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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2000

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 May 8, 2000 Common stock, $0.01 par value per share 135,531,907 shares

DIAMOND OFFSHORE DRILLING, INC.

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QUARTER ENDED MARCH 31, 2000

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)

	MARCH 31, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 106,572	$ 112,316
Marketable securities and other invested assets	511,578	529,042
Accounts receivable	129,759	143,569
Rig inventory and supplies	39,145	38,760
Prepaid expenses and other	28,740	36,605
Total current assets	815,794	860,292
DRILLING AND OTHER PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	1,763,796	1,737,905
GOODWILL, NET OF ACCUMULATED AMORTIZATION	72,055	73,174
OTHER ASSETS	9,550	9,658
Total assets	$ 2,661,195	$ 2,681,029
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 48,433	$ 72,630
Accrued liabilities	40,872	44,051
Taxes payable	14,366	18,720
Total current liabilities	103,671	135,401
LONG-TERM DEBT	400,000	400,000
DEFERRED TAX LIABILITY	299,341	291,213
OTHER LIABILITIES	11,585	12,193
Total liabilities	814,597	838,807
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, 139,358,807 issued, 135,531,907 outstanding at March 31, 2000 and 139,342,381 issued, 135,824,281 outstanding at December 31, 1999)	1,394	1,393
Additional paid-in capital	1,302,905	1,302,841
Retained earnings	648,452	635,943
Accumulated other comprehensive losses	(8,938)	(9,229)
Treasury stock, at cost (3,826,900 shares at March 31, 2000 and 3,518,100 shares at December 31, 1999)	(97,215)	(88,726)
Total stockholders' equity	1,846,598	1,842,222
Total liabilities and stockholders' equity	$ 2,661,195	$ 2,681,029

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 MARCH 31,	
	2000	1999
REVENUES	$ 167,828	$ 228,037
OPERATING EXPENSES:		
Contract drilling	100,823	110,718
Depreciation and amortization	36,875	35,657
General and administrative	6,020	6,001
Total operating expenses	143,718	152,376
OPERATING INCOME	24,110	75,661
OTHER INCOME (EXPENSE):		
Gain on sale of assets	14,017	125
Interest income	8,622	8,351
Interest expense	(1,234)	(3,332)
Other, net	(89)	(1,093)
INCOME BEFORE INCOME TAX EXPENSE	45,426	79,712
INCOME TAX EXPENSE	(15,938)	(27,894)
NET INCOME	$ 29,488	$ 51,818
EARNINGS PER SHARE:		
Basic	$ 0.22	$ 0.38
Diluted	$ 0.21	$ 0.37
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Common shares	135,688	135,816
Dilutive potential common shares	9,876	9,876
Total weighted average shares outstanding	145,564	145,692

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

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

	THREE MONTHS ENDED MARCH 31, 2000	1999
OPERATING ACTIVITIES:		
Net income	$ 29,488	$ 51,818
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,875	35,657
Gain on sale of assets	(14,017)	(125)
Gain on sale of investment securities	--	(6)
Deferred tax provision	7,648	8,291
Accretion of discounts on investment securities	(2,197)	(3,229)
Amortization of debt issuance costs	138	134
Changes in operating assets and liabilities:		
Accounts receivable	13,810	33,566
Rig inventory and supplies and other current assets	6,830	(4,374)
Other assets, non-current	(30)	162
Accounts payable and accrued liabilities	(27,376)	(15,293)
Taxes payable	(4,032)	29,147
Other liabilities, non-current	(608)	(2,807)
Other, net	132	(820)
Net cash provided by operating activities	46,661	132,121
INVESTING ACTIVITIES:		
Capital expenditures	(79,155)	(95,019)
Proceeds from sale of assets	32,177	129
Net change in marketable securities	19,976	(51,506)
Net cash used in investing activities	(27,002)	(146,396)
FINANCING ACTIVITIES:		
Acquisition of treasury stock	(8,489)	--
Payment of dividends	(16,979)	(16,977)
Proceeds from stock options exercised	65	--
Net cash used in financing activities	(25,403)	(16,977)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,744)	(31,252)
Cash and cash equivalents, beginning of period	112,316	101,198
Cash and cash equivalents, end of period	$ 106,572	$ 69,946

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, 1999 (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.

Marketable Securities and Other Invested Assets

The Company's investments in marketable securities are classified as available for sale and stated at fair value. Accordingly, any unrealized gains and losses, net of taxes, are reported in the Consolidated Balance Sheets in "Accumulated other comprehensive losses" until realized. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity and such adjustments are included in the Consolidated Statements of 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)."

In January 2000, the Company sold its jack-up drilling rig, the Ocean Scotian, for $32.0 million in cash which was invested with a third party pursuant to a Deferred Exchange Agreement (the "Agreement"). The Agreement provides for investment of the $32.0 million in a money market fund at current interest rates and restricts the use of the cash to the purchase of replacement property for the Ocean Scotian for a period of up to 180 days subsequent to the sale of the rig. See "--Drilling and Other Property and Equipment."

Supplementary Cash Flow Information

Cash payments made for interest on long-term debt totaled $7.5 million during each quarter ended March 31, 2000 and 1999. Cash payments made, net of refunds, for income taxes during the quarters ended March 31, 2000 and 1999 totaled $13.5 million and $8.9 million, respectively.

Capitalized Interest

Interest cost for construction and upgrade of qualifying assets is capitalized. The Company incurred interest cost, including amortization of debt issuance costs, of $3.9 million during each of the quarters ended March 31, 2000 and 1999. Interest cost capitalized during the quarter ended March 31, 2000 was $2.7 million. Interest cost capitalized during the quarter ended March 31, 1999 was not material.

Goodwill

Goodwill from the merger with Arethusa (Off-Shore) Limited ("Arethusa") is amortized on a straight-line basis over 20 years. Amortization expense totaled $1.1 million and $1.6 million for the quarters ended March 31, 2000 and 1999, 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

Depending on market conditions, the Company may, from time to time, purchase shares of its common stock in the open market. The purchase of treasury stock is accounted for using the cost method, which reports the cost of the shares acquired in "Treasury stock" as a deduction from stockholders' equity in the Consolidated Balance Sheets. During the quarter ended March 31, 2000, the Company purchased 308,800 shares of its common stock at an aggregate cost of $8.5 million, or at an average cost of $27.49 per share.

Comprehensive Income

Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances except those resulting from investments by owners and distributions to owners. For the three months ended March 31, 2000 and 1999, comprehensive income totaled $29.8 million and $50.6 million, respectively. Comprehensive income includes net income, foreign currency translation gains and losses, and unrealized holding gains and losses on investments.

Earnings Per Share

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 of common stock issuable assuming full conversion of the convertible subordinated notes as of the beginning of the periods presented.

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. MARKETABLE SECURITIES

Investments classified as available for sale are summarized as follows:

	MARCH 31, 2000		
	COST	UNREALIZED GAIN (LOSS)	MARKET VALUE
	(IN THOUSANDS)		
Debt securities issued by the U.S. Treasury			
Due within one year	$ 259,237	$ (1,377)	$ 257,860
Due after one year through five years	75,025	(1,410)	73,615
Collateralized mortgage obligations	152,989	(6,548)	146,441
Equity securities	1,446	216	1,662
Total	$ 488,697	$ (9,119)	$ 479,578

	DECEMBER 31, 1999		
	COST	UNREALIZED GAIN (LOSS)	MARKET VALUE
	(IN THOUSANDS)		
Debt securities issued by the U.S. Treasury			
Due within one year	$ 259,090	$ (1,123)	$ 257,967
Due after one year through five years	124,935	(2,180)	122,755
Collateralized mortgage obligations	153,004	(6,130)	146,874
Equity securities	1,446	--	1,446
Total	$ 538,475	$ (9,433)	$ 529,042

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

During the three months ended March 31, 2000 and 1999, certain debt securities due within one year were sold or matured for proceeds of $270.0 million and $269.2 million, respectively. There was no resulting gain or loss for the first quarter of 2000. The resulting after-tax realized gain for the quarter ended March 31, 1999 was not material.

3. DRILLING AND OTHER PROPERTY AND EQUIPMENT

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

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Drilling rigs and equipment	$ 2,085,195	$ 2,095,613
Construction work in progress	301,836	241,102
Land and buildings	14,106	13,992
Office equipment and other	17,673	17,552
Cost	2,418,810	2,368,259
Less accumulated depreciation	(655,014)	(630,354)
Drilling and other property and equipment, net	$ 1,763,796	$ 1,737,905

In January 2000, the Company sold its jack-up drilling rig, the Ocean Scotian, for $32.0 million in cash resulting in an after-tax gain of $9.0 million. The rig had been cold stacked offshore Netherlands prior to the sale.

4. GOODWILL

The merger with Arethusa in 1996 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:

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Goodwill	$ 96,112	$ 96,112
Less accumulated amortization	(24,057)	(22,938)
Total	$ 72,055	$ 73,174

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Personal injury and other claims	$ 16,986	$ 18,219
Payroll and benefits	17,319	16,281
Interest payable	1,916	5,667
Other	4,651	3,884
Total	$ 40,872	$ 44,051

6. COMMITMENTS AND CONTINGENCIES

In January 2000, the Company successfully completed the defense and indemnification of Zapata Off-Shore Company and Zapata Corporation (the "Zapata Defendants"), a former subsidiary of Arethusa, which is now a subsidiary of the Company, 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. In May 1999, the case went before the Texas First Court of Appeals, Houston, which affirmed the jury verdict. The plaintiffs filed their petition for review with the Supreme Court of Texas in November 1999 which was subsequently denied in January 2000.

In August 1999, a customer terminated a contract for use of one of the Company's drilling rigs located offshore Australia. The termination was not the result of performance failures by the Company or its equipment. The Company believes the contract required the customer to pay approximately $16.5 million in remaining revenue through the end of the contract period, which was previously scheduled to end in early January 2000. However, the customer believes that there was no further obligation under the contract and has refused to pay the $16.5 million early termination fee. The Company filed suit in Australia in August 1999 requesting reconstruction of the contract and a declaratory judgment requiring the customer to pay such early termination fee. The Company intends to vigorously pursue its claim. For financial statement purposes, the $16.5 million early termination fee was not included in revenues in the Company's results of operations for the year ended December 31, 1999.

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

7. SEGMENTS AND GEOGRAPHIC AREA ANALYSIS

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

Similar Services

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

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS)	
High Specification Floaters	$ 56,862	$ 63,960
Other Semisubmersibles	88,511	139,453
Jack-ups	21,019	24,069
Integrated Services	2,601	3,469
Eliminations	(1,165)	(2,914)
Total Revenues	$ 167,828	$ 228,037

Geographic Areas

At March 31, 2000, the Company had drilling rigs located offshore seven countries outside of the United States. As a result, the Company is exposed to the risk of changes in social, political and economic conditions inherent in foreign operations and the Company's results of operations and the value of its foreign assets are affected by fluctuations in foreign currency exchange rates. Revenues by geographic area are presented by attributing revenues to the individual country where the services were performed.

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS)	
Revenues from unaffiliated customers:		
United States	$ 79,620	$ 111,208
Foreign:		
Europe/Africa	22,813	64,455
Australia/Southeast Asia	18,432	28,267
South America	46,963	24,107
Total Revenues	$ 167,828	$ 228,037

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 45 offshore drilling rigs. The fleet consists of 30 semisubmersibles, 14 jack-ups and one drillship.

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. In response to changes in demand, the Company may withdraw a rig from the market by stacking it or may reactivate a rig previously stacked, which may decrease or increase revenues, respectively.

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

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

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. In addition, when a rig is idle, the Company is responsible for certain operating expenses such as rig fuel and supply boat costs, which are typically charged to the operator under drilling contracts. However, if the rig is to be idle for an extended period of time, the Company may reduce the size of a rig's crew and take steps to "cold stack" the rig, which lowers expenses and partially offsets the impact on operating income. The Company recognizes as operating expenses activities such as 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.

THREE MONTHS ENDED MARCH 31, 2000 AND 1999

Comparative data relating to the Company's revenues and operating expenses by equipment type are listed below (eliminations offset dayrate revenues earned when the Company's rigs are utilized in its integrated services). 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 MARCH 31,		INCREASE/ (DECREASE)
	2000	1999	
	(IN THOUSANDS)		
REVENUES			
High Specification Floaters	$ 56,862	$ 63,960	$ (7,098)
Other Semisubmersibles	88,511	139,453	(50,942)
Jack-ups	21,019	24,069	(3,050)
Integrated Services	2,601	3,469	(868)
Eliminations	(1,165)	(2,914)	1,749
Total Revenues	$ 167,828	$ 228,037	$ (60,209)
CONTRACT DRILLING EXPENSE			
High Specification Floaters	$ 23,307	$ 24,390	$ (1,083)
Other Semisubmersibles	54,865	62,251	(7,386)
Jack-ups	19,845	22,708	(2,863)
Integrated Services	3,071	3,438	(367)
Other	900	845	55
Eliminations	(1,165)	(2,914)	1,749
Total Contract Drilling Expense ...	$ 100,823	$ 110,718	$ (9,895)
OPERATING INCOME			
High Specification Floaters	$ 33,555	$ 39,570	$ (6,015)
Other Semisubmersibles	33,646	77,202	(43,556)
Jack-ups	1,174	1,361	(187)
Integrated Services	(470)	31	(501)
Other	(900)	(845)	(55)
Depreciation and Amortization Expense	(36,875)	(35,657)	(1,218)
General and Administrative Expense	(6,020)	(6,001)	(19)
Total Operating Income	$ 24,110	$ 75,661	$ (51,551)

High Specification Floaters.

Revenues. Revenues from high specification floaters during the first quarter of 2000 decreased by $7.1 million from the same period in 1999. Approximately $23.6 million of the revenue decline resulted from lower operating dayrates as compared to 1999. The average operating dayrate for high specification floaters during the first quarter of 2000 was $94,600 per day as compared to $133,100 per day during the first quarter of 1999. In addition, revenues decreased by $2.7 million due to revenue recognized in the first quarter of 1999 associated with the late 1998 mobilization of the Ocean Alliance from the North Sea to Angola. These decreases were partially offset by an increase in revenues of approximately $16.0 million due to an improvement in utilization. Utilization for the Company's high specification floaters during the first quarter of 2000 was 97% as compared to 79% during the first quarter of 1999. Also, revenues increased $3.3 million from the first quarter of 1999, due to rig downtime in 1999 for inspection and repairs associated with the Ocean America.

Contract Drilling Expense. Contract drilling expense for high specification floaters during the first quarter of 2000 decreased $1.1 million from the same period in 1999. This decrease resulted primarily from costs incurred in the first quarter of 1999 of approximately $2.7 million for the mobilization of the Ocean Alliance from the North Sea to Angola and $2.8 million in costs associated with the mandatory inspection and repairs of the Ocean America. These reductions were partially offset by an increase in contract drilling expense in the first quarter of 2000 of approximately $3.6 million for the Ocean Clipper, which began operating under its three-year contract offshore

Brazil. During the first quarter of 1999, the Ocean Clipper was in the shipyard for modifications, upgrades and the replacement of the blow-out preventer control system.

Other Semisubmersibles.

Revenues. Revenues from other semisubmersibles during the first quarter ended March 31, 2000 decreased $50.9 million from the same period in 1999. Approximately $32.0 million of the decrease resulted from a decline in operating dayrates as compared to the same period in 1999. The average operating dayrate for the Company's other semisubmersibles was $67,400 per day during the first quarter of 2000, as compared to $93,200 per day during the first quarter of 1999. In addition, revenues were reduced by $20.7 million and $2.4 million due to decreased utilization and rigs removed from service, respectively. Utilization for the Company's other semisubmersibles during the first quarter of 2000 was 63% as compared to 73% during the first quarter of 1999. These decreases were partially offset by increases in revenues due to rig downtime during the first quarter of 1999 for mandatory inspections and repairs of the Ocean Yatzy.

Contract Drilling Expense. Contract drilling expense for other semisubmersibles during the first quarter of 2000 decreased $7.4 million from the same period in 1999. This decrease resulted primarily from a reduction in costs of $5.6 million associated with the inspection, repair and mobilization of the Ocean Winner from the Gulf of Mexico to Brazil in the first quarter of 1999. Contract drilling expense was also reduced by $4.4 million in 2000 due to costs associated with mandatory inspections and repairs of the Ocean New Era and the Ocean Yatzy in 1999. In addition, first quarter 2000 costs were reduced by $2.0 million as a result of cold stacking the Ocean Baroness in late 1999. Partially offsetting these decreases were increases in costs in 2000 of approximately $3.0 million associated with the mandatory inspection and repairs of the Ocean Lexington and $1.2 million from operating costs for the Ocean General which was stacked throughout 1999.

Jack-Ups.

Revenues. Revenues from jack-ups during the first quarter of 2000 decreased $3.1 million from the same period in 1999. This decrease was due primarily, to a reduction in revenues of $7.8 million from the Ocean Scotian which was sold in January 2000 but worked throughout the first quarter of 1999. Revenues were also reduced by approximately $2.9 million attributable to a decline in operating dayrates as compared to the same period in 1999. The average operating dayrate for the Company's jack-ups was $19,800 per day during the first quarter of 2000, as compared to $27,400 per day during the first quarter of 1999. These decreases were partially offset by an increase in revenues of approximately $7.6 million due to improvements in utilization. Utilization for the Company's jack-ups during the first quarter of 2000 was 82% as compared to 61% during the first quarter of 1999.

Contract Drilling Expense. Contract drilling expense for jack-ups during the first quarter of 2000 decreased $2.9 million over the same period in 1999. This decrease resulted primarily from the sale of the Ocean Scotian in January 2000.

Integrated Services.

Revenues and contract drilling expense for integrated services decreased as a result of fewer projects during the first quarter of 2000 as compared to the first quarter of 1999.

Depreciation and Amortization Expense.

Depreciation and amortization expense for the three months ended March 31, 2000 of $36.9 million increased $1.2 million from $35.7 million for the three months ended March 31, 1999. This increase resulted primarily from an increase in depreciation for the Ocean Clipper, Ocean General, Ocean Concord, and Ocean King, which completed various upgrades in the second half of 1999. This increase was partially offset by a decrease in depreciation in the first quarter of 2000 due to the January 2000 sale of the Ocean Scotian and a decrease in goodwill amortization.

Gain on Sale of Assets.

Gain on sale of assets for the three months ended March 31, 2000 of $14.0 million increased $13.9 million from $0.1 million for the three months ended March 31, 1999. This increase resulted primarily from the January 2000 sale of the Company's jack-up drilling rig, Ocean Scotian, for $32.0 million in cash resulting in an after-tax gain of $9.0 million. The rig had been cold stacked offshore Netherlands prior to the sale.

Interest Expense

Interest expense of $1.2 million for the three months ended March 31, 2000 decreased $2.1 million from interest expense of $3.3 million for the three months ended March 31, 1999. This decrease resulted primarily from an increase in capitalized interest for the conversion of the Ocean Confidence. Interest cost capitalized during the quarter ended March 31, 2000 was $2.7 million. Interest cost capitalized during the quarter ended March 31, 1999 was not material. See "-- Capital Resources."

Income Tax Expense.

Income tax expense of $15.9 million for the three months ended March 31, 2000 decreased $12.0 million from $27.9 million for the three months ended March 31, 1999. This decrease resulted primarily from the $34.3 million decrease in income before income tax expense as compared to the three months ended March 31, 1999.

OUTLOOK

The Company has recently experienced improvement in the domestic jack-up market along with some stability in its high specification floater business as the industry concentrates on shallow water natural gas and deep water prospects offshore. While some high specification floating units have seen idle time around the world, the Company has maintained high utilization for its rigs in this class. With a strategy of trying to maintain utilization through short-term commitments, the Company expects it will be in a position to respond when the high specification floater market sees improvement. The Company's jack-up fleet should see improved results in the second quarter as dayrates and utilization continue to improve.

The Company is less optimistic about the global market for its other semisubmersibles, despite significant improvements in product prices over the last year. The results for the Company's other semisubmersibles were slightly down in the first quarter of 2000 and, due to declining utilization and dayrates, are expected to experience continued downward pressure in the near term. Near term results will also be adversely affected as several long-term contracts previously committed under dayrates in excess of current market rates expired late in the first quarter and early in the second quarter of 2000.

Historically, the offshore contract drilling industry has been highly competitive and cyclical, and the Company cannot predict the extent to which current conditions may or may not continue. However, with the high level of product prices, there is continued optimism in the offshore contract drilling industry that oil and gas companies will increase their spending on exploration and development in the long term, potentially resulting in increased utilization levels and dayrates for offshore drilling rigs.

LIQUIDITY

At March 31, 2000, cash and marketable securities totaled $618.2 million, down from $641.4 million at December 31, 1999. Cash provided by operating activities for the quarter ended March 31, 2000 decreased by $85.4 million to $46.7 million, as compared to $132.1 million for the same period of the prior year. This decrease in cash was primarily attributable to a $22.3 million reduction in net income and various other changes in operating assets and liabilities.

Investing activities used $27.0 million of cash during the quarter ended March 31, 2000, as compared to $146.4 million cash used during the same quarter of the prior year. This decrease resulted primarily from a $71.5 million decrease in cash used for investments in marketable securities, a $32.0 million increase in proceeds from the sale of assets, primarily the sale of the Ocean Scotian in January 2000, and a $15.9 million increase in cash resulting from a decrease in capital expenditures primarily attributable to the Ocean Confidence.

Cash used in financing activities for the quarter ended March 31, 2000 of $25.4 million resulted primarily from dividends paid to stockholders and the acquisition of the Company's outstanding common stock, par value $0.01 per share. Depending on market conditions, the Company may, from time to time, purchase shares of its common stock in the open market. During the quarter ended March 31, 2000, the Company purchased 308,800 shares of its common stock at an aggregate cost of $8.5 million, or at an average cost of $27.49 per share. Cash used in financing activities for the quarter ended March 31, 1999 of $17.0 million resulted from dividends paid to stockholders.

Other sources of liquidity include the Company's $20.0 million short-term revolving credit agreement with a U.S. bank. The agreement provides for borrowings at various interest rates and varying commitment fees dependent upon public credit ratings. The Company intends to use the facility primarily for letters of credit that the Company must post, from time to time, for bid and performance guarantees required in certain parts of the world. The agreement contains certain financial and other covenants and provisions that must be maintained by the Company for compliance. As of March 31, 2000, there were no outstanding borrowings under this agreement and the Company was in compliance with each of the covenants and provisions.

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 (upon effectiveness of an amendment thereto reflecting the effect of the two-for-one stock split declared in July 1997), in connection with one or more acquisitions by the Company of securities or assets of other businesses.

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

CAPITAL RESOURCES

Cash required to meet the Company's capital commitments is determined by evaluating rig upgrades to meet specific customer requirements and by evaluating 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 expects to spend $122.2 million for rig upgrade capital expenditures during 2000, which is primarily costs associated with the conversion of the Ocean Confidence. Also included in this amount is approximately $17.0 million for variable deckload and water depth capability upgrades on the Ocean Epoch, and $25.2 million for other possible upgrades depending on market conditions. During the period ended March 31, 2000, the Company expended $62.6 million, including capitalized interest expense, for rig upgrades, primarily for 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 of the Ocean Confidence includes the following enhancements: capability for operation in 7,500 foot water depths; approximately 6,000 tons variable deckload; a 15,000 psi blow-out prevention system; and four mud pumps to complement the existing Class III dynamic-positioning system. The Company estimates its net cost of conversion for this rig at approximately $375.0 million. Upon completion of the conversion and customer acceptance, the rig is scheduled to begin a five-year drilling program in the Gulf of Mexico, which is expected to generate approximately $320.0 million of revenues. The drilling contract contains a provision allowing the customer to cancel the contract should the unit not be delivered by July 1, 2000 (with an allowance for up to 30 days additional time for accumulated weather delays). Although the Company is aggressively working towards delivery of the rig on a timely basis, it is possible that delays or unforeseen circumstances could extend delivery beyond the date which would allow the customer the option to cancel the term contract. Should the Company be required to remarket the unit, dayrate and term available may not be as favorable as the existing five-year agreement. In such case, the terms of any new agreement would be dependent on the market conditions prevailing at that point in time.

As a result, future revenues generated by the rig could be less than the current contracted amount of approximately $320.0 million.

During the period ended March 31, 2000, the Company expended $16.6 million in connection with its continuing rig enhancement program and to meet other corporate requirements. These expenditures included purchases of king-post cranes, anchor chain, riser, and other drilling equipment. The Company has budgeted $70.8 million for 2000 capital expenditures associated with its continuing rig enhancement program and other corporate requirements.

The Company continues to consider transactions which include, but are not limited to, the purchase of existing rigs, construction of new rigs and the acquisition of other companies engaged in contract drilling or related businesses. Certain of these potential transactions reviewed by the Company would, if completed, result in it entering new lines of business. In general, however, 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 an acquisition could result in a material expansion of its existing operations or result in it 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.

INTEGRATED SERVICES

The Company's wholly owned subsidiary, DOTS, from time to time, selectively engages in drilling services pursuant to turnkey or modified-turnkey contracts under which DOTS agrees to drill a well to a specified depth for a fixed price. In such cases, DOTS generally is not entitled to payment unless the well is drilled to the specified depth with the profitability of the contract dependent upon its ability to keep expenses within the estimates used in determining the contract price. Drilling a well under a turnkey contract therefore typically requires a greater cash commitment by the Company and exposes the Company to risks of potential financial losses that generally are substantially greater than those that would ordinarily exist when drilling under a conventional dayrate contract. DOTS also offers a portfolio of drilling services including overall project management, extended well tests, and completion operations. During the quarter ended March 31, 2000, DOTS provided turnkey and integrated services and generated an operating loss of $0.5 million.

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. Statements by the Company in this Report that contain forward-looking statements include, but are not limited to, discussions regarding future market conditions and the effect of such conditions on the Company's future results of operations (see "-- Outlook"), and future uses of and requirements for financial resources, including but not limited to, expenditures related to the conversion of the Ocean Confidence (see "-- Liquidity" and "-- Capital Resources"). 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, 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, customer preferences and various other matters, many of which are beyond the Company's control. The risks included here are not exhaustive. Other sections of this Report and the Company's other filings with the Securities and Exchange Commission include additional factors that could adversely 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.

The information included in this Item is considered to constitute "forward-looking statements" for purposes of the statutory safe harbor provided in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward-Looking Statements" in Item 2 of this Report.

The Company's financial instruments include the Company's convertible subordinated notes and investments in debt securities, including U.S. Treasury securities and collateralized mortgage obligations ("CMO's"). The Company's convertible subordinated 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 March 31, 2000, the fair value of these notes, based on quoted market prices, was approximately $451.9 million, as compared to a carrying amount of $400.0 million. At March 31, 2000, the fair market value of the Company's investment in debt securities issued by the U.S. Treasury was approximately $331.5 million, which includes an unrealized holding loss of $2.8 million. These securities bear interest rates ranging from 4.00 percent to 6.00 percent. These securities are U.S. government-backed and are generally short-term and readily marketable. The fair value of the Company's investment in CMO's at March 31, 2000 was approximately $146.4 million, which includes an unrealized holding loss of $6.5 million. The CMO's are also short-term and readily marketable with an implied AAA rating backed by U.S. government guaranteed mortgages.

The Company believes the declines in the fair value of its investments in debt securities due to interest rate sensitivity are temporary in nature. This determination was based on marketability of the instruments, the Company's ability to retain its investment in the instruments, past market movements and reasonably possible, near-term market movements. Therefore, the Company does not believe that potential, near-term losses in future earnings, fair values, or cash flows are likely to be material.

At March 31, 2000, the fair value of the Company's investment in equity securities was approximately $1.7 million, which includes an unrealized holding gain of $0.2 million.

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. In May 1999, the case went before the Texas First Court of Appeals, Houston, which affirmed the jury verdict. The plaintiffs filed a petition for review with the Supreme Court of Texas in November 1999 which was subsequently denied in January 2000.

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. SUBMISSION 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) No reports on Form 8-K were filed during the first quarter of 2000.

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 12-May-2000 By: /s/ GARY T. KRENEK

Gary T. Krenek
Vice President and Chief Financial Officer

Date 12-May-2000 /s/ BETH G. GORDON

Beth G. Gordon
Controller (Chief 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 (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998).
11.1*	Statement re Computation of Per Share Earnings.
27.1*	Financial Data Schedule.

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* Filed herewith

EXHIBIT 11.1

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

	THREE MONTHS ENDED MARCH 31,					
	2000			1999		
	INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT	INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
BASIC EPS						
Net income	$ 29,488	135,688	$ 0.22	$ 51,818	135,816	$ 0.38
EFFECT OF DILUTIVE POTENTIAL SHARES						
Convertible notes	802	9,876		2,166	9,876	
DILUTED EPS						
Net income + assumed conversions...	$ 30,290	145,564	$ 0.21	$ 53,984	145,692	$ 0.37

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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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3-MOS
DEC-31-2000
MAR-31-2000
106,572
511,578
129,759
0
39,145
815,794
2,418,810
655,014
2,661,195
103,671
400,000
0
0
1,394
1,845,204
2,661,195
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167,828
0
100,823
42,895
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1,234
45,426
15,938
29,488
0
0
0
29,488
0.22
0.21

Includes contract drilling expenses only.
Includes other operating expenses.