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 September 30, 1998

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

As of October 30, 1998   Common stock, $0.01 par value per share   135,815,535 shares

DIAMOND OFFSHORE DRILLING, INC.

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QUARTER ENDED SEPTEMBER 30, 1998

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
ASSETS	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 122,647	$ 102,958
Short-term investments	443,187	363,137
Accounts receivable	235,881	205,589
Rig inventory and supplies	35,257	33,714
Prepaid expenses and other	28,915	13,377
Total current assets	865,887	718,775
DRILLING AND OTHER PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION	1,490,549	1,451,741
GOODWILL, NET OF ACCUMULATED AMORTIZATION	113,770	118,623
LONG-TERM INVESTMENTS	25,275	--
OTHER ASSETS	9,989	9,422
Total assets	$ 2,505,470	$ 2,298,561
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 53,092	$ 57,557
Accrued liabilities	53,838	48,935
Taxes payable	35,548	24,653
Total current liabilities	142,478	131,145
LONG-TERM DEBT	400,000	400,000
DEFERRED TAX LIABILITY	240,795	209,513
OTHER LIABILITIES	29,893	22,376
Total liabilities	813,166	763,034
COMMITMENTS AND CONTINGENCIES		
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, 139,333,635 issued, 135,815,535 outstanding at September 30, 1998 and 139,309,948 shares issued and outstanding at December 31, 1997)	1,393	1,393
Additional paid-in capital	1,302,806	1,302,712
Retained earnings	482,190	233,350
Accumulated other comprehensive losses	(5,359)	(1,928)
Treasury stock, at cost (3,518,100 shares)	(88,726)	--
Total stockholders' equity	1,692,304	1,535,527
Total liabilities and stockholders' equity	$ 2,505,470	$ 2,298,561

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
REVENUES	$ 315,786	$ 250,497	$ 925,372	$ 683,764
OPERATING EXPENSES:				
Contract drilling	116,503	99,907	357,939	287,867
Depreciation and amortization	33,305	28,546	98,051	81,588
General and administrative	5,984	5,045	18,975	14,845
Gain on sale of assets	(255)	(14)	(337)	(84)
Total operating expenses	155,537	133,484	474,628	384,216
OPERATING INCOME	160,249	117,013	450,744	299,548
OTHER INCOME (EXPENSE):				
Interest income	8,207	5,245	22,234	13,637
Interest expense	(3,615)	(3,591)	(11,239)	(6,940)
Other, net	2,379	671	2,559	496
INCOME BEFORE INCOME TAX EXPENSE	167,220	119,338	464,298	306,741
INCOME TAX EXPENSE	(58,518)	(41,507)	(163,209)	(107,446)
NET INCOME	$ 108,702	$ 77,831	$ 301,089	$ 199,295
EARNINGS PER SHARE:				
Basic	$ 0.79	$ 0.56	$ 2.17	$ 1.44
Diluted	$ 0.75	$ 0.54	$ 2.07	$ 1.39
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Common shares	137,652	139,303	138,762	138,308
Dilutive potential common shares	9,876	9,876	9,876	8,610
Total weighted average shares outstanding	147,528	149,179	148,638	146,918

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)

	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997
OPERATING ACTIVITIES:		
Net income	$ 301,089	$ 199,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98,051	81,588
Gain on sale of assets	(337)	(84)
Gain on sale of investment securities	(2,342)	(1,362)
Deferred tax provision	37,778	33,739
Accretion of discounts on investment securities	(11,051)	(9,421)
Amortization of debt issuance costs	389	330
Changes in operating assets and liabilities:		
Accounts receivable	(28,930)	(44,606)
Rig inventory and supplies and other current assets	(17,081)	(11,461)
Other assets, non-current	(956)	813
Accounts payable and accrued liabilities	243	4,051
Taxes payable	10,992	(11,560)
Other liabilities, non-current	2,242	3,114
Other, net	(981)	(744)
Net cash provided by operating activities	389,106	243,692
INVESTING ACTIVITIES:		
Capital expenditures	(132,600)	(214,496)
Acquisition of drilling rigs and related equipment	--	(80,952)
Proceeds from sale of assets	930	2,360
Net change in short-term investment securities	(392,798)	(302,889)
Net change in investments through repurchase agreements	350,000	--
Purchases of long-term investment securities	(556,123)	(124,242)
Proceeds from sales of long-term investment securities	501,860	125,082
Net cash used in investing activities	(228,731)	(595,137)
FINANCING ACTIVITIES:		
Reacquisition of common stock	(88,726)	--
Payment of dividends	(52,249)	(9,751)
Issuance of common stock	--	82,282
Debt repayments	--	(73,000)
Issuance of convertible subordinated notes	--	400,000
Debt issuance costs	--	(6,062)
Proceeds from stock options exercised	289	656
Net cash (used in) provided by financing activities	(140,686)	394,125
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,689	42,680
Cash and cash equivalents, beginning of period	102,958	28,180
Cash and cash equivalents, end of period	$ 122,647	$ 70,860

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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, 1997 (File No. 1-13926).

Interim Financial Information

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 income, 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

Short-term, highly liquid investments that have an original maturity of three months or less which are considered part of the Company's cash management activities, rather than part of its investing activities, are considered cash equivalents.

Investments

The Company's investments are classified as available for sale and stated at fair value under the terms of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, any unrealized gains and losses, net of taxes, are reported in the Consolidated Balance Sheets in "Accumulated other comprehensive losses" until realized. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity and such adjustments are reported in the Consolidated Statements of Income in "Interest income." The cost of debt securities sold is based on the specific identification method and the cost of equity securities sold is based on the average cost method. Realized gains or losses and declines in value, if any, judged to be other than temporary are reported in the Consolidated Statements of Income in "Other income (expense)."

Supplementary Cash Flow Information

Cash payments made for interest on long-term debt, including commitment fees, during the nine months ended September 30, 1998 and 1997 totaled $15.0 million and $8.7 million, respectively. Cash payments made for income taxes during the nine months ended September 30, 1998 and 1997 totaled $114.4 million and $92.0 million, respectively.

Capitalized Interest

Interest cost for construction and upgrade of qualifying assets is capitalized. During the quarter and nine months ended September 30, 1998, the Company incurred interest cost, including amortization of debt issuance costs, of $3.8 million and $11.6 million, respectively. Interest cost capitalized during the quarter and nine months ended September 30, 1998 was $0.3 million and $0.4 million, respectively. Interest cost of $3.9 million and $10.7 million was incurred during the quarter and nine months ended September 30, 1997, respectively. Interest cost capitalized during the quarter and nine months ended September 30, 1997 was $0.4 million and $3.8 million, respectively.

Goodwill

Goodwill from the merger with Arethusa (Off-Shore) Limited ("Arethusa") is amortized on a straight-line basis over 20 years. Amortization expense totaled $1.6 million and $4.8 million for the quarter and nine months ended September 30, 1998, respectively. For the quarter and nine months ended September 30, 1997, amortization expense totaled $1.7 million and $4.9 million, respectively.

Debt Issuance Costs

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

Treasury Stock

In July 1998, the Board of Directors authorized the purchase of shares of the Company's common stock in the open market, from time to time, depending on market conditions. 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 on the Consolidated Balance Sheets. During the quarter and nine months ended September 30, 1998, the Company purchased 3.5 million shares of its common stock at an aggregate cost of $88.7 million, or $25.22 per share. The effect on the calculations of net income per share was not material.

Comprehensive Income

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income." Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. For the quarter and nine months ended September 30, 1998, comprehensive income totaled $104.9 million and $296.1 million, respectively. For the quarter and nine months ended September 30, 1997 comprehensive income totaled $75.3 million and $197.0 million, respectively. Comprehensive income includes net income, foreign currency translation losses, and unrealized holding gains and losses on investments.

Net Income Per Share

In February 1997, the FASB issued SFAS No. 128, "Earnings per Share," which requires dual presentation of basic and diluted earnings per share for entities with complex capital structures. Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share was calculated by dividing net income, adjusted to eliminate the after-tax effect of interest expense, by the weighted average number of shares of common stock outstanding and the weighted average number of shares issuable assuming full conversion of the convertible subordinated notes as of the issuance date, February 4, 1997.

Weighted average shares outstanding and all per share amounts included herein for all periods presented have been restated to include the retroactive effect of the July 1997 two-for-one stock split in the form of a stock dividend.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 the prior periods have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

2. INVESTMENTS

Investments classified as available for sale at September 30, 1998 were as follows:

	COST	UNREALIZED GAIN (LOSS)	MARKET VALUE
	(in thousands)		
Debt securities issued by the U.S. Treasury			
Due within one year	$ 435,299	$ 688	$ 435,987
Due after one year through five years	24,977	298	25,275
Equity securities	12,117	(4,917)	7,200
Total	$ 472,393	$ (3,931)	$ 468,462

During the nine months ended September 30, 1998, certain equity and debt securities due within one year were sold for proceeds of $2.4 million and $208.8 million, respectively. The resulting realized gain was not material. Certain debt securities due after one year were sold for proceeds of $501.9 million during the nine months ended September 30, 1998, with a resulting realized gain of $2.0 million. Also during the nine months ended September 30, 1998, investments through repurchase agreements with third parties were sold for their contracted amounts totaling $350.0 million.

3. DRILLING AND OTHER PROPERTY AND EQUIPMENT

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

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
	(in thousands)	
Drilling rigs and equipment	$ 1,883,072	$ 1,781,107
Construction work in progress	44,154	17,696
Land and buildings	13,574	12,552
Office equipment and other	13,106	10,551
Cost	1,953,906	1,821,906
Less accumulated depreciation	(463,357)	(370,165)
Total	$ 1,490,549	$ 1,451,741

4. GOODWILL

The merger with Arethusa generated an excess of the purchase price over the estimated fair value of the net assets acquired. Cost and accumulated amortization of such goodwill are summarized as follows:

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
	(in thousands)	
Goodwill.......................	$ 129,746	$ 129,746
Less accumulated amortization...	(15,976)	(11,123)
Total.....................	$ 113,770	$ 118,623

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
	(in thousands)	
Personal injury and other claims....	$ 21,441	$ 23,960
Payroll and benefits................	20,551	15,951
Interest payable....................	1,917	5,684
Other...............................	9,929	3,340
Total.....................	$ 53,838	$ 48,935

6. COMMITMENTS AND CONTINGENCIES

The survivors of a deceased employee of a subsidiary of the Company, Diamond M Onshore, Inc., sued such subsidiary in Duval County, Texas, for damages as a result of the death of the employee. The plaintiffs obtained a judgment in the trial court for $15.7 million plus post-judgment interest. The Company appealed the judgment. In July 1998, the Texas Fourth Court of Appeals in San Antonio reversed the judgment of the trial court and rendered that the plaintiffs take nothing. A motion for reconsideration filed by the plaintiffs is currently pending with the appellate court. No provision for any liability had been established by the Company for this claim.

A former subsidiary of Arethusa, which is now a subsidiary of the Company, defended and indemnified Zapata Off-Shore Company and Zapata Corporation (the "Zapata Defendants"), pursuant to a contractual defense and indemnification agreement, in a suit for tortious interference with contract and conspiracy to tortiously interfere with contract. The plaintiffs sought $14.0 million in actual damages and unspecified punitive damages, plus costs of court, interest and attorneys' fees. In November 1997, the jury awarded a take-nothing judgment in favor of the Zapata Defendants. The plaintiffs appealed the judgment and the appellate court ordered the parties to mediation. The case went to mediation in July 1998 with no resolution. No provision for any liability has been established at this time.

Various other claims have been filed against the Company in the ordinary course of business, particularly claims alleging personal injuries. Management believes 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.

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.

The Company is a leader in deep water drilling with a fleet of 46 offshore drilling rigs. The fleet consists of 30 semisubmersibles, 15 jack-ups and one drillship and operates in the waters of six of the world's seven continents.

RESULTS OF OPERATIONS

General

Revenues. The Company's revenues vary based upon demand, which affects the number of days the fleet is utilized and the dayrates earned. 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 which was previously stacked, which may decrease or increase revenues, respectively.

Operating Income. Operating income is primarily affected by revenue factors, but is also a function of varying levels of operating expenses. Operating expenses are not affected by changes in dayrates, nor are they necessarily significantly affected by fluctuations in utilization. For instance, if a rig is to be idle for a short period of time, the Company realizes few decreases in operating expenses since the rig is typically maintained in a prepared state with a full crew. 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 associated with the loss of revenues. The Company recognizes as an operating expense activities such as painting, inspections and routine overhauls that 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. Increased depreciation expense decreases operating income in periods subsequent to capital upgrades. From time to time, the Company sells assets in the ordinary course of its business and gains or losses associated with such sales are included in operating income.

THREE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

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 period have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

	THREE MONTHS ENDED SEPTEMBER 30, 1998	THREE MONTHS ENDED SEPTEMBER 30, 1997	INCREASE/ (DECREASE)
	(in thousands)		
REVENUES			
Fourth-Generation Semisubmersibles	$ 78,229	$ 54,270	$ 23,959
Other Semisubmersibles	184,183	145,516	38,667
Jack-ups	52,985	47,133	5,852
Integrated Services	389	9,645	(9,256)
Other	--	1,380	(1,380)
Eliminations	--	(7,447)	7,447
Total Revenues	$ 315,786	$ 250,497	$ 65,289
CONTRACT DRILLING EXPENSE			
Fourth-Generation Semisubmersibles	$ 21,250	$ 18,797	$ 2,453
Other Semisubmersibles	65,049	55,001	10,048
Jack-ups	27,764	23,998	3,766
Integrated Services	489	9,182	(8,693)
Other	1,951	947	1,004
Eliminations	--	(8,018)	8,018
Total Contract Drilling Expense	$ 116,503	$ 99,907	$ 16,596
OPERATING INCOME			
Fourth-Generation Semisubmersibles	$ 56,979	$ 35,473	$ 21,506
Other Semisubmersibles	119,134	90,515	28,619
Jack-ups	25,221	23,135	2,086
Integrated Services	(100)	463	(563)
Other	(1,951)	433	(2,384)
Eliminations	--	571	(571)
Depreciation and Amortization Expense	(33,305)	(28,546)	(4,759)
General and Administrative Expense	(5,984)	(5,045)	(939)
Gain on Sale of Assets	255	14	241
Total Operating Income	$ 160,249	$ 17,013	$ 43,236

Fourth-Generation Semisubmersibles. The $24.0 million increase in revenues for fourth-generation semisubmersibles resulted primarily from $12.2 million in revenues generated by the Ocean Victory which began operations after completion of its major upgrade project in November 1997 and $5.0 million from the Ocean Clipper I which experienced improved operations over the same period in 1997 when the drillship incurred considerable downtime due to equipment difficulties. In addition, $8.3 million in revenues were generated by increased operating dayrates as compared to the same period of 1997. The $2.5 million increase in contract drilling expense resulted primarily from operating costs generated by the Ocean Victory.

Other Semisubmersibles. The $38.7 million increase in revenues from other semisubmersibles resulted primarily from $43.2 million in revenues generated by increased operating dayrates. However, revenues were reduced approximately $5.3 million due to rig downtime for mandatory inspections and repairs. The $10.0 million increase in contract drilling expense as compared to the quarter ended September 30, 1997 was primarily due to an overall increase in operating costs, including labor and drilling supplies. Also contributing to this increase were costs associated with the mandatory inspection and repairs on the Ocean Prospector which began in July 1998.

Jack-Ups. The $5.9 million increase in revenues from jack-ups resulted primarily from $10.8 million of additional revenues generated by increased operating dayrates and $3.1 million in revenues generated by the Ocean Warwick, which returned to work in March 1998 upon completion of its cantilever conversion project. These increases were partially offset by reductions in revenues of $2.5 million due to the relinquishment of the Miss Kitty (a bareboat chartered rig) to the owner in late 1997 and approximately $4.4 million resulting from decreased utilization in the Gulf of Mexico. The $3.8 million increase in contract drilling expense for the quarter ended September 30, 1998 was primarily due to operating costs for the Ocean Warwick and an overall increase in operating costs, including labor and drilling supplies. Contract drilling expenses for the current quarter were reduced by $1.8 million due to the relinquishment of the Miss Kitty.

Integrated Services and Other. Revenues and contract drilling expenses for integrated services decreased as a result of fewer projects as compared to the same period in 1997.

Depreciation and Amortization Expense. Depreciation and amortization expense for the three months ended September 30, 1998 of $33.3 million increased $4.8 million from $28.5 million for the three months ended September 30, 1997 primarily due to 1998 budgeted capital additions. Additional depreciation expense for the Ocean Victory upon completion of its upgrade also contributed to this increase.

General and Administrative Expense. General and administrative expense for the three months ended September 30, 1998 of $6.0 million increased approximately $1.0 million from $5.0 million for the three months ended September 30, 1997 primarily due to additional personnel and increased accruals for the Company's management bonus and retention plan.

Interest Income. Interest income of $8.2 million for the three months ended September 30, 1998 increased $3.0 million from $5.2 million for the same period in 1997. This increase resulted primarily from the investment of additional excess cash in 1998. See "-Liquidity."

Other Income. Other income of $2.4 million for the three months ended September 30, 1998 increased $1.7 million from $0.7 million for the same period of 1997. This increase resulted primarily from realized gains on sales of marketable debt securities in 1998.

Income Tax Expense. Income tax expense of $58.5 million for the three months ended September 30, 1998 increased $17.0 million from $41.5 million for the three months ended September 30, 1997. This increase resulted primarily from the $47.9 million increase in income before income tax expense as compared to the three months ended September 30, 1997.

NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

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 period have been reclassified to conform to the classifications currently followed. Such reclassifications do not affect earnings.

	NINE MONTHS ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1997	INCREASE/ (DECREASE)
	(in thousands)		
REVENUES			
Fourth-Generation Semisubmersibles....	$ 217,204	$ 146,127	$ 71,077
Other Semisubmersibles...............	528,835	393,265	135,570
Jack-ups.............................	176,307	137,511	38,796
Integrated Services..................	21,538	15,241	6,297
Other................................	--	2,062	(2,062)
Eliminations.........................	(18,512)	(10,442)	(8,070)
Total Revenues...................	$ 925,372	$ 683,764	$ 241,608
CONTRACT DRILLING EXPENSE			
Fourth-Generation Semisubmersibles....	$ 61,826	$ 44,349	$ 17,477
Other Semisubmersibles...............	209,948	167,142	42,806
Jack-ups.............................	76,804	69,971	6,833
Integrated Services..................	21,444	14,858	6,586
Other................................	6,429	3,133	3,296
Eliminations.........................	(18,512)	(11,586)	(6,926)
Total Contract Drilling Expense...	$ 357,939	$ 287,867	$ 70,072
OPERATING INCOME			
Fourth-Generation Semisubmersibles....	$ 155,378	$ 101,778	$ 53,600
Other Semisubmersibles...............	318,887	226,123	92,764
Jack-ups.............................	99,503	67,540	31,963
Integrated Services..................	94	383	(289)
Other................................	(6,429)	(1,071)	(5,358)
Eliminations.........................	--	1,144	(1,144)
Depreciation and Amortization Expense............................	(98,051)	(81,588)	(16,463)
General and Administrative Expense....	(18,975)	(14,845)	(4,130)
Gain on Sale of Assets...............	337	84	253
Total Operating Income.......	$ 450,744	$ 299,548	$ 151,196

Fourth-Generation Semisubmersibles. The $71.1 million increase in revenues for fourth-generation semisubmersibles resulted primarily from $29.4 million in revenues generated by increased operating dayrates and from $42.7 million in revenues generated by the Ocean Victory, the Ocean Clipper I, and the Ocean Star, which completed their upgrade projects in November 1997, July 1997, and March 1997, respectively. The $17.5 million increase in contract drilling expense resulted primarily from operating costs generated by the Ocean Victory, the Ocean Clipper I, and the Ocean Star and costs associated with the mandatory inspection of the Ocean Valiant, which was completed in June 1998.

Other Semisubmersibles. The $135.6 million increase in revenues from other semisubmersibles resulted, in part, from $147.5 million in revenues generated by increased operating dayrates and $14.9 million in revenues from the Ocean Century, which was employed through July 1998 after reactivation in the fourth quarter of 1997. These increases were partially offset by reductions in revenues of approximately $30.4 million from rig downtime for mandatory inspections and repairs and the 1997 sale of the Ocean Zephyr. The $42.8 million increase in contract drilling expense as compared to the nine months ended September 30, 1997 was primarily due to an overall increase in operating costs, including labor and drilling supplies. Also contributing to this increase were costs of approximately $10.1 million associated with eight mandatory inspections and repairs completed during the nine months ended September 30, 1998. Contract drilling expense for the current year was reduced by the 1997 sale of the Ocean Zephyr.

Jack-Ups. The $38.8 million increase in revenues from jack-ups resulted primarily from $48.3 million of additional revenues generated by increased operating dayrates and $9.6 million in revenues generated by the Ocean Warwick, which returned to work in March 1998 upon completion of its cantilever conversion project. These increases were partially offset by reductions in revenues due to the relinquishment of the Miss Kitty (a bareboat chartered rig) to the owner in late 1997 and from the Ocean Tower, which was in the shipyard for upgrades and repairs through May 1998. In addition, decreased utilization in the Gulf of Mexico during the nine months ended September 30, 1998 reduced revenues by approximately $4.3 million. The $6.8 million increase in contract drilling expense resulted primarily from operating costs for the Ocean Warwick, an overall increase in operating costs, including labor and drilling supplies, and costs associated with the mandatory inspection and repairs of the Ocean Drake, which was completed in June 1998. Contract drilling expense was reduced in the current year by the reliquishment of the Miss Kitty and the capital upgrade of the Ocean Tower.

Integrated Services and Other. Revenues and contract drilling expenses for integrated services increased primarily from additional projects and increased rates during the first half of 1998 as compared to the same period in 1997. Other contract drilling expense increased primarily due to additional expenses for maintenance and repairs to spare equipment and crew training programs for new employees.

Depreciation and Amortization Expense. Depreciation and amortization expense of $98.1 million for the nine months ended September 30, 1998 increased primarily due to 1998 budgeted capital additions and additional depreciation expense for the Ocean Victory, the Ocean Clipper I, and the Ocean Star, which completed their upgrades in November 1997, July 1997, and March 1997, respectively.

General and Administrative Expense. General and administrative expense of $19.0 million for the nine months ended September 30, 1998 increased primarily due to accruals for the Company's bonus and retention plan, costs associated with ongoing litigation, and additional personnel. Also, general and administrative costs capitalized to fourth-generation upgrade projects decreased as compared to the same period in the prior year.

Interest Income. Interest income of $22.2 million for the nine months ended September 30, 1998 increased $8.6 million from $13.6 million for the same period in 1997. This increase resulted primarily from the investment of additional excess cash in 1998. See "-Liquidity."

Interest Expense. Interest expense of $11.2 million for the nine months ended September 30, 1998 consists of interest accrued on the $400.0 million of convertible subordinated notes (the "Notes") that were issued in February 1997. Interest cost capitalized during the nine months ended September 30, 1998 was $0.4 million as compared to $3.8 million during the same period in 1997.

Other Income. Other income of $2.6 million for the nine months ended September 30, 1998 increased $2.1 million from $0.5 million for the same period of 1997. This increase resulted primarily from realized gains on sales of marketable debt securities in 1998.

Income Tax Expense. Income tax expense for the nine months ended September 30, 1998 was $163.2 million as compared to $107.4 million for the comparable period of the prior year. This change resulted primarily from the increase of $157.6 million in the Company's income before income tax expense.

OUTLOOK

Depressed product prices in the oil and gas industry have resulted in declining dayrates and decreased utilization, primarily in the shallow waters of the Gulf of Mexico. As a result, the Company has cold stacked and suspended marketing efforts on two of its low-end specification semisubmersible rigs located in the Gulf of Mexico, the Ocean Century and the Ocean Prospector. In addition, due to the excess supply in the current jack-up market several of the Company's jack-up rigs are idle in the Gulf of Mexico. To date, the Company has been able to mitigate the effect of these conditions on its results of operations primarily with existing term contract commitments and the diversity of the Company's fleet. However, the offshore contract drilling industry historically has been and is expected to continue to be highly competitive and cyclical. The current trends in market conditions could have a material adverse effect on the Company's future results of operations, although the extent of such effect cannot be accurately predicted.

The Company continues to enhance its fleet to meet customer demand for diverse drilling capabilities, including those required for deep water and harsh environment operations. The conversion of the Ocean Confidence from an accommodation vessel to a semisubmersible drilling unit capable of operating in harsh environments and ultra-deep water is in progress. The upgrade is anticipated to be completed in late 1999, when the rig will begin a five-year commitment in the Gulf of Mexico. See " - Capital Resources." Increased rig construction and enhancement programs are also ongoing by the Company's competitors. Because the new construction of drilling units to date has been largely in conjunction with term contracts, the Company does not believe the resulting increase in supply will have a material adverse effect on the average operating dayrates and the overall utilization level of the Company's existing rigs in the short term.

The Company's results of operations have also been impacted by the loss of revenues and associated costs incurred during required regulatory inspections of its drilling rigs. At September 30, 1998, eight of these inspections had been completed with four anticipated to occur in the fourth quarter of 1998. The Company intends to focus on returning these rigs to operations as soon as reasonably possible, in order to minimize the downtime and associated loss of revenues.

LIQUIDITY

As of September 30, 1998, cash and investments totaled $591.1 million, up from $466.1 million at December 31, 1997. Cash provided by operating activities for the nine months ended September 30, 1998 increased by $145.4 million to $389.1 million, as compared to $243.7 million for the comparable period of the prior year. This increase in operating cash flow was primarily attributable to a $101.8 million increase in net income for the first nine months of 1998, a $16.5 million increase in depreciation and amortization expense, and various changes in operating assets and liabilities.

Investing activities used $228.7 million in cash during the nine months ended September 30, 1998, compared to $595.1 million during the same period in 1997. The decrease resulted primarily from the initial investment in 1997 of excess cash generated by the issuance of the Notes.

Cash used in financing activities for the nine months ended September 30, 1998 of $140.7 million resulted primarily from the repurchase of the Company's outstanding common stock, par value $0.01 per share ("Common Stock"), and dividends paid to stockholders. Depending on market conditions the Company may from time to time purchase shares of its Common Stock in the open market. As of September 30, 1998, the Company had so purchased 3.5 million shares of its Common Stock at a cost of $88.7 million. Cash provided by financing activities for the nine months ended September 30, 1997 of $394.1 million resulted primarily from the issuance of the Notes.

The Company has the ability to issue an aggregate of approximately $117.5 million in debt, equity and other securities under a "shelf" registration statement. 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, in connection with one or more acquisitions by the Company of securities or assets of other businesses.

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

CAPITAL RESOURCES

Cash requirements for capital commitments result from rig upgrades to meet specific customer requirements and from the Company's continuing rig enhancement program, 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, periodic assessments will be made 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.

The Company has a revised budget of $125.2 million for capital expenditures on rig upgrades during 1998. During the nine months ended September 30, 1998, the Company expended $66.5 million, including capitalized interest expense, for significant rig upgrades. Such upgrade projects include the conversion of the Ocean Confidence from an accommodation vessel to a semisubmersible drilling unit capable of operating in harsh environments and ultra-deep waters. The conversion includes the following enhancements which will provide capabilities greater than existing fourth-generation equipment: capability for operation in 7,500 foot water depths; approximately 6,000 tons variable deck load; a 15,000 psi blow-out prevention system; and four mud pumps to complement the existing Class III dynamic-positioning system. The Company's estimated cost of conversion for this rig is approximately $210.0 million. Upon completion of the conversion, the rig will begin a five-year drilling program in the Gulf of Mexico, which is anticipated to commence in late 1999. Other upgrade projects include the installation of new engines and other equipment on the Ocean King, which is expected to be completed in November 1998, the cantilever conversion project on the Ocean Warwick completed in March 1998, and leg strengthening and other modifications on the Ocean Tower completed in May 1998.

The Company has also budgeted $126.7 million for 1998 capital expenditures associated with its continuing rig enhancement program, spare equipment and other corporate requirements. These expenditures include purchases of anchor chain, drill pipe, riser, and other drilling equipment. During the nine months ended September 30, 1998, the Company expended $66.1 million on this program.

The Company is continually considering potential transactions including, but not limited to, enhancement of existing rigs, the purchase of existing rigs, construction of new rigs and the acquisition of other companies engaged in contract drilling or related businesses. Certain of the potential transactions reviewed by the Company would, if completed, result in its entering new lines of business, although, in general, these opportunities have been related in some manner to the Company's existing operations. Although the Company does not, as of the date hereof, have any commitment with respect to a material acquisition, it could enter into such an agreement in the future and such acquisition could result in a material expansion of its existing operations or result in its entering a new line of business. Some of the potential acquisitions considered by the Company could, if completed, result in the expenditure of a material amount of funds or the issuance of a material amount of debt or equity securities.

YEAR 2000 ISSUES

Introduction

The Company began to address Year 2000 ("Y2K") compliance issues in 1997 when it formed a committee (the "Y2K Committee") to develop the Company's Y2K compliance initiative. The Company is continuing to take steps to determine the potential effect of the change to calendar Year 2000 on its computer hardware, software and embedded technology systems and any impact it may have on the Company's business.

State of Readiness

The Company manages its Y2K compliance initiative through the Y2K Committee. The Y2K Committee has focused its efforts on both information technology ("IT") systems (e.g., computer software and hardware) and non-information technology ("Non-IT") systems (e.g., embedded technology such as micro-controllers) in the Company's domestic and international onshore locations, aboard the Company's drilling rigs and among its key suppliers and major customers. The Y2K Committee is paying particular attention to critical safety, production, and operational systems on-board the Company's fleet of drilling rigs.

The Company's Y2K initiative is being approached in the following five phases:

Phase 1	Awareness of Y2K Issues (appointment of the Y2K Committee, initial research on Y2K compliance issues);
Phase 2	Identification and Investigation of the Company's Systems (inventory of systems and investigation of readiness);
Phase 3	Communications with Customers and Suppliers (discussions and requests for information regarding Y2K initiatives and compliance status);

Phase 4	Development and Implementation of Corrective Measures (coordination with the Company's software and hardware vendors); and
Phase 5	Risk Assessment and Contingency Planning (evaluation of risk of business interruptions and development of contingency plans).

As of September 30, 1998, the Company had completed Phases 1 and 2 for IT and Non-IT systems utilized in the Company's onshore and offshore operations. The Company currently expects to complete the final three phases of its Y2K initiative by mid-1999. As of the date of this report, the Company has completed over half of Phase 3, communications with major customers and key suppliers, and Phase 4, development and implementation of corrective measures. Phase 5, risk assessment and contingency planning for worst-case business interruptions, is in progress.

Cost to Address the Company's Y2K Issues

Although the total cost to implement the Company's Y2K initiative is not known at this time, it is not expected to be material because the Company has utilized existing personnel resources to assist in the implementation of its Y2K compliance initiative.

Y2K Risks and Contingency Planning

The Company is continuing to monitor, on an ongoing basis, the problems and uncertainties associated with its Y2K issues and their potential consequences on the Company's onshore locations, drilling operations, suppliers and customers as well as the legal risks associated with interruption in the provision of drilling services and/or the delivery of supplies and equipment. The Company is in the process of developing contingency plans which are intended to address worst-case business interruptions, such as the interruption of drilling services aboard the Company's drilling rigs or interruptions in the delivery of equipment and materials utilized in the Company's drilling operations. Such a contingency plan would take into account the existence of certain redundant systems on some of the Company's drilling rigs and may, in part, involve manual operation of certain systems for a period of time in the event of Y2K related disruptions. The Company anticipates its contingency planning phase will be completed by mid-1999.

The Company's failure to fully implement its Y2K initiative or the occurrence of an unexpected Y2K problem could result in the disruption of normal business activities or operations and have a material adverse effect on the Company's results of operations, liquidity or financial condition. However, based upon the work performed to date and the anticipated completion of the Company's Y2K initiative by mid-1999, the Company does not believe that such matters will have a material adverse effect on its results of operations. With respect to third parties, there can be no assurance that their systems will be rendered Y2K compliant on a timely basis or that any resulting Y2K issues would not have a material adverse effect on the results of operations of the Company.

NEW ACCOUNTING PRONOUNCEMENTS

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This Statement revises employers' disclosures about pension and other postretirement benefit plans in annual financial statements. SFAS No. 132 is effective for fiscal years beginning after December 15, 1997.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. SFAS No. 133 will be effective for all fiscal quarters of all fiscal years beginning after June 15, 1999.

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 the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, performance or achievements, and may contain the words "expect," "intend," "plan," "anticipate," "estimate," "believe," "will be," "will continue," "will likely result," and similar expressions. Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, operating difficulties arising from shortages of equipment or qualified personnel or as a result of other causes, casualty losses, industry fleet capacity, changes in foreign and domestic oil and gas exploration and production activity, competition, changes in foreign political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, the ability to attract and retain qualified personnel, customer preferences and various other matters, many of which are beyond the Company's control. The list of risks included here is 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 impact the Company's business and financial performance. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements. 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.

Interest Rate and Equity Price Sensitivity

The Company's financial instruments that are potentially sensitive to changes in interest rates include the Notes and investments in debt securities. In addition, the Company's investment in equity securities is sensitive to equity price risk. The Notes, which are due February 15, 2007, have a stated interest rate of 3.75 percent and an effective interest rate of 3.93 percent. At September 30, 1998, the fair value of the Company's investment in debt securities issued by the U.S. Treasury was approximately $461.3 million, which includes an unrealized holding gain of $1.0 million. The fair value of the Company's investment in equity securities at September 30, 1998 was approximately $7.2 million, which includes an unrealized holding loss of $4.9 million. Based on the nature of these financial instruments and in consideration of past market movements and reasonably possible near-term market movements, the Company does not believe that potential near-term losses in future earnings, fair values, or cash flows are likely to be material.

Exchange Rate Sensitivity

Other than trade accounts receivable and trade accounts payable, the Company does not currently have financial instruments that are sensitive to foreign currency exchange rates.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Brown Services, Inc. and KOS Industries, Inc. v. Michael D. Brown, BSI International, Inc., Robert Brown, Robert Furlough, Power House International, Inc., Zapata Off-Shore Company and Zapata Corporation; No. 92-05691 in the 334th Judicial District Court of Harris County, Texas, filed February 7, 1992. Plaintiffs sued Zapata Off-Shore Company and Zapata Corporation (the "Zapata Defendants") for tortious interference with contract and conspiracy to tortiously interfere with contract seeking $14.0 million in actual damages and unspecified punitive damages, plus costs of court, interest and attorneys' fees. A former subsidiary of Arethusa (Off-Shore) Limited, which is now a subsidiary of the Company, defended and indemnified the Zapata Defendants pursuant to a contractual defense and indemnification agreement. In November 1997, the jury awarded a take-nothing judgment in favor of the Zapata Defendants. The plaintiffs appealed the judgment and the appellate court ordered the parties to mediation. The case went to mediation in July 1998 with no resolution.

The Company and its subsidiaries are named defendants in certain other lawsuits and are involved from time to time as parties to governmental proceedings, all arising in the ordinary course of business. Although the outcome of lawsuits or other proceedings involving the Company and its subsidiaries cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, management does not expect these matters to have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

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

(a) Exhibits

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

(b) There were no reports on Form 8-K filed during the third quarter of 1998.

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	03-Nov-1998	By: /s/ Gary T. Krenek
		Gary T. Krenek Vice President and Chief Financial Officer
Date	03-Nov-1998	/s/ Leslie C. Knowlton
		Leslie C. Knowlton Controller and Principal Accounting Officer

EXHIBIT INDEX

Exhibit No	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of 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.
4.1	Indenture, dated as of February 4, 1997, between the Company and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed February 11, 1997).
4.2	Supplemental Indenture, dated as of February 4, 1997, between the Company and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed February 11, 1997).
11.1*	Statement Re Computation of Per Share Earnings.
27.1*	Financial Data Schedule.

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* Filed herewith.

EXHIBIT 3.2

AMENDED AND RESTATED BY-LAWS

OF

DIAMOND OFFSHORE DRILLING, INC.
(a Delaware corporation)

ARTICLE I

Stockholders

SECTION 1. Annual Meetings. The annual meeting (the "Annual Meeting of Stockholders") of the holders of such classes or series of capital stock as are entitled to notice thereof and to vote thereat pursuant to the provisions of the Restated Certificate of Incorporation (the "Certificate of Incorporation") of Diamond Offshore Drilling, Inc. (the "Company") for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on such date as may be designated by resolution of the Board of Directors or, in the event that no such date is so designated, on the second Tuesday in May of each year, at such hour (within ordinary business hours) as shall be stated in the notice of the meeting. If the day so designated shall be a legal holiday, then such meeting shall be held on the next succeeding business day. Each such annual meeting shall be held at such place, within or without the State of Delaware, as shall be determined by the Board of Directors.

The Annual Meeting of Stockholders may be adjourned by the presiding officer of the meeting for any reason (including, if the presiding officer determines that it would be in the best interests of the Company, to extend the period of time for the solicitation of proxies) from time to time and place to place until such presiding officer shall determine that the business to be conducted at the meeting is completed, which determination shall be conclusive.

At the Annual Meeting of Stockholders, the only business which shall be conducted thereat shall be that which shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement or addendum thereto) given by or at the direction of the Board of Directors, (b) brought before the meeting by or at the direction of the Board of Directors or (c) otherwise brought before the meeting by a stockholder in the manner prescribed immediately below. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have delivered timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received by the Secretary at the principal executive offices of the Company, not less than 90 calendar days in advance of the anniversary date of the previous year's annual meeting of stockholders (or if there was no such prior annual meeting, not less than 90 calendar days prior to the date which represents the second Tuesday in May of the current year); provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 60 days, from such anniversary date, then, to be considered timely, notice by the stockholders must be received not later than the close of business on the later of (x) the 90th day prior to such annual meeting or (y) the seventh day following the date on which notice of the date of the annual meeting was mailed to stockholders or public disclosure thereof was otherwise made.

A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be transacted, (b) the name and address, as they appear on the Company's most recent stockholder lists, of the stockholder proposing such proposal, (c) the class and number of shares of capital stock of the Company that are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Any stockholder who desires to propose any matter at an annual meeting shall, in addition to the aforementioned requirements described in clauses (a) through (d), comply in all material respects with the content and procedural requirements of Rule 14a-8 of Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), irrespective of whether the Company is then subject to such Rule or said Exchange Act. In addition, if the stockholder's ownership of shares of the Company, as set forth in the notice, is solely beneficial (and not of record) documentary evidence satisfactory to the Company of such ownership must accompany the notice in order for such notice to be considered validly and timely received.

Notwithstanding anything in these By-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 1. The presiding officer at an annual meeting shall, if the facts warrant, determine and declare to the meeting that any business which was not properly brought before the meeting is out of order and shall not be transacted at the meeting.

SECTION 2. Special Meetings. Special meetings of stockholders for the transaction of such business as may properly come before the meeting shall only be called by order of a majority of the entire Board of Directors or by the Chairman of the Board of Directors or by the President of the Company, and shall be held at such date and time, within or without the State of Delaware, as may be specified by such order.

SECTION 3. Notice of Meetings. Written notice of all meetings of the stockholders, stating the place, date and hour of the meeting and the place within the city or other municipality or community at which the list of stockholders may be examined, shall be mailed or delivered to each stockholder not less than 10 nor more than 60 days prior to the meeting. Notice of any special meeting shall state with reasonable specificity the purpose or purposes for which the meeting is to be held and the business proposed to be transacted thereat.

SECTION 4. Stockholder Lists. The Secretary shall prepare and make, or cause to be prepared and made, at least 10 calendar days before every meeting of stockholders, a true and complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 calendar days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present in person thereat.

SECTION 5. Quorum. Except as otherwise provided by law or the Certificate of Incorporation, a quorum for the transaction of business at any meeting of stockholders shall consist of the holders of record of a majority in voting power of the then issued and outstanding shares of all classes and series of stock of the Company entitled to vote at the meeting, present in person or by proxy. At all meetings of the stockholders at which a quorum is present, all matters, except as otherwise provided by law, the Certificate of Incorporation or these By-laws, shall be decided by the vote of the holders of a majority in voting power of the shares entitled to vote thereat present in person or by proxy. If there be no such quorum, the holders of a majority in voting power of such shares so present or represented may adjourn the meeting from time to time, without further notice, until a quorum shall have been obtained. When a quorum is once present it is not broken by the subsequent withdrawal from the meeting by any stockholder.

SECTION 6. Organization. Meetings of stockholders shall be presided over by the Chairman, if any, or if none or in the Chairman's absence the Vice-Chairman, if any, or if none or in the Vice-Chairman's absence the President, if any, or if none or in the President's absence any Vice President, or, if none of the foregoing is present, by a chairman to be chosen by the holders of a majority in voting power of the shares entitled to vote thereat present in person or by proxy at the meeting. The Secretary of the Company, or in the Secretary's absence an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the presiding officer of the meeting shall appoint an appropriate person present at the meeting to act as secretary.

SECTION 7. Voting; Proxies; Required Vote. Except as otherwise provided in the Certificate of Incorporation, at each meeting of stockholders, every stockholder shall be entitled to vote in person or by proxy (but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period), and shall have one vote for each share of stock entitled to vote registered in the name of such stockholder on the books of the Company on the applicable record date fixed by applicable law or pursuant to these By-laws in respect of each matter properly presented to the meeting. At all elections of directors the voting may (but need not) be by ballot and a plurality of the votes cast there shall be sufficient to elect directors. Except as otherwise required by law or the Certificate of Incorporation, any other action shall be authorized by the vote of the holders of a majority in voting power of the shares entitled to vote thereat present in person or by proxy.

SECTION 8. Inspectors. The Board of Directors shall, in advance of any meeting of stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. If an inspector or inspectors are not so appointed, the person presiding at the meeting shall appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

ARTICLE II

Board of Directors

SECTION 1. General Powers. The business, property and affairs of the Company shall be managed by, or under the direction of, the Board of Directors.

SECTION 2. Qualification; Number; Term; Remuneration. (a) Each director shall be at least 18 years of age. A director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. The number of directors constituting the entire Board shall be no less than three nor more than eleven, as may be fixed from time to time by action of a majority of the entire Board of Directors. The use of the phrase "entire Board" herein refers to the total number of directors which the Company would have if there were no vacancies.

(b) Directors who are elected at an annual meeting of stockholders, and directors who are elected to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal.

(c) Directors who are not officers or other employees of the Company may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

SECTION 3. Nomination of Directors. Nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or, to the extent permitted by this Section 3, by any holder of record of capital stock of the Company entitled to vote generally in the election of directors. Any stockholder entitled to vote generally in the election of directors may nominate one or more persons for election as directors only in accordance with the procedures specified in the next sentence, and only if written notice of such stockholder's intent to make such nomination or nominations has been received, either by hand delivery or by United States mail, postage prepaid, by the Secretary of the Company not later than (i) with respect to an election to be held at the Annual Meeting of Stockholders, not less than 90 calendar days prior to the anniversary date of the date of the immediately preceding annual meeting (or if there was no such prior annual meeting, not less than 90 calendar days prior to the date which represents the second Tuesday in May of the current year), and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the fifth calendar day following the date on which notice of such meeting is first delivered to stockholders. Each such notice from a stockholder shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of capital stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all contracts, arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy or information statement filed pursuant to the Exchange Act and the rules and regulations promulgated thereunder (or any subsequent provisions replacing such Act, rules or regulations); and (e) the consent of each nominee to serve as a director of the Company if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 4. Quorum and Manner of Voting. Except as otherwise provided by law or the Certificate of Incorporation, a majority of the entire Board of Directors shall constitute a quorum. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting from time to time to another time and place without notice. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 5. Places of Meetings. Meetings of the Board of Directors may be held at any place within or without the State of Delaware, as may from time to time be fixed by resolution of the Board of Directors, or as may be specified in the notice of meeting.

SECTION 6. Annual Meeting. Following the Annual Meeting of Stockholders, the newly elected Board of Directors shall meet for the purpose of the election of officers and the transaction of such other business as may properly come before the meeting. Such meeting may be held without notice immediately after the Annual Meeting of Stockholders at the same place at which such stockholders' meeting is held.

SECTION 7. Regular Meetings. Regular meetings of the Board of Directors shall be held each January, April, July and October at such date, place and time as the Board of Directors shall from time to time by resolution determine. Notice need not be given of regular meetings of the Board of Directors held at dates, times and places fixed by resolution of the Board of Directors.

SECTION 8. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, President, or by a majority of the directors then in office.

SECTION 9. Notice of Meetings. A notice of the place, date and time and the purpose or purposes of each meeting of the Board of Directors shall be given to each director by mailing the same at least five days before the meeting, or by telefaxing or telephoning the same or by delivering the same personally not later than the day before the day of the meeting.

SECTION 10. Organization. At all meetings of the Board of Directors, the Chairman, if any, or if none or in the Chairman's absence or inability to act the President, or in the President's absence or inability to act any Vice President who is a member of the Board of Directors, or in such Vice-President's absence or inability to act a chairman chosen by the directors, shall preside. The Secretary of the Company shall act as secretary at all meetings of the Board of Directors when present, and, in the Secretary's absence, the presiding officer may appoint any person to act as secretary.

SECTION 11. Resignation and Removal. Any director may voluntarily resign at any time upon written notice to the Company and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Company (other than the Common Stock) then outstanding, any director may be removed from office at any time, with or without cause, by the affirmative vote of a majority in voting power of the outstanding shares entitled to vote at an election of directors.

SECTION 12. Vacancies. Vacancies on the Board of Directors, whether caused by resignation, death, disqualification, removal, an increase in the authorized number of directors or otherwise, may be filled only by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and any directors so chosen shall hold office until their successors are elected and qualified.

SECTION 13. Board Action by Written Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all the directors consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

ARTICLE III

Indemnification

SECTION 1. Indemnification. (a) The Company shall indemnify, to the fullest extent permitted by Section 145 of the General Corporation Law of Delaware, as amended from time to time, all persons who it may indemnify pursuant thereto and in the manner prescribed thereby.

(b) The Company shall pay the expenses (including attorneys' fees) incurred by an indemnitee in defending any proceeding in advance of its final disposition, provided, however, that the payment of expenses incurred by a director or officer in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified under this Article or otherwise.

ARTICLE IV

Committees

SECTION 1. Appointment. From time to time the Board of Directors by a resolution adopted by a majority of the entire Board may appoint any committee or committees which, to the extent lawful, shall have powers as shall be determined and specified by the Board of Directors in the resolution of appointment.

SECTION 2. Procedures, Quorum and Manner of Acting. Each committee shall fix its own rules of procedure, and shall meet where and as provided by such rules or by resolution of the Board of Directors. Except as otherwise provided by law, the presence of a majority of the then appointed members of a committee shall constitute a quorum for the transaction of business by that committee, and in every case where a quorum is present the affirmative vote of a majority of the members of the committee present shall be the act of the committee; provided, however, that in the event a committee is comprised of two members, the presence of any one of the then appointed members of such committee shall constitute a quorum for the transaction of business by that committee. Each committee shall keep minutes of its proceedings, and actions taken by a committee shall be reported to the Board of Directors.

SECTION 3. Committee Action by Written Consent. Any action required or permitted to be taken at any meeting of any committee of the Board of Directors may be taken without a meeting if all the members of the committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the committee.

SECTION 4. Executive Committee. (a) The Board of Directors, by resolution, shall appoint from its members an Executive Committee consisting of the Chairman of the Board and the President and such other directors as it may choose to appoint. Each member of the Executive Committee shall continue to be a member thereof only so long as he remains a director and at the pleasure of the Board of Directors. Any vacancies on the Executive Committee may be filled by the Board of Directors.

(b) The Executive Committee, between meetings of the Board of Directors, shall have and may exercise, except as otherwise provided by law, all the powers of the Board of Directors in the management of the property, business and affairs of the Company and may authorize the seal of the Company to be affixed to all papers which may require it. Without limiting the foregoing, the Executive Committee shall have the express power and authority to declare a dividend, to authorize the issuance of stock and to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware, as amended.

(c) At each meeting of the Executive Committee, one of the following shall act as chairman of the meeting and preside thereat in the following order of precedence:

(i) the Chairman of the Executive Committee, who shall be appointed from the members of the Executive Committee by the Board of Directors;

(ii) the Chairman of the Board; or

(iii) the President.

The Secretary of the Company shall act as secretary at all meetings of the Executive Committee when present, and, in the Secretary's absence, the presiding officer may appoint any person to act as secretary.

(d) Regular meetings of the Executive Committee, of which no notice shall be necessary, shall be held on such days and at such places, within or without the State of Delaware, as shall be fixed by resolution adopted by a majority of the Executive Committee. Special meetings of the Executive Committee shall be held whenever called by the Chairman of the Board, the President or the Chairman of the Executive Committee and shall be called by the Secretary of the Corporation on the request of a majority of the Executive Committee. Notice of each special meeting of the Executive Committee shall be given to each member thereof by depositing such notice in the United States mail, in a postage prepaid envelope, directed to him at his residence or usual place of business at least two days before the day on which such meeting is to be held or shall be sent addressed to him at such place by telecopy, telegraph, cable, wireless or other form of recorded communication or be delivered personally or by telephone a reasonable time in advance of the time at which such meeting is to be held. Notice of any such meeting need not, however, be given to any member of the Executive Committee if he shall be present at such meeting. Any meeting of the Executive Committee shall be a legal meeting without any notice thereof having been given if all the members of the Executive Committee shall be present thereat. Such notice shall specify the time and place of the meeting, but, except as otherwise expressly provided by law, the purposes thereof need not be stated in such notice. Subject to the provisions of these By-laws, the Executive Committee may fix its own rules of procedure, and it shall keep a record of its proceedings and report them to the Board at the next regular or special meeting thereof after such proceedings shall have been taken. All such proceedings shall be subject to revision or alteration by the Board; provided, however, that third parties shall not be prejudiced by any such revision or alteration.

(e) Except as otherwise provided by law, a majority of the Executive Committee then in office shall constitute a quorum for the transaction of business, and the act of a majority of those present at a meeting thereof shall be the act of the Executive Committee. In the absence of a quorum, a majority of the members of the Executive Committee present thereat may adjourn such meeting from time to time until a quorum shall be present thereat. Notice of any adjourned meeting need not be given. The Executive Committee shall act only as a committee and the individual members shall have no power as such.

(f) Any member of the Executive Committee may resign therefrom at any time by giving written notice of his resignation to the Chairman of the Board, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, it shall take effect immediately upon its receipt; and, except as specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(g) In addition to the foregoing, in the absence or disqualification of a member of the Executive Committee, the member or members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

SECTION 5. Audit Committee. The Board of Directors, by resolution, shall appoint from its members an Audit Committee consisting of at least two directors, each of which shall be independent of management and free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment as a committee member. The Audit Committee shall:

(a) Prior to each Annual Meeting of Stockholders, submit a recommendation in writing to the Board of Directors for the selection of independent public accountants to be appointed by the Board of Directors in advance of the Annual Meeting of Stockholders, subject to ratification or rejection by the stockholders at such meeting;

(b) Consult, at least annually, with the independent public accountants with regard to the proposed plan of audit and from time to time consult privately with them and also with the internal auditor and the Controller with regard to the adequacy of internal controls;

(c) Upon completion of the report of audit by the independent public accountants and before the date of the Annual Meeting of Stockholders, (i) review the financial statements of the Company, and (ii) meet with the independent public accountants and review with them the results of their audit and any recommendations made to the management; and

(d) Periodically, but at least annually, review the terms of all material transactions and arrangements entered into between the Company and its affiliates and subsidiaries.

SECTION 6. Term; Termination. In the event any person shall cease to be a director of the Company, such person shall simultaneously therewith cease to be a member of any committee appointed by the Board of Directors.

ARTICLE V

Officers

SECTION 1. Election and Qualifications. The Board of Directors shall elect the officers of the Company, which shall include a Chief Executive Officer, a Chief Financial Officer, a President and a Secretary, and may include, by election or appointment, a Chief Operating Officer, one or more Vice-Presidents (any one or more of whom may be given an additional designation of rank or function), a Controller, a Treasurer and such Assistant Treasurers, Assistant Controllers, Assistant Secretaries, and such other officers as the Board may from time to time deem proper. Each officer shall have such powers and duties as may be prescribed by these By-laws and as may be assigned by the Board of Directors or (except in the case of the Chief Executive Officer) the President. Any two or more offices may be held by the same person except the offices of President and Secretary.

SECTION 2. Term of Office and Remuneration. The term of office of all officers shall be one year and until their respective successors have been elected and qualified or until their earlier resignation or removal. Any vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of Directors. The remuneration of all officers of the Company may be fixed by the Board of Directors or in such manner as the Board of Directors shall otherwise provide.

SECTION 3. Resignation; Removal. Any officer may resign at any time upon written notice to the Company and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Any officer shall be subject to removal, with or without cause, at any time by an affirmative vote of a majority of the Board of Directors.

SECTION 4. Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and at all meetings of the directors and shall have such other authority as from time to time may be assigned by the Board of Directors. The Chairman of the Board of Directors shall not, as such, be an officer of the Company.

SECTION 5. (a) Chief Executive Officer. The Chief Executive Officer of the Company shall have such duties as customarily pertain to that office; may appoint and remove assistant officers and other agents and employees, other than officers referred to in Section 1 of this Article V; and may execute and deliver in the name of the Company powers of attorney, contracts, bonds and other obligations and instruments.

(b) President. The President of the Company shall have general management and supervision of the property, business and affairs of the Company and over its other officers (other than the Chief Executive Officer); may appoint and remove assistant officers and other agents and employees, other than officers referred to in Section 1 of this Article V; and may execute and deliver in the name of the Company powers of attorney, contracts, bonds and other obligations and instruments.

(c) Chief Operating Officer. The Chief Operating Officer of the Company shall in general have all duties incident to such position, including, without limitation, general management and supervision of the operational affairs of the Company and the supervision and assignment of the duties of all other operational officers and personnel employed by the Company, and shall have such other duties as may be assigned by the Board of Directors or the President.

SECTION 6. Chief Financial Officer. The Chief Financial Officer shall in general have all duties incident to such position, including, without limitation, the organization and review of all accounting, tax and related financial matters involving the Company, the implementation of appropriate Company financial controls and procedures, and the supervision and assignment of the duties of all other financial officers and personnel employed by the Company, and shall have such other duties as may be assigned by the Board of Directors or the President.

SECTION 7. Vice-President. A Vice-President may execute and deliver in the name of the Company contracts and other obligations and instruments pertaining to the regular course of the duties of said office, and shall have such other authority as from time to time may be assigned by the Board of Directors or the President.

SECTION 8. Treasurer. The Treasurer shall in general have all duties incident to the position of Treasurer and such other duties as may be assigned by the Board of Directors or the Chief Financial Officer.

SECTION 9. Secretary. The Secretary shall in general have all the duties incident to the office of Secretary and such other duties as may be assigned by the Board of Directors, the President or any Vice President.

SECTION 10. Controller. The Controller shall in general have all the duties incident to the office of Controller and such other duties as may be assigned by the Board of Directors or the Chief Financial Officer.

SECTION 11. Assistant Officers. Any assistant officer shall have such powers and duties of the officer such assistant officer assists as such officer or the Board of Directors shall from time to time prescribe.

ARTICLE VI

Books and Records

SECTION 1. Location. The books and records of the Company may be kept at such place or places within or outside the State of Delaware as the Board of Directors or the respective officers in charge thereof may from time to time determine. The record books containing the names and addresses of all stockholders, the number and class of shares of stock held by each and the dates when they respectively became the owners of record thereof shall be kept by the Secretary or by the transfer agent or registrar as shall be designated by the Board of Directors.

SECTION 2. Addresses of Stockholders. Notices of meetings and all other corporate notices may be delivered personally or mailed to each stockholder at the stockholder's address as it appears on the records of the Company.

SECTION 3. Fixing Date for Determination of Stockholders of Record. In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (1) in the case of determination of stockholders entitled to notice of or to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting; (2) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (3) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action of the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company in accordance with applicable law, or, if prior action by the Board of Directors is required by law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (3) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VII

Certificates Representing Stock

SECTION 1. Certificates; Signatures. The shares of the Company shall be represented by certificates, and every holder of stock shall be entitled to have a certificate, signed by or in the name of the Company by the Chairman or Vice-Chairman of the Board of Directors, or the President or Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Company, representing the number of shares registered in certificate form. Any and all signatures on any such certificate may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer, transfer agent or registrar at the date of issue. The name of the holder of record of the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the books of the Company.

SECTION 2. Transfers of Stock. Upon compliance with any provisions restricting the transfer or registration of transfer of shares of stock, including, without limitation, the restrictions set forth in the Certificate of Incorporation, shares of capital stock shall be transferable on the books of the Company only by the holder of record thereof in person, or by duly authorized attorney or legal representative, upon surrender and cancellation of certificates for a like number of shares (or upon compliance with the provisions of Section 5 of this Article VII, if applicable), properly endorsed, and the payment of all taxes due thereon. Upon such surrender to the Company or a transfer agent of the Company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer (or upon compliance with the provisions of Section 5 of this Article VII, if applicable) and of compliance with any transfer restrictions applicable thereto contained in an agreement to which the Company is a party or of which the Company has knowledge by reason of legend with respect thereto placed on any such surrendered stock certificate, it shall be the duty of the Company to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 3. Ownership of Shares. The Company shall be entitled to treat the holder of record of any shares or shares of capital stock of the Company as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

SECTION 4. Fractional Shares. The Company may, but shall not be required to, issue certificates for fractions of a share where necessary to effect authorized transactions, or the Company may pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or it may issue scrip in registered or bearer form over the manual or facsimile signature of an officer of the Company or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a stockholder except as therein provided.

The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of capital stock of the Company.

SECTION 5. Lost, Stolen or Destroyed Certificates. The Company may issue a new certificate of stock in place of any certificate, theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Board of Directors may require the owner of any lost, stolen or destroyed certificate, or his legal representative, to furnish an affidavit as to such loss, theft, or destruction and to give the Company a bond sufficient to indemnify the Company and each transfer agent and registrar against any and all claims that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

ARTICLE VIII

Dividends

Subject always to provisions of applicable law and the Certificate of Incorporation, the Board of Directors shall have full power to determine whether any, and, if any, what part of any, funds or other property legally available for the payment of dividends shall be declared as dividends and paid to holders of the capital stock of the Company; the division of the whole or any part of such funds or other property of the Company shall rest wholly within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds or other property among or to the stockholders as dividends or otherwise; and before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for such other purpose as the Board of Directors shall think conducive to the interest of the Company, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE IX

Corporate Seal

The corporate seal shall have inscribed thereon the name of the Company and the year of its incorporation, and shall be in such form and contain such other words and/or figures as the Board of Directors shall determine. The corporate seal may be used by printing, engraving, lithographing, stamping or otherwise making, placing or affixing, or causing to be printed, engraved, lithographed, stamped or otherwise made, placed or affixed, upon any paper or document, by any process whatsoever, an impression, facsimile or other reproduction of said corporate seal.

ARTICLE X

Fiscal Year

The fiscal year of the Company shall be fixed, and shall be subject to change, by the Board of Directors. Unless otherwise fixed by the Board of Directors, the fiscal year of the Company shall commence on January 1, and end on December 31, of each and every calendar year.

ARTICLE XI

Waiver of Notice

Whenever notice is required to be given by the Certificate of Incorporation or by these By-laws, a written waiver thereof, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

ARTICLE XII

Bank Accounts, Drafts, Contracts, Etc.

SECTION 1. Bank Accounts and Drafts. In addition to such bank accounts as may be authorized by the Board of Directors, the Chief Financial Officer, the Treasurer or any other person designated by said Chief Financial Officer, whether or not an employee of the Company, may authorize such bank accounts to be opened or maintained in the name and on behalf of the Company as he may deem necessary or appropriate, payments from such bank accounts to be made upon and according to the check of the Company in accordance with the written instructions of said Chief Financial Officer, Treasurer, or other person so designated by said Chief Financial Officer.

SECTION 2. Contracts. The Board of Directors may authorize any person or persons, in the name and on behalf of the Company, to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

SECTION 3. Proxies; Powers of Attorney; Other Instruments. The Chairman, the President or any other person designated by either of them shall have the power and authority to execute and deliver proxies, powers of attorney and other instruments in the name and on behalf of the Company in connection with the rights and powers incident to the ownership of stock by the Company. The Chairman, the President or any other person authorized by proxy or power of attorney executed and delivered by either of them on behalf of the Company may attend and vote at any meeting of stockholders of any company in which the Company may hold stock, and may exercise on behalf of the Company any and all of the rights and powers incident to the ownership of such stock at any such meeting, or otherwise as specified in the proxy or power of attorney so authorizing any such person. The Board of Directors, from time to time, may confer like powers upon any other person.

SECTION 4. Financial Reports. The Board of Directors may appoint the primary financial officer or other fiscal officer and/or the Secretary or any other officer to cause to be prepared and furnished to stockholders entitled thereto any special financial notice and/or financial statement, as the case may be, which may be required by any provision of law.

ARTICLE XIII

Amendments

SECTION 1. Except as otherwise set forth in Section 2 of this Article XIII, these By-laws may be altered or repealed at the Annual Meeting of Stockholders or at any special meeting of the stockholders, in each case, at which a quorum is present or represented, provided in the case of a special meeting that notice of the proposed alteration or repeal is contained in the notice of such special meeting, by the affirmative vote of the holders of a majority in voting power of the outstanding capital stock entitled to vote at such meeting and present or represented thereat (in person or by proxy), or by the affirmative vote of a majority of the Board of Directors, at any regular meeting or any special meeting of the board.

SECTION 2. Notwithstanding any other provisions of these By-laws (including Section 1 of this Article XIII), the adoption by stockholders of any alteration, amendment, change, addition to or repeal of all or any part of Sections 1, 2, 3, 5, and 7 of Article I, Sections 2, 3, 4, 11 and 12 of Article II or Section 2 of this Article XIII of these By-laws, or the adoption by stockholders of any other provision of these By-laws which is inconsistent with or in addition to such Sections of these By-laws shall require the affirmative vote of the holders of not less than 66 2/3% of the votes entitled to be cast by the holders of all then outstanding capital stock of the Company entitled to vote thereon.

EXHIBIT 11.1

DIAMOND OFFSHORE DRILLING, INC.
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED SEPTEMBER 30,					
	1998			1997		
	INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT	INCOME (NUMERATOR)	WEIGHTED (1) AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
BASIC EPS						
Net income..............................	$ 108,702	137,652	$ 0.79	$ 77,831	139,303	$ 0.56
EFFECT OF DILUTIVE POTENTIAL SHARES						
Convertible notes issued 2/4/97	2,350	9,876		2,306	9,876	
DILUTED EPS						
Net income + assumed conversions	$ 111,052	147,528	$ 0.75	$ 80,137	149,179	$ 0.54

	NINE MONTHS ENDED SEPTEMBER 30,					
	1998			1997		
	INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT	INCOME (NUMERATOR)	WEIGHTED (1) AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
BASIC EPS						
Net income..............................	$ 301,089	138,762	$ 2.17	$ 199,295	138,308	$ 1.44
EFFECT OF DILUTIVE POTENTIAL SHARES						
Convertible notes issued 2/4/97	7,305	9,876		4,418	8,610	
DILUTED EPS						
Net income + assumed conversions	$ 308,394	148,638	$ 2.07	$ 203,713	146,918	$ 1.39

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(1) Weighted average shares outstanding have been restated to include the retroactive effect of the July 1997 two-for-one stock split in the form of a stock dividend.

This schedule contains summary financial information extracted from the Company's financial statements and is qualified in its entirety by reference to such financial statements.

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9-MOS
DEC-31-1998
SEP-30-1998
122,647
443,187
235,881
0
35,257
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463,357
2,505,470
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400,000
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0
1,393
1,690,911
2,505,470
0
925,372
0
357,939
116,689
0
11,239
464,298
163,209
301,089
0
0
0
301,089
2.17
2.07

Includes contract drilling expenses only.
Includes other operating expenses.