

DIAMOND OFFSHORE DRILLING, INC.

Corporate Governance Guidelines

Introduction

The following Corporate Governance Guidelines (“Guidelines”) have been adopted by the Board of Directors (“Board”) of Diamond Offshore Drilling, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management levels, with a view to enhancing shareholder value over the long term.

These Guidelines set forth certain goals and expectations of the Board but are not intended to bind the Board in any particular circumstance or to affect the Board’s obligations or authority under the Company’s charter or by-laws, stock exchange rules or applicable laws or regulations.

Composition of the Board

The Board shall from time to time review the manner in which the Board and its leadership are configured, with a view toward maintaining a structure that will best serve the Company and its shareholders.

The Board has no fixed policy with respect to combining or separating the offices of Chairman of the Board and Chief Executive Officer. These have been at times combined and at times separated. The Board has exercised discretion in combining or separating the positions as it has deemed appropriate in light of prevailing circumstances and the Board continues to reserve the right to make this determination.

Director Qualification Standards

The Board is responsible for selecting candidates for Board membership. Candidates are selected for their character, judgment, business experience and areas of expertise, among other relevant considerations, such as the requirements of stock exchange rules and applicable laws and regulations. The Board recognizes that the needs of the Board, in terms of the relative experience and other qualifications of its members, may change over time. The Board is responsible for screening candidates, for establishing criteria for nominees and for determining the slate of nominees for election to the Board at the annual meeting of shareholders. Final approval of any candidate shall be determined by the Board.

Each director is expected to provide advance notice to the Chairman of the Board of his or her acceptance of an invitation to serve on the board of directors or the audit committee or compensation committee of any other public company. Directors are also

expected to report changes in their business or professional affiliations or responsibilities to the Chairman of the Board.

The Board does not believe it is advisable to establish a term limit for directors because such a limit may deprive the Company and its shareholders of the contribution of directors who have been able to develop valuable insights into the Company and its operations over time.

Director Responsibilities

Board Role. The Board fulfills its role (directly or by delegating certain responsibilities to its committees) by:

- providing advice and counsel to the Chief Executive Officer and principal senior executives;
- selecting, regularly evaluating, fixing the compensation of, and, where appropriate, replacing the Chief Executive Officer;
- overseeing the conduct of the Company's business and strategic plans to evaluate whether the business is being properly managed;
- reviewing and approving the Company's financial objectives and major corporate plans and actions;
- reviewing and approving major changes in the appropriate auditing and accounting principles and practices;
- providing oversight of internal and external audit processes and financial reporting;
- providing oversight of risk assessment and protection processes and processes designed to promote legal compliance; and
- performing such other functions as the Board believes appropriate or necessary, or as otherwise prescribed by rules or regulations.

Standard of care for directors. Directors should exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders in a manner consistent with their fiduciary duties. In considering the best long-term and short-term interests of the Company, directors may consider the needs of employees, suppliers and customers of the Company and its subsidiaries, communities in which the Company and its subsidiaries conduct business and other pertinent factors in addition to the objective of maximizing shareholder value.

Directors shall be provided with information to inform them about the Company's business, performance and prospects, as well as any matters submitted for Board action. Such information will be made available to the directors periodically and, in any event, within a reasonable period of time before meetings where the subject matter of such

information is on the meeting agenda. Information should be relevant, concise and timely. Requests for action by the Board should include the recommendation of management and be accompanied by data sufficient for the directors to make a reasonably well-informed determination as to the advisability of the matter.

Directors should regularly attend meetings of the Board and all committees upon which they serve. To prepare for meetings, directors should review the materials that are sent to them in advance of those meetings and otherwise spend the necessary time and effort to discharge their responsibilities appropriately.

Meetings of the Board. The Board expects that it will meet approximately five times a year. Additional meetings (or actions to be taken by unanimous consent) may be scheduled as necessary or appropriate in light of circumstances. The Company's Secretary shall prepare an annual schedule of meetings for the Board, the Audit Committee and the Compensation Committee. To the extent practicable, the schedule shall be designed to accommodate discussion of agenda subjects that are generally of a recurring nature and are expected to be discussed during the ensuing year. Certain matters shall be addressed by the Board at least annually, including a review of the Company's strategic plan or objectives, business and financial performance for the prior year and compliance with applicable law and New York Stock Exchange listing standards.

Meetings of the Board shall be chaired by the Chairman of the Board. The Company's Chief Financial Officer, General Counsel and Secretary should also attend all meetings of the Board, subject to the Board's discretion to excuse one or more of these officers from all or portions of any meeting.

The Chairman of the Board, with advice from the Secretary, shall set the agenda of each meeting of the Board. Any director may suggest agenda items and may raise at meetings other matters that they consider worthy of discussion. Directors must disclose to the other directors any potential conflicts of interest they may have with respect to any matter under discussion and, if appropriate, refrain from participating in such discussion and from voting on a matter in which they may have a conflict. Directors shall preserve the confidentiality of confidential material given or presented to the Board.

Non-management directors. The Board shall schedule regular executive sessions, no less frequently than quarterly, where non-management directors shall meet without management participation. If any of the non-management directors do not qualify as an "independent director" as set forth in the New York Stock Exchange listing standards, at least annually an additional executive session shall be held which will be attended only by such independent directors. The executive sessions shall have such agendas and procedures as determined by the non-management directors. The Board, upon recommendation from the non-management directors, will from time to time select an independent director to serve as Lead Director and preside at the executive sessions. The authority in such sessions to act on behalf of the Company or the Board on any matters requires an express delegation of authority by the Board.

Communications with Non-Management Directors

Interested parties may communicate directly and confidentially with the Board's non-management directors by contacting such directors in writing at the following address:

Non-Management Directors
c/o General Counsel
Diamond Offshore Drilling, Inc.
15415 Katy Freeway
Houston, Texas 77094

Committees of the Board

The Board will maintain a standing Audit Committee, Compensation Committee and Executive Committee, as well as such other standing or *ad hoc* committees as the Board deems appropriate. Each committee shall have the authority and responsibilities delineated in the resolutions creating the committee and any applicable committee charter, subject to the Company's charter and by-laws, stock exchange rules and applicable laws and regulations. The Board shall have the authority to disband any *ad hoc* or standing committee when it deems it appropriate to do so.

Members of the Audit Committee, Compensation Committee and Executive Committee and their chairpersons shall be appointed by the Board each year at the annual meeting of the Board. It is the Board's policy that only non-management directors shall serve on the Audit Committee and that Audit Committee members meet the independence and other requirements of stock exchange rules and applicable laws and regulations. It is the Board's policy that only non-management directors shall serve on the Compensation Committee and that Compensation Committee members meet the independence and other requirements of stock exchange rules and applicable laws and regulations, including satisfying the definitions of "non-employee director" under Securities Exchange Act Rule 16b-3 and "outside director" under Section 162(m) of the Internal Revenue Code.

The Audit Committee and the Compensation Committee shall have a written charter approved by the Board. Committee charters shall be reviewed by the relevant committee at least annually in light of the activities of the committee, changes in stock exchange rules, applicable laws or regulations and other relevant considerations. Suggested revisions to such charters shall be presented to the Board for approval.

The chairpersons of the various committees, in consultation with their committee members, shall determine the frequency and length of committee meetings. The chairperson of each committee, in consultation with appropriate Company officers, will establish the agenda for each committee meeting. Committee members and other directors may suggest additional agenda items for committee meetings upon reasonable notice to the committee chairperson.

To the extent practicable, information regarding matters to be considered at committee meetings shall be distributed to committee members a reasonable period of time before the meeting. Following a meeting the committee chairperson shall report to the Board on

the committee's activities, and minutes of committee meetings shall be distributed to all directors for their information.

Director Access to Management and Independent Advisors

The Company shall provide each director with complete access to management and management information, subject to reasonable advance notice and reasonable efforts to avoid disruption to the business. The Board and, to the extent set forth in the applicable committee charter, Board committees, have the right to consult and retain independent legal and other advisors at the expense of the Company. Management shall be responsive to requests for information from Board members. The Board encourages the Chairman of the Board and the Chief Executive Officer to invite members of management to make presentations at Board meetings in order to provide insights into the Company's business or to provide individuals with exposure to the Board for purposes of management development. Directors may suggest possible guests to the Chairman of the Board or the Chief Executive Officer.

Director Compensation

From time to time the Board, acting through the Compensation Committee, will review the form and amount of compensation, including cash, equity-based awards and other compensation, paid to directors and committee members. In this regard, the Compensation Committee may request that management report to it periodically on the status of the Board's compensation in relation to other similarly situated companies. The Board continues to believe that an alignment of director interests with those of shareholders is important.

Director Orientation and Continuing Education

The Board, in consultation with management, will establish or direct management to establish an appropriate orientation program for newly elected directors either prior to or within a reasonable period of time after their nomination or election as a director. The orientation program shall address the Company's strategic plans, significant risk exposures and compliance programs (including its Code of Business Conduct and Ethics) and may include presentations by management, the internal auditors and the independent accountants. Directors are encouraged to participate, from time to time, in relevant continuing education programs when available.

Management Succession

The Compensation Committee, in consultation with the Chairman of the Board, will conduct an annual review of the performance and compensation of the Chief Executive Officer.

The Board will establish and review such formal or informal policies and procedures, consulting with the Chief Executive Officer and others, as it considers appropriate, regarding succession planning for the office of Chief Executive Officer.

Communications with Public and Others

The Board believes that management speaks for the Company. Directors are expected to refrain from communicating with institutional investors, other shareholders, governmental or community officials, analysts or the press regarding the business of the Company. Moreover, directors are expected to take special care in all communications concerning the Company, in light of confidentiality requirements and laws prohibiting insider trading, tipping and avoidance of selective disclosure.

Reliance on Management and Outside Advice

In performing its functions, the Board and each Board committee is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board shall have the authority to retain and approve the fees and retention terms of its outside advisors.

Annual Performance Evaluation of the Board

The Board will conduct a self-evaluation annually to determine whether it and its committees are functioning effectively. The Board will discuss the evaluation to determine what, if any, action could improve Board and committee performance. The Board shall review these Guidelines on an annual basis to determine whether any changes are appropriate.

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