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 June 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 July 20, 1998 Common stock, $0.01 par value per share 139,328,160 shares

DIAMOND OFFSHORE DRILLING, INC.

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QUARTER ENDED JUNE 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)

	JUNE 30, 1998 (Unaudited)	DECEMBER 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 57,481	$ 102,958
Short-term investments	326,789	363,137
Accounts receivable	272,787	205,589
Rig inventory and supplies	34,997	33,714
Prepaid expenses and other	28,911	13,377
Total current assets	720,965	718,775
DRILLING AND OTHER PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION	1,463,063	1,451,741
GOODWILL, NET OF ACCUMULATED AMORTIZATION	115,388	118,623
LONG-TERM INVESTMENTS	203,435	--
OTHER ASSETS	10,190	9,422
Total assets	$ 2,513,041	$ 2,298,561
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 55,885	$ 57,557
Accrued liabilities	56,056	48,935
Taxes payable	32,041	24,653
Total current liabilities	143,982	131,145
LONG-TERM DEBT	400,000	400,000
DEFERRED TAX LIABILITY	248,322	209,513
OTHER LIABILITIES	28,685	22,376
Total liabilities	820,989	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, 139,328,160 and 139,309,948 shares issued and outstanding at June 30, 1998 and December 31, 1997, respectively)	1,393	1,393
Additional paid-in capital	1,302,784	1,302,712
Retained earnings	390,905	233,350
Accumulated other comprehensive losses	(3,030)	(1,928)
Total stockholders' equity	1,692,052	1,535,527
Total liabilities and stockholders' equity	$ 2,513,041	$ 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
REVENUES	$ 323,517	$ 228,534	$ 609,586	$ 433,267
OPERATING EXPENSES:				
Contract drilling	116,103	98,221	241,436	187,960
Depreciation and amortization	32,747	27,230	64,746	53,042
General and administrative	6,219	4,859	12,991	9,800
Gain on sale of assets	(4)	(5)	(82)	(70)
Total operating expenses	155,065	130,305	319,091	250,732
OPERATING INCOME	168,452	98,229	290,495	182,535
OTHER INCOME (EXPENSE):				
Interest income	7,442	5,499	14,027	8,392
Interest expense	(3,781)	(3,349)	(7,624)	(3,349)
Other, net	317	10	180	(175)
INCOME BEFORE INCOME TAX EXPENSE	172,430	100,389	297,078	187,403
INCOME TAX EXPENSE	(60,765)	(35,155)	(104,691)	(65,939)
NET INCOME	$ 111,665	$ 65,234	$ 192,387	$ 121,464
EARNINGS PER SHARE:				
Basic	$ 0.80	$ 0.47	$ 1.38	$ 0.88
Diluted	$ 0.76	$ 0.45	$ 1.32	$ 0.85
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Common shares	139,328	138,826	139,326	137,802
Dilutive potential common shares	9,876	9,876	9,876	7,967
Total weighted average shares outstanding	149,204	148,702	149,202	145,769

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)

	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1997
OPERATING ACTIVITIES:		
Net income	$ 192,387	$ 121,464
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,746	53,042
Gain on sale of assets	(82)	(70)
Gain on sale of investment securities	(78)	(10)
Deferred tax provision	42,570	20,638
Accretion of discounts on investment securities	(6,232)	(5,318)
Amortization of debt issuance costs	258	201
Changes in operating assets and liabilities:		
Accounts receivable	(66,481)	(24,462)
Rig inventory and supplies and other current assets	(16,817)	(4,694)
Other assets, non-current	(1,026)	357
Accounts payable and accrued liabilities	5,310	10,979
Taxes payable	7,485	(15,779)
Other liabilities, non-current	2,709	3,018
Other, net	(622)	290
Net cash provided by operating activities	224,127	159,656
INVESTING ACTIVITIES:		
Capital expenditures	(73,333)	(156,002)
Acquisition of drilling rigs and related equipment	--	(80,776)
Proceeds from sale of assets	582	1,888
Net change in short-term investment securities	(307,357)	(191,234)
Net change in investments through repurchase agreements	350,000	--
Purchases of long-term investment securities	(204,875)	(124,242)
Net cash used in investing activities	(234,983)	(550,366)
FINANCING ACTIVITIES:		
Payment of dividends	(34,832)	--
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	211	455
Net cash (used in) provided by financing activities	(34,621)	403,675
NET CHANGE IN CASH AND CASH EQUIVALENTS	(45,477)	12,965
Cash and cash equivalents, beginning of period	102,958	28,180
Cash and cash equivalents, end of period	$ 57,481	$ 41,145

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 included 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 six months ended June 30, 1998 and 1997 totaled $7.5 million and $0.6 million, respectively. Cash payments made for income taxes during the six months ended June 30, 1998 and 1997 totaled $54.5 million and $60.2 million, respectively.

Capitalized Interest

Interest cost for construction and upgrade of qualifying assets is capitalized. During the quarter and six months ended June 30, 1998, the Company incurred interest cost, including amortization of debt issuance costs, of $3.9 million and $7.8 million, respectively. Interest cost capitalized during the quarter and six months ended June 30, 1998 was not material. Interest cost of $4.0 million and $6.8 million was incurred during the quarter and six months ended June 30, 1997. Interest cost capitalized during the quarter and six months ended June 30, 1997 was $0.7 million and $3.5 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 $3.2 million for the quarter and six months ended June 30, 1998, respectively. For the quarter and six months ended June 30, 1997, amortization expense totaled $1.7 million and $3.3 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.

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 six months ended June 30, 1998 comprehensive income totaled $111.5 million and $191.2 million, respectively. For the quarter and six months ended June 30, 1997 comprehensive income totaled $66.2 million and $121.7 million, respectively. Comprehensive income includes net income, foreign currency translation losses, and unrealized holding 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 common shares 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 common shares 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 June 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	$ 315,876	$ (337)	$ 315,539
Due after one year through five years ..	204,242	(807)	203,435
Equity securities	11,007	243	11,250
Total	$ 531,125	$ (901)	$ 530,224

During the six months ended June 30, 1998, certain equity and debt securities due within one year were sold for proceeds of $2.4 million and $95.4 million, respectively. The resulting realized loss was not material. Also during the six months ended June 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:

	JUNE 30, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
Drilling rigs and equipment	$ 1,857,772	$ 1,781,107
Construction work in progress	11,968	17,696
Land and buildings	12,753	12,552
Office equipment and other	12,245	10,551
Cost	1,894,738	1,821,906
Less accumulated depreciation	(431,675)	(370,165)
Total	$ 1,463,063	$ 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:

	JUNE 30, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
Goodwill	$ 129,746	$ 129,746
Less accumulated amortization	(14,358)	(11,123)
Total	$ 115,388	$ 118,623

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	JUNE 30, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
Personal injury and other claims	$ 23,033	$ 23,960
Payroll and benefits	18,285	15,951
Interest payable	5,666	5,684
Other	9,072	3,340
Total	$ 56,056	$ 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. 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 have appealed the judgment and the case has been referred to mediation, which is expected to occur in the third quarter of 1998. 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

THREE MONTHS ENDED JUNE 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.

During November 1997 and July 1997, the Company completed its major upgrades of the Ocean Victory and the Ocean Clipper I, respectively, expanding those rigs to have fourth-generation capabilities. Upon completion, these rigs were included in Fourth-Generation Semisubmersibles for discussion purposes (prior period information will continue to include the rigs in Other Semisubmersibles).

	THREE MONTHS ENDED JUNE 30,		INCREASE/
	1998	1997	(DECREASE)
	(in thousands)		
REVENUES			
Fourth-Generation Semisubmersibles..	$ 68,030	$ 49,215	$ 18,815
Other Semisubmersibles	191,378	130,916	60,462
Jack-ups	63,236	46,824	16,412
Integrated Services	5,438	1,284	4,154
Other	--	682	(682)
Eliminations	(4,565)	(387)	(4,178)
Total Revenues	$ 323,517	$ 228,534	$ 94,983
CONTRACT DRILLING EXPENSE			
Fourth-Generation Semisubmersibles..	$ 19,961	$ 13,696	$ 6,265
Other Semisubmersibles	65,622	57,188	8,434
Jack-ups	27,880	24,713	3,167
Integrated Services	5,451	1,417	4,034
Other	1,754	1,825	(71)
Eliminations	(4,565)	(618)	(3,947)
Total Contract Drilling Expense	$ 116,103	$ 98,221	$ 17,882
OPERATING INCOME			
Fourth-Generation Semisubmersibles..	$ 48,069	$ 35,519	$ 12,550
Other Semisubmersibles	125,756	73,728	52,028
Jack-ups	35,356	22,111	13,245
Integrated Services	(13)	(133)	120
Other	(1,754)	(1,143)	(611)
Eliminations	--	231	(231)
Depreciation and Amortization Expense	(32,747)	(27,230)	(5,517)
General and Administrative Expense..	(6,219)	(4,859)	(1,360)
Gain on Sale of Assets	4	5	(1)
Total Operating Income	$ 168,452	$ 98,229	$ 70,223

Fourth-Generation Semisubmersibles. The $18.8 million increase in revenues for fourth-generation rigs resulted primarily from $11.4 million in revenues generated by increased operating dayrates and from $8.4 million in revenues generated by the Ocean Victory and the Ocean Clipper I, which completed their upgrade projects in November 1997 and July 1997, respectively. The $6.3 million increase in contract drilling expense resulted primarily from operating costs generated by the Ocean Victory and the Ocean Clipper I and costs associated with the mandatory inspection of the Ocean Valiant, which was completed during the quarter ended June 30, 1998.

Other Semisubmersibles. The $60.5 million increase in revenues from other semisubmersibles resulted, in part, from $57.8 million in revenues generated by increased operating dayrates and $7.4 million in revenues from the Ocean Century, which returned to work after reactivation in the fourth quarter of 1997. The $8.4 million increase in contract drilling expense as compared to the quarter ended June 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 Liberator.

Jack-Ups. The $16.4 million increase in revenues from jack-ups resulted primarily from $17.9 million of additional revenues generated by increased operating dayrates and $5.7 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 during the quarter ended June 30, 1998. The $3.2 million increase in contract drilling expense resulted primarily from costs associated with the mandatory inspection and repairs of the Ocean Drake, which was completed during the quarter ended June 30, 1998. In addition, operating costs for the Ocean Warwick and the overall increase in operating costs, including labor and drilling supplies, also contributed to the increase in contract drilling expense as compared to the same period in 1997.

Integrated Services and Other. Revenues and contract drilling expenses for integrated services increased primarily from additional projects and increased rates as compared to the same period in 1997.

Depreciation and Amortization Expense. Depreciation and amortization expense for the three months ended June 30, 1998 of $32.7 million increased $5.5 million from $27.2 million for the three months ended June 30, 1997 primarily due to 1998 budgeted capital additions. Additional depreciation expense for the Ocean Victory and the Ocean Clipper I upon completion of their upgrades also contributed to this increase.

General and Administrative Expense. General and administrative expense for the three months ended June 30, 1998 of $6.2 million increased $1.3 million from $4.9 million for the three months ended June 30, 1997 primarily due to additional personnel and increased accruals for the Company's management bonus and retention plan. Other increases resulted from costs associated with ongoing litigation.

Interest Income. Interest income of $7.4 million for the three months ended June 30, 1998 increased $1.9 million from $5.5 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 $3.8 million for the three months ended June 30, 1998 consists of interest accrued on the $400.0 million of convertible subordinated notes (the "Notes"). The Notes were issued in February 1997 resulting in increased interest expense for the three months ended June 30, 1998 as compared to the same period in 1997.

Income Tax Expense. Income tax expense of $60.8 million for the three months ended June 30, 1998 increased $25.6 million from $35.2 million for the three months ended June 30, 1997. This increase resulted primarily from the $72.0 million increase in income before income tax expense as compared to the three months ended June 30, 1997.

SIX MONTHS ENDED JUNE 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.

During November 1997, July 1997 and March 1997, the Company completed its major upgrades of the Ocean Victory, the Ocean Clipper I, and the Ocean Star, respectively, expanding those rigs to have fourth-generation capabilities. Upon completion, these rigs were included in Fourth-Generation Semisubmersibles for discussion purposes (prior period information will continue to include the rigs in Other Semisubmersibles).

	SIX MONTHS ENDED JUNE 30,		
	1998	1997	INCREASE/ (DECREASE)
	(in thousands)		
REVENUES			
Fourth-Generation Semisubmersibles ...	$ 138,975	$ 91,857	$ 47,118
Other Semisubmersibles	344,652	247,749	96,903
Jack-ups	123,322	90,379	32,943
Integrated Services	21,149	5,595	15,554
Other	--	682	(682)
Eliminations	(18,512)	(2,995)	(15,517)
Total Revenues	$ 609,586	$ 433,267	$ 176,319
CONTRACT DRILLING EXPENSE			
Fourth-Generation Semisubmersibles ...	$ 40,576	$ 25,169	$ 15,407
Other Semisubmersibles	144,898	112,523	32,375
Jack-ups	49,040	45,974	3,066
Integrated Services	20,956	5,676	15,280
Other	4,478	2,186	2,292
Eliminations	(18,512)	(3,568)	(14,944)
Total Contract Drilling Expense .	$ 241,436	$ 187,960	$ 53,476
OPERATING INCOME			
Fourth-Generation Semisubmersibles ...	$ 98,399	$ 66,688	$ 31,711
Other Semisubmersibles	199,754	135,226	64,528
Jack-ups	74,282	44,405	29,877
Integrated Services	193	(81)	274
Other	(4,478)	(1,504)	(2,974)
Eliminations	--	573	(573)
Depreciation and Amortization .... Expense	(64,746)	(53,042)	(11,704)
General and Administrative Expense ...	(12,991)	(9,800)	(3,191)
Gain on Sale of Assets	82	70	12
Total Operating Income.......	$ 290,495	$ 182,535	$ 107,960

Fourth-Generation Semisubmersibles. The $47.1 million increase in revenues for fourth-generation rigs resulted primarily from $22.7 million in revenues generated by increased operating dayrates and from $25.4 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 $15.4 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 during the six months ended June 30, 1998.

Other Semisubmersibles. The $96.9 million increase in revenues from other semisubmersibles resulted, in part, from $103.7 million in revenues generated by increased operating dayrates and $14.3 million in revenues from the Ocean Century, which returned to work after reactivation in the fourth quarter of 1997. The $32.4 million increase in contract drilling expense as compared to the six months ended June 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 six mandatory inspections and repairs completed during the six months ended June 30, 1998.

Jack-Ups. The $32.9 million increase in revenues from jack-ups resulted primarily from $38.6 million of additional revenues generated by increased operating dayrates and $6.5 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 during the six months ended June 30, 1998. The $3.1 million increase in contract drilling expense resulted primarily from costs associated with the mandatory inspection and repairs of the Ocean Drake, which was completed during the six months ended June 30, 1998. In addition, operating costs for the Ocean Warwick and the overall increase in operating costs, including labor and drilling supplies, also contributed to the increase in contract drilling expense as compared to the same period in 1997.

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

Depreciation and Amortization Expense. Depreciation and amortization expense of $64.7 million for the six months ended June 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 $13.0 million for the six months ended June 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 $14.0 million for the six months ended June 30, 1998 increased $5.6 million from $8.4 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 $7.6 million for the six months ended June 30, 1998 consists of interest accrued on the $400.0 million of convertible subordinated notes. The Notes were issued in February 1997 resulting in increased interest expense for the six months ended June 30, 1998 as compared to the same period of the prior year. Also, interest cost capitalized during the six months ended June 30, 1998 was not material.

Income Tax Expense. Income tax expense for the six months ended June 30, 1998 was $104.7 million as compared to $65.9 million for the comparable period of the prior year. This change resulted primarily from the increase of $109.7 million in the Company's income before income tax expense.

OUTLOOK

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 proceeding as scheduled. 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. However, this increase in capacity has caused a shortage of qualified rig personnel and upward pressure on the cost of equipment and supplies necessary for drilling operations. For example, effective July 1, 1998, the Company adjusted the compensation levels for most offshore positions in order to maintain competitive pay rates. These increases in expenses are not expected to have a material effect on the Company's current results of operations, however, significant increases in costs, including compensation and training, may occur in the future depending upon industry conditions.

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. During 1998 it was anticipated that 15 of the Company's rigs would incur some downtime associated with scheduled regulatory inspections. At June 30, 1998, eight of these 15 inspections had been completed. 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.

In addition, as a result of the recent decline in product prices, the contract drilling industry has begun to experience declining dayrates and decreased utilization, primarily in the shallow waters of the Gulf of Mexico. The impact of these changing market conditions could have an adverse effect on the Company's future results of operations, although the extent of such change cannot be accurately predicted.

LIQUIDITY

As of June 30, 1998, cash and investments totaled $587.7 million, up from $466.1 million at December 31, 1997. Cash provided by operating activities for the six months ended June 30, 1998 increased by $64.4 million to $224.1 million, as compared to $159.7 million for the comparable period of the prior year. This increase in operating cash flow was primarily attributable to a $70.9 million increase in net income for the first half of 1998, an $11.7 million increase in depreciation and amortization expense, and various changes in operating assets and liabilities.

Investing activities used $235.0 million in cash during the six months ended June 30, 1998, compared to $550.4 million during the comparable period of 1997. The decrease resulted primarily from the initial investment in 1997 of excess cash generated by the issuance of $400.0 million of convertible subordinated notes.

Cash used in financing activities for the six months ended June 30, 1998 of $34.6 million resulted primarily from dividends to stockholders. Cash provided by financing activities for the six months ended June 30, 1997 of $403.7 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 and other factors beyond its control.

The Company has revised its budgeted capital expenditures for rig upgrades during 1998 to $125.2 million from $108.5 million. During the six months ended June 30, 1998, the Company expended $35.3 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 has revised the estimated cost of conversion to approximately $210.0 million from $190.0 million due to additional steel requirements and mechanical and electrical system costs. 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 included the cantilever conversion project on the Ocean Warwick, a jack-up drilling rig located in the Gulf of Mexico, which was completed in March 1998. In addition, leg strengthening and other modifications on the Ocean Tower, a jack-up drilling rig operating in the Gulf of Mexico, were 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 six months ended June 30, 1998, the Company expended $38.0 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. 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

The Company has addressed the impact of the upcoming change in the century on the Company's business, operations, and financial condition. The impact is dependent upon many factors, including the Company's software and hardware, as well as that of the Company's suppliers, customers, creditors, and financial service organizations. While the cost of addressing Year 2000 issues is not believed to be material, the Company is continuing to monitor, on an ongoing basis, the problems and uncertainties associated with these issues and their consequences.

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.

OTHER

The Company has received notification that the Internal Revenue Service will conduct an audit of the Company's 1996 federal income tax return beginning in August 1998. The Company believes that adequate tax payments and accruals have been made and that any amounts possibly assessed will not have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

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 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

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 June 30, 1998, the fair value of the Company's investment in debt securities issued by the U.S. Treasury was approximately $519.0 million, which includes an unrealized holding loss of $1.1 million. The fair value of the Company's investment in equity securities at June 30, 1998 was approximately $11.3 million, which includes an unrealized holding gain of $0.2 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 in March 1998 and the case has been referred to mediation, which is expected to occur in the third quarter of 1998.

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

The Annual Meeting of Stockholders (the "Meeting") of Diamond Offshore Drilling, Inc. was held on May 13, 1998 in New York, New York. At the Meeting, the holders of 128,845,210 shares out of 139,328,160 shares entitled to vote as of the record date were represented in person or by proxy, constituting a quorum. The following matters were voted on and adopted by the margins indicated:

a. To elect a six member Board of Directors, each to serve until the next annual meeting of stockholders and until their successors are elected and qualified.

	Number of Shares		
	For	Withheld	Broker Non-Vote
James S. Tisch	128,218,662	626,548	0
Lawrence R. Dickerson	128,046,279	798,931	0
Herbert C. Hofmann	128,217,328	627,882	0
Arthur L. Rebell	128,402,769	442,441	0
Michael H. Steinhardt	128,239,732	605,478	0
Raymond S. Troubh	128,408,110	437,100	0

b. To ratify the appointment of Deloitte & Touche LLP as independent accountants and auditors for the Company for fiscal year 1998.

For	128,498,127
Against or Withheld	304,899
Abstain	42,184
Broker Non-Vote	0

c. To amend the Company's Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 500,000,000.

For	104,092,234
Against or Withheld	24,684,457
Abstain	68,519
Broker Non-Vote	0

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

(b) There were no reports on Form 8-K filed during the second 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	30-Jul-1998	By: \s\ Gary T. Krenek Gary T. Krenek Vice President and Chief Financial Officer
Date	30-Jul-1998	\s\ Leslie C. Knowlton Leslie C. Knowlton Controller and Principal Accounting Officer

INDEX OF EXHIBITS

Exhibit No.	Description
3.1*	Amended and Restated Certificate of Incorporation of the Company
3.2	Amended By-laws of the Company (incorporated by reference to Exhibits 3.2, 3.2.1, 3.2.2 and 3.2.3 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998).
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 3.1

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

DIAMOND OFFSHORE DRILLING, INC.

DIAMOND OFFSHORE DRILLING, INC., a corporation duly incorporated by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware on April 12, 1989 under the name Majestic Offshore, Inc. (the "Company"), desiring to integrate into a single instrument all the provisions of its Restated Certificate of Incorporation now in effect and operative, and desiring further to amend said Restated Certificate of Incorporation, such restated Certificate of Incorporation having been duly adopted in accordance with Section 245 of the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. Said Restated Certificate of Incorporation is hereby restated, integrated and further amended to read in its entirety as follows:

FIRST: The name of the corporation is DIAMOND OFFSHORE DRILLING, INC. (the "Company").

SECOND: Its registered office in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801. The registered agent for the Company is The Corporation Trust Company, whose address is as stated above.

THIRD: The nature of business and purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended (the "DGCL").

FOURTH: The total number of shares of all classes of capital stock which the Company shall have authority to issue is 525,000,000 shares, consisting of

(i) 25,000,000 shares of Preferred Stock, $.01 par value per share, and

(ii) 500,000,000 shares of Common Stock, $.01 par value per share.

Except as otherwise provided by law, the shares of capital stock of the Company, regardless of class, may be issued by the Company from time to time in such amounts, for such lawful consideration and for such corporate purpose(s) as the Board of Directors may from time to time determine.

Shares of Preferred Stock may be issued from time to time in one or more series of any number of shares as may be determined from time to time by the Board of Directors; provided that the aggregate number of shares issued and not cancelled of any and all such series shall not exceed the total number of shares of Preferred Stock authorized by this paragraph FOURTH. Each series of Preferred Stock shall be distinctly designated. The Board of Directors is hereby expressly granted authority to fix, in the resolution or resolutions providing for the issuance of a particular series of Preferred Stock, the voting powers, if any, of each such series, and the designations, preferences and relative, participating, optional and other special rights of each such series, and the qualifications, limitations and restrictions thereof to the fullest extent now or hereafter permitted by this Restated Certificate of Incorporation and the laws of the State of Delaware.

Subject to the provisions of applicable law or of the Company's By-Laws with respect to the closing of the transfer books or the fixing of a record date for the determination of stockholders entitled to vote, and except as otherwise provided by law, by this Restated Certificate of Incorporation or by the resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock as aforesaid, the holders of outstanding shares of Common Stock shall exclusively possess the voting power for the election of directors of the Company and for all other purposes as prescribed by applicable law, with each holder of record of shares of Common Stock having voting power being entitled to one vote for each share of Common Stock registered in his or its name on the books, registers and/or accounts of the Company.

FIFTH: A director of the Company shall not be personally liable either to the Company or to any stockholder for monetary damages for breach of fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the Company or its stockholders, or (ii) for acts or omissions which are not taken or omitted to be taken in good faith or which involve intentional misconduct or knowing violation of the law, or (iii) for any matter in respect of which such director would be liable under Section 174 of Title 8 of the DGCL or any amendment or successor provision thereto, or (iv) for any transaction from which the director shall have derived an improper personal benefit. Neither the amendment nor the repeal of this paragraph FIFTH nor the adoption of any provision of this Restated Certificate of Incorporation inconsistent with this paragraph FIFTH shall eliminate or reduce the effect of this paragraph FIFTH in respect of any matter occurring, or any cause of action, suit or claim that, but for this paragraph FIFTH, would accrue or arise prior to such amendment, repeal or adoption of an inconsistent provision.

The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or an officer of the Company against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the fullest extent and in the manner set forth in and permitted by the DGCL, and any other applicable law, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which such director or officer may be entitled apart from the foregoing provisions. The foregoing provisions shall be deemed to be a contract between the Company and each director and officer who serves in such capacity at any time while this paragraph FIFTH and the relevant provisions of the DGCL and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore brought or threatened based in whole or in part upon any such state of facts.

The Company may indemnify any person who was or is threatened to be made a party to any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was an employee or agent of the Company, or is or was serving at the request of the Company, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the extent and in the manner set forth in and permitted by the DGCL, and any other applicable law, as from time to time in effect. Such right of indemnification shall not be deemed exclusive of any other rights to which any such person may be entitled apart from the foregoing provisions.

SIXTH: The Board of Directors is expressly authorized to amend, alter, change, adopt or repeal the By-Laws of the Company.

* * * *

2. This Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of sections 242 and 245 of the DGCL, and has been duly adopted by the stockholders of the Company at a meeting called and held in accordance with the provisions of Section 222 of the DGCL.

IN WITNESS WHEREOF, Diamond Offshore Drilling, Inc. has caused its corporate seal to be hereunto affixed and this certificate to be signed by Lawrence R. Dickerson, its President and Chief Operating Officer, and attested to by Richard L. Lionberger, its Vice President, General Counsel and Secretary, on this 27th day of May, 1998.

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ Lawrence R. Dickerson

Lawrence R. Dickerson
President and Chief Operating Officer

Attest:

/s/ Richard L. Lionberger
- --------------------------------
Richard L. Lionberger
Vice President, General Counsel and Secretary

EXHIBIT 11.1

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

	THREE MONTHS ENDED JUNE 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..................................	$111,665	139,328	$ 0.80	$ 65,234	138,826	$ 0.47
EFFECT OF DILUTIVE POTENTIAL SHARES						
Convertible notes issued 2/4/97	2,458	9,876		2,112	9,876	
DILUTED EPS						
Net income + assumed conversions	$114,123	149,204	$ 0.76	$ 67,346	148,702	$ 0.45

	SIX MONTHS ENDED JUNE 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.................................	$ 192,387	139,326	$ 1.38	$ 121,464	137,802	$ 0.88
EFFECT OF DILUTIVE POTENTIAL SHARES						
Convertible notes issued 2/4/97	4,956	9,876		2,112	7,967	
DILUTED EPS						
Net income + assumed conversions	$ 197,343	149,202	$ 1.32	$ 123,576	145,769	$ 0.85

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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.

6-MOS
DEC-31-1997
JUN-30-1998
57,481
326,789
272,787
0
34,997
720,965
1,894,738
431,675
2,513,041
143,982
400,000
0
0
1,393
1,690,659
2,513,041
0
609,586
0
241,436
77,655
0
7,624
297,078
104,691
192,387
0
0
0
192,387
1.38
1.32

Includes contract drilling expenses only.
Includes other operating expenses.