upon by CONTRACTOR and OPERATOR.

SECTION IV

CONDUCT OF OPERATIONS

CONTRACTOR will conduct its operations in such a manner that safety of all personnel on the drilling location is a primary operating principle. The CONTRACTOR's operating procedures will be directed to maintaining a work place

that eliminates personal injury, equipment damage and downtime, and damage to the environment. Operating procedures not covered by specific legal regulations will be conducted in accordance with standard industry practice, as contained in the publications of the International Association of Drilling Contractors, the American Petroleum Institute, or as otherwise specified by the OPERATOR in its drilling programs and similar written documents.

The use, possession, distribution, purchase, or sale of any controlled substance and/or alcohol by any person while on OPERATOR premises, engaged in OPERATOR business or while operating OPERATOR equipment is prohibited. Any use of a controlled substance which causes or contributes to unacceptable job performance or unusual job behavior is also prohibited.

Any person violating this policy will be removed from OPERATOR premises.

The OPERATOR reserves the right at any time to inspect or search any person, place, or thing on OPERATOR premises.

The OPERATOR reserves the right to require CONTRACTOR to search and/or screen its employees before entering upon OPERATOR premises, engaging in OPERATOR business or operating OPERATOR equipment. CONTRACTOR is required to have controlled substance and/or alcohol procedures which allow the CONTRACTOR to search and/or screen their employees who are on OPERATOR premises, engaged in OPERATOR business or operating OPERATOR equipment. Prior to conducting a search and/or screen of their employees on

OPERATOR premises, CONTRACTOR must notify the local OPERATOR facility manager.

Unless prohibited by applicable law, OPERATOR reserves the right to conduct or require a controlled substance screen on any person on OPERATOR premises, engaged in OPERATOR business, or operating OPERATOR equipment. Prior written consent must be obtained from any person who is to be screened.

CONTRACTOR agrees, upon receipt of OPERATOR, at any time and from time to time, prior to completion or abandonment of said well, to perform, or assist in performing any and all tests, measurements and special services, including the following: coring, determining deviation of the hole from vertical, sidetracking, and other tests and services.

CONTRACTOR agrees, if and when requested by OPERATOR, properly to land and cement casing, of the sizes, weights, grades and at the depths set forth as instructed by OPERATOR.

After cement has set, casing and cement job shall be tested in a manner satisfactory to OPERATOR. If any defect shall be disclosed, CONTRACTOR shall take immediate steps to remedy it as directed by OPERATOR and continue such efforts until results satisfactory to OPERATOR are secured.

OPERATOR may, at any time, elect to have said well abandoned at any depth. Upon notice of such election, CONTRACTOR shall promptly remove from the hole and lay down all recoverable casing and tubing and plug and abandon

hole in a manner satisfactory to OPERATOR and in compliance with applicable rules and regulations promulgated by all duly constituted Federal and State authorities.

OPERATOR may, at any time, elect to have said well completed, and in that event, CONTRACTOR shall perform the work of completing the well to the extent desired by OPERATOR, including the running of casing, liner and tubing and installing casingheads and Christmas tree.

SECTION V

PAYMENTS TO CONTRACTOR

(1) MOBILIZATION: CONTRACTOR shall provide the supervision and engage the tugs to mobilize CONTRACTOR's drilling unit, "Ocean Quest," to OPERATOR's initial designated location. OPERATOR shall reimburse CONTRACTOR for the actual cost of tugs, fuel, and related towing charges during mobilization. OPERATOR shall be responsible, at its cost, for the anchor handling vessels and services. CONTRACTOR shall be paid at the rate of Seventy-Five Thousand (\$75,000.00) and No/100 Dollars per 24-hour day commencing when the drilling unit departs the dock at Texas Drydock in Sabine Pass for the initial designated well location.

DEMOBILIZATION: Upon completion of drilling activities on the well in progress at the end of the primary three (3) year term and being released by OPERATOR's representative at such location, OPERATOR will pay CONTRACTOR at a rate of Seventy-Five Thousand (\$75,000.00) and No/100 Dollars per 24-hour day to demobilize the drilling unit to Grand Island Block 70, or other mutually agreed

demobilization site. Demobilization is complete when the drilling unit is moored and safely secured at such demobilization site, with all OPERATOR and OPERATOR furnished equipment offloaded. In the event CONTRACTOR's drilling unit goes immediately to work for a third party after completion of OPERATOR's well and being released by OPERATOR, then the obligation by OPERATOR to CONTRACTOR for compensation stated above shall end when the drilling unit is deballasted, the last anchor is bolstered, the drilling unit is completely ready for tow and all OPERATOR and OPERATOR furnished equipment is offloaded.

(2) DAYWORK RATE

OPERATOR shall pay CONTRACTOR at the rate of Seventy-Five Thousand (\$75,000.00) and No/100 Dollars per 24-hour day commencing when the first anchor is dropped on OPERATOR's location and ending when the last anchor is bolstered and the drilling unit is completely ready for tow. The Daywork Rate shall apply at all times during the term of the contract, except for such times as another rate provided in this contract is expressly applicable.

(3) MOVING RATE

OPERATOR shall pay CONTRACTOR at the rate of Seventy-Five Thousand (\$75,000.00) and No/100 Dollars per 24-hour day during the term of this contract for moves between well locations commencing when the last anchor is bolstered at the previous location until the first anchor is dropped at the next designated location.

CONTRACTOR shall provide the supervision and engage the tugs, at all times during the term of the contract, and OPERATOR shall reimburse CONTRACTOR for the actual cost of tugs, fuel, and related towing services. OPERATOR shall be responsible, at its cost, for anchor handling vessels and related anchor handling services during the term of this contract.

(4) STANDBY RATE (With Crews)

Notwithstanding the provisions of Section XII, Force Majeure, in the event that drilling operations with the drilling unit are shut down as a result of weather or sea conditions (including but not limited to eddy currents), or waiting on OPERATOR or OPERATOR furnished equipment and/or services, OPERATOR shall make payments at the Standby Rate of Seventy-Five Thousand (\$75,000.00) and No/100 Dollars per 24-hour day.

(5) STANDBY RATE (On Location Without Crews)

Notwithstanding the provisions of Section XII, Force Majeure, in the event that drilling operations with the drilling unit are shut down and the drilling unit is evacuated as a result of weather or sea conditions (including eddy currents), OPERATOR shall make payments at the full Standby Rate of Seventy-Five Thousand (\$75,000.00) and No/100 Dollars per 24-hour day, for the first fifteen (15) days. Should the suspension continue for a period of time more than fifteen (15) consecutive days, the Standby Rate would be reduced to ninety-five (95%) percent, for the next fifteen (15) day standby period, and eighty (80%) percent, less savings realized through mutually agreed crew reductions, thereafter.

(6) REPAIR RATE

(a) Equipment Repair Rate (SURFACE) - In the event operations on any well are shut down by reason of replacement, breakage of or failure of CONTRACTOR's drilling unit or mechanical equipment above the surface of the water, (as distinguished from routine inspection, lubrication, change of pump liners, repacking swivel, slipping and cutting of drill line, servicing top drive, etc.), CONTRACTOR shall be paid at the rate prevailing for the particular operation in which the drilling unit is engaged at the time. The cumulative time consumed in replacing or repairing equipment shall be limited to a maximum of twenty-four (24) hours in any calendar month. After twenty-four (24) hours, the Repair Rate shall be reduced to Zero (0) and No/100 Dollars per 24-hour day until the drilling unit is ready for work.

(b) Equipment Repair Rate (SUBSURFACE) - If it becomes necessary to shut down the drilling unit for subsurface repairs (defined as anything normally in use below the surface of the water, including those portions of the riser above the surface of the water, the telescoping joint, the diverter system, the guideline and riser tensioners and the mooring equipment), CONTRACTOR will be paid at the rate prevailing for the particular operation in which the drilling unit is engaged at the time for the first forty-eight (48) hours per two (2) consecutive calendar month period. Should the suspension continue for a period of more than forty-eight (48) hours per two (2) consecutive calendar month period,

CONTRACTOR will be paid eighty percent (80%) of such rate for the next forty-eight (48) hours, and ZERO rate thereafter.

(c) Regulatory Inspection - It is recognized that during the three (3) year term of this contract, it may become necessary to temporarily suspend operations to perform necessary regulatory inspections to the drilling unit. In the event of such suspension, OPERATOR shall pay CONTRACTOR at the Operating Rate for a maximum of forty-eight (48) hours per calendar year to accomplish such inspections. Excess hours are payable at zero rate. This inspection time is not cumulative from one year to the next.

(d) Notwithstanding the provisions of a. and b. above, and in recognition of the scope and magnitude of the contemplated upgrade, any equipment repair time which occurs during the first forty-five (45) days of the primary term of this contract shall be payable at Zero rate.

(7) FORCE MAJEURE RATE

In the event of an occurrence of Force Majeure, as defined in Section XII hereof, the then prevailing daywork rate shall apply regardless, until such time as the circumstances causing such occurrence are over come and operations resume. Such time shall apply towards the primary term hereunder and OPERATOR may, at its option, extend the primary term for the number of days under Force Majeure at a daywork rate equivalent to CONTRACTOR's then prevailing operating costs plus Ten Thousand (\$10,000.00) and No/100 Dollars per day. For the purposes of computing then prevailing operating costs, it is agreed that operating costs shall be

established as Twenty Thousand (\$20,000.00) and No/100 Dollars per day on the contract commencement date and shall be subject to revisions as provided in Item 11 hereunder and as may otherwise be mutually agreed.

In the event the primary contract term is extended pursuant to Section II hereof, the provisions of this Item 7 shall be revised to reflect mutually agreed language to apply to such extension.

(8) OPERATOR shall reimburse CONTRACTOR for the actual cost to CONTRACTOR of all equipment, materials, supplies and services procured and furnished by CONTRACTOR that are specified herein to be furnished by OPERATOR or at OPERATOR's expense, including any cost of transporting such items incurred by CONTRACTOR.

(9) CONTRACTOR shall have a toolpusher on duty and a drilling crew as specified in Exhibit A, on duty at the location of the well being drilled hereunder at all times during the periods covered by these payments provided for daywork rates. The per diem compensation provided hereinabove contemplates that CONTRACTOR will use reasonable diligence to assure the employment of complete crews (as per Exhibit "B" attached) during full twenty-four (24) hour periods, except upon the request or approval of OPERATOR. It is recognized, however, by OPERATOR and CONTRACTOR that there may be occasions when CONTRACTOR is unable to maintain a complete crew. When such occurs, for each man crew is short, CONTRACTOR's per diem rate shall be reduced by the daily rate of pay plus burden of such man.

It shall be the responsibility of CONTRACTOR to arrange for the day to day management, labor, and maintenance of the galley, dining room, and living quarters for employees, subcontractors, and third parties of CONTRACTOR and OPERATOR. Employees, subcontractors, and third parties of CONTRACTOR and three (3) employees, subcontractors or invitees of OPERATOR shall be at CONTRACTOR's expense. OPERATOR's additional personnel, subcontractors, and third parties shall be for OPERATOR's account, and CONTRACTOR will be reimbursed by OPERATOR for such personnel.

(10) On or before the end of each calendar month, CONTRACTOR shall invoice OPERATOR for per diem compensation due CONTRACTOR under Paragraphs (1), (2), (3), (4), (5), (6), and (7) above, and for any amounts due to be reimbursed CONTRACTOR under Paragraph (8) and (9) above, supporting the latter by invoices of the suppliers, all for the preceding calendar month, and OPERATOR shall pay CONTRACTOR the total amount due under such invoices within twenty-five (25) days from the receipt thereof; provided that in the event any liens or claims for labor and material have not been satisfied and discharged by CONTRACTOR at the time OPERATOR receives any of CONTRACTOR's invoices hereinabove referred to, OPERATOR may withhold payment to CONTRACTOR of any compensation or reimbursement payable hereunder until such liens or claims have been satisfied and discharged by CONTRACTOR; or OPERATOR itself may satisfy and discharge such liens or claims and deduct the amount thereof from any sums payable to CONTRACTOR. Any undisputed invoices not paid within the time frame

noted above, shall bear interest at 1% per month or the maximum allowed by law, whichever is less.

(11) The rates and payments herein set forth due to CONTRACTOR from OPERATOR shall be revised to reflect the change in costs if the costs of any of the items hereafter listed shall vary equal to or greater than five (5%) percent from the costs thereof not earlier than one (1) year from the commencement of this contract and not more frequent than one (1) year after the date of any revision pursuant to this Section V.

- a. Labor costs, including all benefits, of CONTRACTOR's personnel listed in Exhibit "B";
- b. CONTRACTOR's cost of insurance premiums;
- c. CONTRACTOR's cost of catering;
- d. CONTRACTOR's cost of spare parts and supplies vary and that the parties shall use the United States Department of Labor Producer Price Index Commodity Code No. 1191.02 - Oil Field and Gas Field Drilling Machinery - to determine what extent a price variance has occurred in said spare parts and supplies.

Base figures from which such revisions (either upward or downward) will be determined shall be provided prior to the commencement date of this contract.

SECTION VI

INSURANCE

CONTRACTOR shall obtain and maintain the following insurance in connection with CONTRACTOR's operations hereunder;

- (a) Workmen's Compensation insurance and employer's liability insurance;
- (b) Comprehensive General Liability insurance, including, without limitation, public liability and property damage coverage, premises coverage, and contractual liability coverage, water craft exclusions must be deleted;

- (c) Standard form (SP23 or equivalent) Protection and Indemnity insurance, "as owner of" clause deleted;
- (d) Comprehensive Automobile Liability insurance, including, without limitation, all owned, hired and non- owned vehicles;
- (e) Any other insurance required by the laws of any location where CONTRACTOR is performing work under this contract.

The policies of insurance obtained and maintained by CONTRACTOR shall include specific endorsements of the insurer so that such policies cover and include in addition to any other coverage, any liability and responsibility under:

1. The Workmen's Compensation Laws of the Sate of Texas;
2. The Act of Congress of March 4, 1927, 44 stat. 1424 et seq., 33 U.S.C.A., Sections 901 et seq. (Federal Longshoremen's and Harbor Workers' Compensation Act);
3. Section 20 of the Act of Congress of March 4, 1915, 38 stat. 1185, as amended by Section 33 of the Act of Congress of June 5, 1920, 41 stat. 1007, 46 U.S.C.A. Section 688 (the Jones Act);
4. The Act of Congress of March 30, 1920, 41 stat. 537 et seq. 46 U.S.C.A. Sections 761 et seq. (Death on the High Seas Act);
5. Voluntary compensation for maritime employment under admiralty jurisdictions;
6. The general maritime law;
7. The general common law.

The policies of insurance secured by the CONTRACTOR under items (a), (b), (c) and (e) of this section shall include specific endorsements of the insurer extending the territorial limits of the insurance afforded thereby so as to include operations conducted in the Gulf of Mexico.

CONTRACTOR shall at all times remain responsible for, and shall sustain any loss of CONTRACTOR's drilling unit and CONTRACTOR's equipment as provided in Sections VIII and IX hereof (and except as provided in Section VIII with respect to certain downhole, subsea, and mooring equipment losses). If CONTRACTOR elects to obtain insurance covering loss of or damage to its drilling unit and its equipment, then all such insurance policies shall be endorsed to provide a blanket and unrestricted waiver of its underwriter's or insurer's rights of subrogation against OPERATOR, and shall be endorsed to name OPERATOR as an additional assured.

CONTRACTOR agrees that any insurance policies it is required to obtain under this contract, or any insurance it otherwise elects to obtain, except Workmen's Compensation insurance, shall be endorsed to provide a blanket and unrestricted waiver of the underwriter's or insurer's rights of subrogation against OPERATOR, and shall be endorsed to name OPERATOR as an additional assured, but only to the extent of liabilities CONTRACTOR assumes under this contract.

CONTRACTOR agrees that its Workmen's Compensation insurance policies shall be endorsed to designate OPERATOR as an alternate and statutory employer, and shall be endorsed to provide a blanket and unrestricted waiver of its underwriter's or insurer's rights of subrogation, but only to the extent of liabilities CONTRACTOR assumes under this contract.

All policies of insurance CONTRACTOR is required to obtain pursuant to this contract shall be secured from insurance companies acceptable to OPERATOR

and in such limits or amounts as OPERATOR may consider adequate. However, in no event is CONTRACTOR's liability or responsibility, under this contract or otherwise, to be construed to be in any way limited to any amounts or policy limits of insurance obtained by CONTRACTOR, whether or not the amounts or policy limits of any such insurance or the types or categories of insurance have been approved by OPERATOR.

All insurance policies obtained and maintained by CONTRACTOR shall be endorsed to provide OPERATOR with (30) days written notice of cancellation.

CONTRACTOR shall furnish, at OPERATOR's request, certificates evidencing all insurance policies required to be obtained and maintained by CONTRACTOR pursuant to this contract.

SECTION VII

COMPLIANCE WITH LAWS AND REGULATIONS

In conducting the operations contemplated by this contract, CONTRACTOR shall abide by and comply with all applicable laws and regulations of (i) the United States of America, its agencies, commissions, and other regulatory bodies; (ii) state governments, their agencies, commissions, boards, and other regulatory bodies; (iii) county, parish, municipal, or local governmental authorities and their regulatory bodies; and (iv) any other governmental body having jurisdiction over the activity performed hereunder.

It is recognized that certain laws and regulations applying to the type of operations to be conducted under this contract provide for the imposition of liability and/or civil penalties on the OPERATOR, if operations are not conducted in compliance with the provisions of those laws and regulations without regard to the fact that all or part of the operations are to be conducted by a party under contract to the OPERATOR. Further, it is recognized that under these certain laws and regulations the OPERATOR may incur liability or may be subjected to the imposition of civil penalties by virtue of CONTRACTOR, while operating on behalf of OPERATOR, failing to comply, either on behalf of itself or on behalf of OPERATOR, with certain laws or regulations which govern the actions of CONTRACTOR or OPERATOR, or both.

In the event that OPERATOR is assessed a civil penalty due to the failure of CONTRACTOR to adhere to a law(s) or regulation(s) governing the activity being conducted, CONTRACTOR shall hold OPERATOR harmless and indemnify OPERATOR for the amount of the civil penalty assessed.

SECTION VIII

LOSS OF PROPERTY, EQUIPMENT, MATERIALS;

LOSS OF HOLE; RESERVOIR DAMAGE; LOSS OF WELL CONTROL

A. Contractor's Equipment

CONTRACTOR shall assume liability at all times for damage to or destruction of all CONTRACTOR or CONTRACTOR furnished equipment, including but not limited to loss or damage to CONTRACTOR's drilling unit "Ocean Quest,"

all drilling tools, machinery and appliances for use above the surface of the water, regardless of when or how such damage or destruction occurs and OPERATOR shall be under no liability to reimburse CONTRACTOR for any such loss except damage or destruction under the provisions of B. Below.

B. Contractor's Subsurface Equipment

OPERATOR shall assume liability at all times for damage to or destruction of CONTRACTOR or CONTRACTOR furnished in-hole and subsurface equipment, while in the hole or in use below the surface of the water, including but not limited to drill pipe, drill collars, tool joints, subsea equipment (any equipment below the diverter housing including but not limited to the slip joint, marine riser, pod hoses, BOP stack, connectors, etc.) and mooring equipment (including but not limited to anchor chain, mooring wire, connectors, anchors, etc.) unless such damage or destruction is caused by the sole negligence of CONTRACTOR or its subcontractors. In the event OPERATOR is liable hereunder, OPERATOR shall reimburse CONTRACTOR for repair costs for any such damage or ninety (90%) percent of current replacement costs FOB the drilling unit for drill pipe and ninety-five (95%) percent of current replacement cost FOB the drilling unit for any other in-hole and subsurface equipment for such destruction to the extent not compensated by CONTRACTOR's insurance.

C. Operator's Equipment

OPERATOR shall assume liability at all times for damage to or destruction of OPERATOR or OPERATOR furnished property, equipment, and

materials regardless of when or how such damage or destruction occurs and CONTRACTOR shall be under no liability to reimburse OPERATOR for any such damage or destruction.

D. Loss of Hole

In the event the hole being drilled is damaged or lost, OPERATOR shall be solely responsible for such damage or loss of hole, including any OPERATOR or OPERATOR furnished property, equipment or materials therein, and CONTRACTOR shall be under no liability to reimburse OPERATOR for any such damage or loss. Notwithstanding the above, in the event such damage or loss results from the sole fault or negligence of CONTRACTOR, CONTRACTOR shall, as its exclusive liability, redrill the hole so damaged or lost at a rate equivalent to eighty-five (85%) percent of the then prevailing Daywork Rate.

E. Reservoir Damage

OPERATOR agrees to defend, indemnify, release, and hold CONTRACTOR harmless from any and all claims, demands, or liabilities arising from subsurface damage to the reservoir or formation, regardless of cause or the negligence of CONTRACTOR.

F. Loss of Well Control

Except as provided in Sections VIII and IX hereof, OPERATOR shall assume the entire risk of, and be solely responsible for, and agrees to defend, indemnify, release, and hold CONTRACTOR harmless from all costs and expenses, by or in favor of anyone other than CONTRACTOR or a successor, insurer or

subrogee of CONTRACTOR regardless of cause or the negligence of CONTRACTOR, resulting from blowout, well diversion, cratering, seepage, or other uncontrolled flow of oil, gas or water, including the expense of controlling such occurrence, except that CONTRACTOR shall be liable for up to Two Hundred Fifty Thousand (\$250,000.00) and No/100 Dollars of any such costs or expense caused by CONTRACTOR's negligence. OPERATOR shall defend, indemnify, release, and hold CONTRACTOR harmless from and against all such claims, demands or causes of action in excess of such sum.

SECTION IX

LIABILITY FOR EMPLOYEES AND THIRD PARTIES

A. CONTRACTOR shall be responsible for and shall defend, indemnify, release, and hold OPERATOR harmless from and against any and all claims, demands or actions for injury, illness, disease, death, loss of society, maintenance, cure, and wages to or on behalf of CONTRACTOR's employees, agents or invitees or the employees of its subcontractors, arising in connection with this contract without limit and without regard to cause or causes thereof or the negligence of any party including the negligence, active or passive, primary or secondary, of OPERATOR or the unseaworthiness or defective condition of equipment or vessels furnished by OPERATOR hereunder. OPERATOR shall be responsible for and shall defend, indemnify, release, and hold CONTRACTOR harmless from and against any and all claims, demands or actions for injury, illness, disease, death, loss of society, maintenance, cure, and wages to or on behalf of OPERATOR's employees, agent or

invitees or the employees of its subcontractors, arising in connection with this contract without limit and without regard to the cause or causes thereof or the negligence of any party including the negligence, active or passive, primary or secondary, of CONTRACTOR or the unseaworthiness or defective condition of equipment or vessels furnished by CONTRACTOR hereunder.

B. Except as otherwise expressly limited herein, it is the intent of the parties hereto that all release and indemnity obligations and/or liabilities assumed by such parties under the terms of this Contract means that the indemnifying party or the party assuming liability shall release, indemnify, hold harmless, and defend (including payment of reasonable attorney's fees and costs of litigation) the indemnified party (or the other party to this Contract in the case of an assumption of liability) from and against any and all claims, losses, demands, penalties, causes of action, damages, judgments, and awards of any kind or character, without limit and without regard to the cause or causes thereof, including but not limited to pre-existing conditions, the unseaworthiness of any vessel or vessels (including the drilling unit), strict liability, breach of contract, or the negligence of any party or parties, whether such negligence be sole, joint or concurrent, active or passive.

For purposes of receipt of the benefit of indemnification hereunder:

OPERATOR shall include Chevron U.S.A. Inc., its parent, subsidiary and affiliated companies, its co-venturers and each of their respective directors, officers, employees, servants and agents.

CONTRACTOR shall include Diamond Offshore Company, its parent, subsidiary and affiliated companies, and each of their respective directors, officers, employees, servants and agents.

SECTION X

PROSECUTION OF WORK

Time is of the essence of this agreement. Notwithstanding the provisions of Section II, Early Termination, Item 2), should CONTRACTOR, in OPERATOR's opinion, fail to conduct its operations hereunder in a diligent, skillful and workmanlike manner and in all respects in strict compliance with the provisions hereof, and if CONTRACTOR fails to commence good faith efforts to remedy such failure within a period of seven (7) days after written notice thereof from OPERATOR to CONTRACTOR, OPERATOR shall have the right, at its sole risk, to take possession of the well and all machinery, appliances, tools, equipment, material, and supplies of CONTRACTOR and to use same for the purpose of continuing the drilling and completion or abandonment of said well at the applicable day rates hereunder, less costs incurred by OPERATOR, which would otherwise have been borne by CONTRACTOR. CONTRACTOR's assumption of liability and indemnity obligations in favor of OPERATOR, including CONTRACTOR's obligation to provide insurance coverage hereunder, shall not apply under such circumstances. Should OPERATOR so elect thus to take possession, OPERATOR shall pay CONTRACTOR all sums due CONTRACTOR as of the date upon which possession is taken by OPERATOR. In the event OPERATOR shall use any of

CONTRACTOR's equipment and material, as aforesaid, OPERATOR shall return CONTRACTOR's equipment in as good a condition as received, except that OPERATOR shall not be liable to CONTRACTOR for ordinary wear and tear or action of the elements on such equipment.

SECTION XI

FIRE PRECAUTIONS

If oil or gas is encountered in sufficient quantities to create a fire hazard or endanger the well, derrick, or equipment, CONTRACTOR at actual field cost shall adopt such precautions as are desirable or proper to prevent the well catching fire. In the event said well shall blow out, catch fire or in any manner get out of control, CONTRACTOR shall do everything that a reasonably prudent drilling contract would do under the same or similar circumstances to bring the well under control or put out the fire. CONTRACTOR shall be compensated at the prevailing daywork rate while engaged in bringing well under control. No smoking or open flames or the carrying of matches or lighters shall be permitted on the exterior of the barge or rig. Smoking may be permitted in authorized areas in the crew quarters.

SECTION XII

FORCE MAJEURE

Neither party hereto shall be liable, except that shall CONTRACTOR be entitled to the per diem compensation (provided in Section V, Item 7), for lost time or delay caused or occasioned by strikes, lockouts, action of governmental authorities, or other causes beyond control of the parties hereto, whether similar to

the matters herein specifically enumerated or not, and any such delay shall not be deemed a breach of, or a failure to perform this agreement or any part hereof.

SECTION XIII

RECORDS, INSPECTION OF WORK

OPERATOR, its authorized employees and representatives, may at all times inspect all work performed hereunder and witness and check all measurements and tests made in connection with said work. CONTRACTOR shall keep an authentic and accurate history and log of said well, with casing records, which shall be open at all reasonable times to inspection by OPERATOR, its authorized employees and representatives. CONTRACTOR shall furnish OPERATOR's designated representatives with a daily written report, on forms prescribed by OPERATOR, showing depth drilled, formations penetrated or encountered, depth cored and footage of cores recovered during the preceding twenty-four (24) hours, and any information relative to said well requested by OPERATOR. CONTRACTOR shall lay out and save, for examination by OPERATOR, samples of cuttings in containers furnished by OPERATOR whenever OPERATOR so requests. CONTRACTOR shall not, without OPERATOR's consent, allow any third person access to said well, or give out to any third person information in connection therewith, or give out to any third person, or permit any third person to examine any sample or core.

SECTION XIV

RIGHT TO AUDIT

(1) CONTRACTOR shall maintain true and correct records in connection with the work and all transactions related thereto and shall retain all such records for at least 24 months after expiration of contract.

(2) No director, employee or agent of CONTRACTOR shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with the work, or enter into any business arrangement with any director, employee or agent of OPERATOR or any affiliate other than as a representative of OPERATOR or its affiliate, without prior written notification thereof to OPERATOR, CONTRACTOR shall promptly notify OPERATOR of any violation of this paragraph and any consideration received as a result of such violation shall be paid over or credit to OPERATOR. Additionally, if any violation of this paragraph occurring prior to the date of the Agreement resulted directly or indirectly in OPERATOR's consent to enter into this Agreement with CONTRACTOR, OPERATOR may, at OPERATOR's sole option, terminate this Agreement at any time and, notwithstanding any other provision of this Agreement, pay no compensation or reimbursement to CONTRACTOR whatsoever for any work done after the date of termination. Any representative(s) authorized by OPERATOR may audit any and all records of CONTRACTOR's for the sole purpose of determining whether there has been compliance with this Section 2.

(3) OPERATOR may from time to time and at any time after the date of this Agreement until 24 months after acceptance make an audit of all records of CONTRACTOR in connection with payments made on a cost reimbursement basis. Such audit may also cover CONTRACTOR's procedures and controls with respect to such reimbursable costs. Upon completion of this audit, OPERATOR shall pay CONTRACTOR any compensation due hereunder as shown by the audit. Any amount by which the total payment by OPERATOR to CONTRACTOR exceeds the amount due the CONTRACTOR as shown by the audit shall be returned to OPERATOR. If CONTRACTOR disagrees with the results of the audit by OPERATOR, CONTRACTOR may have an independent audit conducted, at CONTRACTOR's expense, by a third party acceptable to OPERATOR and CONTRACTOR and pursuant to auditing instructions acceptable to OPERATOR and CONTRACTOR. The findings of such audit shall be binding upon OPERATOR and CONTRACTOR. Items of compensation such as fixed percentages or fixed lump sums shall not be subject to audit under this Section 3.

(4) CONTRACTOR shall assist OPERATOR in making the above audits.

(5) The term "Subcontracts" means any person, firm or corporation, including vendors to whom a part of the work has been subcontracted or sublet. CONTRACTOR shall require, and shall require all Subcontractors to require, that:

(a) Subcontractor's records are maintained and retained in accordance with subsection (1) as it applies to records of CONTRACTOR;

(b) The restrictions on commissions, fees, rebates, gifts and entertainment, and on relations with directors, employees and agents of OPERATOR which apply to directors, employees and agents of CONTRACTOR under subsection (2) shall also apply to directors, employees and agents of Subcontractor;

(c) Subcontractor shall permit any representative(s) of OPERATOR to audit any and all records of Subcontractor for the purpose of determining whether there has been compliance with the rules imposed pursuant to subsection (5)(b). Subcontractor shall also permit any representative(s) of OPERATOR to audit any and all records of Subcontractor in connection with all payments for the work received by Subcontractor on a cost-reimbursement basis;

(d) If the audit(s) by OPERATOR pursuant to subsection (5)(c) discloses that payment or reimbursement is due to OPERATOR, CONTRACTOR or Subcontractor, such amount shall be promptly paid or reimbursed, and

(e) Subcontractor shall assist OPERATOR in making the above audits.

SECTION XVI

COMPLIANCE

I. CERTIFICATION (41 CFR 60-1)
CONTRACTOR hereby certifies that it will fully comply with Executive Order 11246, as amended by Executive Order 11375, and the rules and regulations issued thereunder, which are hereby incorporated by reference as appropriate.

CONTRACTOR commits itself to such compliance upon execution of this agreement.

- 'II. EMPLOYMEE INFORMATION REPORTS (41 CFR 60-1.7)
CONTRACTOR agrees that if the amount of such contract is \$50,000 or more and he employs fifty (50) or more persons he shall:
File with the office of Federal Contract Compliance or agency designated by it, a complete and accurate report on Standard Form 100 (EEO-1) within thirty (30) days after receiving an award of contract (unless such a report has been filed in the last 12 months), and continue to file such reports annually, on or before March 31st.
- III. AFFIRMATIVE ACTION PROGRAM (41 CFR 60-1.40)
CONTRACTOR agrees that if the amount of such contract is \$50,000 or more and he employs fifty (50) or more persons he shall:
Develop and maintain a written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order 11246, as amended.
- IV. CERTIFICATION OF NON-SEGREGATED FACILITIES (41 CFR 60-1.8)
CONTRACTOR certifies that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location under its control, where segregated facilities are maintained. CONTRACTOR agrees that a breach of this certification is a violation of the

Equal Employment Opportunity Clause in this contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms, and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of Equal Employment Opportunity Clause; that it will retain such certification in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods): NOTICE TO PROSPECTIVE SUBCONTRACTORS OR REQUIREMENT FOR CERTIFICATIONS OF NON-SEGREGATED FACILITIES. A Certification of Non-segregated Facilities, as required by the May 9, 1967 order on Elimination of Segregated Facilities by the Secretary of Labor (32 Fed. Reg. 7439, May 19, 1967) must be submitted prior to the award of subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Employment Opportunity Clause. The certification

may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually). (Note: The penalty for making false statements in offers is prescribed in 18 U.S.C. Section 1001.)

V. EQUAL OPPORTUNITY COMPLIANCE REPORT CERTIFICATION (41 CFR 60-1)

1. Has the undersigned participated in any contractual agreement which contained the Equal Opportunity Clause?

() Yes () No (If "yes", answer question 3)
2. Was the undersigned required pursuant to the regulations on Equal Opportunity (41 CFR 60-1) to file a compliance report as a result of such contractual agreements?

() Yes () No (If "yes", answer question 3)
3. Did the undersigned file the compliance report as required?

() Yes () No

Whoever knowingly and willfully makes any false, fictitious or fraudulent representation may be liable to criminal prosecution under 18 U.S.C. Section 1001.

VI. EQUAL OPPORTUNITY AFFIRMATIVE ACTION PROGRAM REPRESENTATION (41 CFR 60-1.8 - 60-2)

CONTRACTOR represents that:

1. () He has developed and has on file;

() He has not developed and does not have on file at each establishment, affirmative action programs as required by the rules and regulations of the Secretary of Labor (41 CFR 60-1 and 60-2);

() He has not previously had a contract, lease license, or permit subject to the affirmative action program requirement of the rules and regulations of the Secretary of Labor.

VII. AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA (41 CFR 60-250)

The regulations issued under the Vietnam Era Veterans' Readjustment Assistance Act of 1974 in Title 41, Chapter 60, Part 60-250 of the code of Federal Regulations are incorporated herein by reference or orders of the Secretary of Labor issued pursuant to said Vietnam Era Veterans' Readjustment Assistance Act of 1974.

VIII. AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS

The regulations issued under the Rehabilitation Act of 1973 in Title 41, Chapter 60, Part 60-741 of the Code of Federal Regulations are incorporated herein by reference unless this Agreement is exempted by Federal law, rules, regulations or orders of the Secretary of Labor issued pursuant to said Rehabilitation Act of 1973.

IX. LISTING OF EMPLOYMENT OPENINGS (41 CFR 50-250)

CONTRACTOR agrees to comply with the rules and regulations of the Department of Labor concerning the listing of employment openings, including the contract clause set forth in 41 CFR 50-250.4, which clause is incorporated herein by reference. CONTRACTOR also agrees to place the foregoing provision in any subcontract directly under this contract.

X. EMPLOYMENT OF THE HANDICAPPED (20 CFR 741.3)

(This clause applies to all nonexempt contracts and subcontracts which exceed \$2,500 as follows: (1) Part A applies to contracts and subcontracts which provide for performance in less than 90 days, (2) Parts A and B apply to contracts and subcontracts which provide for performance in 90 days or more and the amount of the contract or subcontract is less than \$500,000, and (3) Parts A, B and C apply to contracts and subcontracts which provide for performance in 90 days or more and the amount of the contract or subcontract is \$500,00 or more).

PART A

(a) The CONTRACTOR will not discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any

position for which the employee or applicant for employment is qualified. The CONTRACTOR agrees to take affirmative action to employ, advance in employment and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as the following: employment, upgrading demotion or transfer, recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

(b) The CONTRACTOR agrees that, if a handicapped individual files a complaint with the CONTRACTOR that he is not complying with the requirements of the Act, he will (1) investigate the complaint and take appropriate action consistent with the requirements of 20 CFR 741.29 and (2) maintain on file for three years, the record regarding the complaint and the actions taken.

(c) The CONTRACTOR agrees that, if a handicapped individual files a complaint with the Department of labor that he has not complied with the requirements of the Act, (1) he will cooperate with the Department in its investigation of the complaint, and (2) he will provide all pertinent information regarding his employment practices with respect to the handicapped.

(d) The CONTRACTOR agrees to comply with the rules and regulations of the Secretary of Labor in 20 CFR Ch. VI, Part 741.

(e) In the event of the CONTRACTOR's non-compliance with the requirements of this clause, the contract may be terminated or suspended in whole or in part.

(f) This clause shall be included in all subcontracts over \$2,500.

PART B

(g) The CONTRACTOR agrees (1) to establish an affirmative action program, including appropriate procedures consistent with the guidelines and the rules of the Secretary of Labor, which will provide the affirmative action regarding the employment and advancement of the handicapped required by P.L. 93-112, (2) to publish the program in his employee's or personnel handbook or otherwise distribute a copy of all personnel, (3) to review his program on or before March 31 of each year and to make such changes as may be appropriate, and (4) to designate one of his principal officials to be responsible for the establishment and operation of the program.

(h) The CONTRACTOR agrees to permit the examination by appropriate contracting agency officials or the Assistant Secretary for Employment Standards or

his designee, of pertinent books, documents, papers and records concerning his employment and advancement of the handicapped.

(i) The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Assistant Secretary for Employment Standards, provided by the contracting officer stating CONTRACTOR's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped employees and applicants for employment and the rights and remedies available.

(j) The CONTRACTOR will notify each labor union or representative of workers with which he has a collective bargaining agreement or other contract understanding, that the CONTRACTOR is bound by the terms of Section 503 of the Rehabilitation Act, and is committed to take affirmative action to employ and advance in employment physically and mentally handicapped individuals.

PART C

(k) The CONTRACTOR agrees to submit a copy of his affirmative action program to the Assistant Secretary for Employment Standards within 90 days after the award to him of a contract or subcontract.

(l) The CONTRACTOR agrees to submit a summary report to the Assistant Secretary for Employment Standards, by March 31 of each year during performance of the Contract, and by March 31 of the year following completion of the contract, in the form prescribed by the Assistant Secretary, covering employment and complaint experience, accommodations made and all steps taken to effectuate and carry out the commitments set forth in the affirmative action program.

XI. MINORITY BUSINESS ENTERPRISES

A. Utilization of Minority Business Enterprises (4) CFR 1-1.1310-2(a)

(a) It is the policy of the Government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of Government contracts.

(b) The CONTRACTOR agrees to use his best efforts to carry out this policy in the award of his subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this

definition, minority group members are Afro-American, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American Aleuts. Contractors may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.

B. Minority Business Enterprises Subcontracting Program
(41 CFR 1.1.1310-2(b))

(a) The CONTRACTOR agrees to establish and conduct a program which will enable minority business enterprises (as defined in the clause entitled "Utilization of Minority Business Enterprises") to be considered fairly as subcontractors and suppliers under this contract. In this connection, the CONTRACTOR shall:

(1) Designate a liaison officer who will administer the CONTRACTOR's minority business enterprises program.

(2) Provide adequate and timely consideration of the potentialities of known minority business enterprises in all "make-or-buy" decisions.

(3) Assure that known minority business enterprises will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of minority business enterprises.

(4) Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of minority business enterprises, (ii) awards to minority business enterprises on the source list, and (iii) specific efforts to identify and award contracts to minority business enterprises.

(5) Include the Utilization of Minority Business Enterprises clause in subcontracts which offer substantial minority business enterprises subcontracting opportunities.

(6) Cooperate with the Contracting Officer in any studies and surveys of the CONTRACTOR's minority business enterprises procedures and practices that the Contracting Officer may from time to time conduct.

(7) Submit periodic reports of subcontracting to known minority business enterprises with respect to the records referred to in subparagraph (4), above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe.

(b) The CONTRACTOR further agrees to insert, in and subcontract hereunder which may exceed \$500,000, provisions which shall conform substantially to the language of this clause, including this paragraph (b), and to notify the Contracting Officer of the names of such subcontractors.

XII. CERTIFICATE OF ENVIRONMENTAL COMPLIANCE

CONTRACTOR, to the extent required by law, agrees as follows:

- (1) To comply with all the requirements of Section 11.4 of the Clean Air Act, as amended (42 U.S.C. Sec. 1857, et seq., as amended by Pub. L. 91-604) and Section 308 of the Federal Water Pollution Control Act (33 U.S.C. Sec. 1251, et seq., as amended by Pub. L. 92-500), respectively, relating to inspection, monitoring, entry, reports and information, as well as other requirements specified in Section 114 and Section 308 of the Air Act and the Water Act, respectively, and all regulations and guidelines issued thereunder.
- (2) That no portion of the work required in the performance of its contracts with or in the filling of purchase orders from Chevron U.S.A. Inc., will be performed in a facility listed on the Environmental Protection Agency List of Violating Facilities.

See Executive Order No. 11738 of September 10, 1973, and 40 CFR Sec. 15.20.
- (3) Prompt written notification shall be given by CONTRACTOR to Chevron U.S.A. Inc., of any communication indicating that any facility is under consideration to be included on such list.
- (4) To use its best efforts to comply with clean air standards and clean water standards at the facility in which the contract is being performed.
- (5) The criteria and requirements listed in this Certificate of Environmental Compliance, including the provisions of this paragraph (5), shall be included in all CONTRACTOR's subcontracts, and CONTRACTOR will take such action as the Government may direct as a means of enforcing such provisions.
- (6) The terms "Air Act," "Water Act," "clean air standards," "clean water standards," "compliance" and "facility" used herein shall have the meanings ascribed thereto in 41 CFR Sec. 1-1.2302-2(b).

SECTION XVI

NOTICE

Mr. J. Combes, 935 Gravier Street, New Orleans, Louisiana 70112, or any person designated by him, is hereby designated OPERATOR's representative to receive all notices herein provided to be given by CONTRACTOR to OPERATOR (and any such notices may be given verbally or by letter or telegram to him at said address) and to give all notices herein provided to be given by OPERATOR to CONTRACTOR until OPERATOR shall designate a different representative. Any notices to CONTRACTOR hereunder may be given verbally or in writing to Mr. V. T. Greene at 111 Veterans Blvd., Suite 1030, Metairie, Louisiana, 70005. Any notices given by either party to the other pursuant to the provisions of this Section XVI shall be deemed sufficient for all purposes, and both parties hereby waive any necessity of formal putting in default of either party by the other.

SECTION XVII

INDEPENDENT CONTRACTOR RELATIONSHIP

CONTRACTOR agrees that all of its operations hereunder are those of an independent contractor and that it is not and none of its employees are employees of OPERATOR.

SECTION XVIII

QUALIFICATIONS OF EMPLOYEES

CONTRACTOR agrees that no person of whose loyalty, integrity, and character CONTRACTOR is not reasonably assured shall be employed by CONTRACTOR at the site of the work.

CONTRACTOR certifies that none of its employees who perform work pursuant to this contract are unauthorized aliens as defined in the Immigration Reform and Control Act of 1986.

CONTRACTOR agrees to obtain a substantially similar certification from its contractors performing work related to this contract.

SECTION XIX

POLLUTION

In its operations under this agreement, CONTRACTOR shall take all reasonable steps to prevent pollution and shall comply with Federal, State and Local laws and regulations relating to pollution. CONTRACTOR shall notify OPERATOR immediately with respect to any pollution loss, damage, claim, or demand (or occurrence which may give rise to same) resulting from operations hereunder and shall immediately undertake reasonable remedial and protective measures indicated under the circumstances pending consultation with OPERATOR.

Claims, demands, and liabilities arising from pollution of lands, beaches, or waters (including destruction of marine life), and responsibility therefor shall be defended and borne by CONTRACTOR and OPERATOR as follows:

1. If such pollution is caused by CONTRACTOR's negligent act or omission in its operations hereunder, CONTRACTOR shall release, defend, indemnify and save harmless OPERATOR from, and against, all such claims, demands, and liabilities up to the sum of U.S. \$250,000.00; and provided that if CONTRACTOR has notified OPERATOR and has undertaken remedial and protective measures as provided above, OPERATOR shall release, defend, indemnify and save harmless, CONTRACTOR from and against all such claims, demands, and liabilities in excess of such sum.

2. If such pollution is due to causes other than CONTRACTOR's negligent act or omission, OPERATOR shall release, defend, indemnify and save harmless, CONTRACTOR from and against all such claims, demands and liabilities.

As used in this Section, the phrase "liabilities", includes expenditures for controlling and removing pollutants; expenditures for cleaning up any polluted areas; sums paid on account of injury to or death of persons; and sums paid on account of damage to or destruction of property, public or private.

SECTION XX

SEVERABILITY

In the event any court should hold any part or parts of this contract including, without limitation, the insurance and indemnity sections hereof are unenforceable or void or voidable, then it is the express intent of the parties that the remaining or otherwise enforceable provisions are to be deemed nevertheless operative and effective, and the parties agree to be bound to such provisions.

SECTION XXI

CHOICE OF LAW

This contract shall be governed by and interpreted under the General Maritime Laws of the United States.

SECTION XXII

ASSIGNMENT

CONTRACTOR may not transfer, sublet or assign all or any part of its obligations under this Contract without the written consent of the OPERATOR, except to an affiliated or subsidiary company.

OPERATOR may, with written notice of proposed assignment and written consent of CONTRACTOR, sublet or assign its rights and obligations under this Contract for portions of the term hereof, but in such event OPERATOR will remain primarily responsible for the duties and obligations, including payment of any amounts due CONTRACTOR hereunder, so assigned or transferred.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

WITNESSES:

	CHEVRON U.S.A. INC., (Operator)
[SIGNATURE]	[SIGNATURE]
_____	_____
[SIGNATURE]	Assistant Secretary

(Contractor)	DIAMOND OFFSHORE COMPANY
[SIGNATURE]	
_____	[SIGNATURE]

[SIGNATURE]	

	Its_____