

DIAMOND OFFSHORE DRILLING, INC.
COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee's primary function is to assist the Board of Directors (the "Board") of Diamond Offshore Drilling, Inc. (the "Company") in discharging its responsibilities relating to compensation of the Company's executives. The Committee shall also prepare the Compensation Committee Report for the Company's annual proxy statement.

Committee Membership

The Committee shall have such number of members as the Board shall determine from time to time, but in no event less than two (2) members, except to the extent that temporary vacancies are created by the resignation or removal of a Committee member. The Board has authority to appoint the Committee members, who serve at the pleasure of the Board, and to designate the Committee Chairperson. Each member of the Committee shall satisfy the independence requirements of the New York Stock Exchange and applicable laws and regulations and shall meet 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.

Meetings

The Committee shall meet as often as it determines necessary or desirable to effectively carry out its purposes. The Committee may request any officer or employee of the Company or the Company's compensation consultants or other advisors to attend a meeting or meet with any members of, or consultant or advisor to, the Committee, as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions. The Company's Chief Executive Officer should not attend any meeting where the CEO's performance or compensation are discussed, unless invited to do so by the Committee. The Committee may fix its own rules of procedure, subject to the requirements of this Charter, stock exchange rules and applicable laws and regulations.

Authority and Responsibilities

1. In consultation with the CEO, the Committee shall (i) review the Company's general compensation philosophy for executive officers, (ii) oversee the development and implementation of compensation programs for executive officers, (iii) review and approve compensation, including incentive and equity-based compensation, of executive officers, and (iv) review and report to the Board on compensation of directors and Board committee members.

2. The Committee shall review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives and, either as a committee or together with other independent directors of the Company (as directed by the Board), determine and approve the compensation level of the CEO based on this evaluation. In determining the long-term incentive component of CEO

compensation, the Committee should consider, among other factors, the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years.

3. The Committee shall review and make recommendations to the Board with respect to incentive compensation plans and equity-based plans and shall oversee these plans, including regulatory compliance activities with respect to compensation matters. The Committee shall discharge any responsibilities imposed on the Committee by any of these plans and shall have powers and responsibilities with respect to the Company's Second Amended and Restated 2000 Stock Option Plan and Incentive Compensation Plan for Executive Officers as were formerly vested in the Board's Incentive Compensation Committee.

4. The Committee shall have sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or executive officer compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

5. The Committee shall review and discuss with management the Compensation Discussion and Analysis and report thereon to the Board, and prepare the Compensation Committee Report for the Company's annual proxy statement.

6. The Committee shall perform an annual evaluation of its performance in the prior year, comparing such performance with the requirements of this Charter. The Committee shall report the results of its evaluation to the Board, either orally or in writing, and recommend to the Board any revisions to this Charter which the Committee deems necessary or desirable. The Committee shall make regular reports to the Board.

7. The Committee shall have such other duties or responsibilities as may be expressly delegated to it by the Board from time to time.

8. The Committee may form and delegate authority to sub-committees consisting of one or more members when appropriate.

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