SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): September 19, 1997

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	1-6541	13-264102
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)
667 Madison Avenue New York, New York		10021-8087
(Address of Principal Executive Offices)		(Zip Code)

Registrant's telephone number, including area code: (212) 545-2000

ITEM 5. OTHER EVENTS.

On September 19, 1997, the Registrant completed the sale of $1,150,000,000 principal amount of its 3 1/8% Exchangeable Subordinated Notes due September 15, 2007 (the "Notes"), including $150,000,000 principal amount of Notes to cover over-allotments. The Notes are exchangeable into shares of common stock, par value $.01 per share (the "Daimond Offshore Common Stock"), of Diamond Offshore Drilling, Inc. ("Diamond Offshore") from October 1, 1998 to September 15, 2007, subject to certain blackout rights of Diamond Offshore contained in the Amendment to the Registration Rights Agreement, dated as of September 16, 1997, between the Registrant and Diamond Offshore (the "Registration Rights Agreement Amendment"). The Notes have been issued pursuant to the terms, and subject to the conditions, contained in the Indenture, dated as of December 1, 1985, between the Registrant and The Chase Manhattan Bank (as successor by merger to Manufacturers Hanover Trust Company), as trustee (the "Trustee"), as supplemented by the First and Second Supplemental Indentures, each dated as of February 18, 1997, between the Registrant and the Trustee, and as supplemented by the Third Supplemental Indenture, dated as of September 19,

1997, between the Registrant and the Trustee (the "Third Supplemental Indenture"). A copy of the Registration Rights Agreement Amendment, the Third Supplemental Indenture and the final Underwriting Agreement, dated as of September 16, 1997, between the Registrant and Goldman, Sachs & Co., as Representative of the Underwriters thereunder, are filed as exhibits hereto and are incorporated by reference herein.

On September 23, 1997, the Registrant issued a press release announcing the completion of the sale of the Notes and stating that, at the time the sale of the Notes was consummated, the Registrant owned approximately 50.3% of the outstanding Diamond Offshore Common Stock. A copy of the press release is filed as an exhibit hereto and is incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) Exhibits. The following exhibits are filed as part of this report:

1.1	Underwriting Agreement, dated as of September 16, 1997, between the Registrant and Goldman, Sachs & Co.
4.1	Third Supplemental Indenture, dated as of September 19, 1997, between the Registrant and The Chase Manhattan Bank, as Trustee.
4.2	Amendment to Registration Rights Agreement, dated as of September 16, 1997, between the Registrant and Diamond Offshore Drilling, Inc.
99.1	Press Release, dated September 23, 1997

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 23, 1997

LOEWS CORPORATION

By: /s/ Peter W. Keegan

Name: Peter W. Keegan
Title: Senior Vice President and Chief Financial Officer

EXHIBIT LIST

Exhibit Number	Description
1.1	Underwriting Agreement, dated as of September 16, 1997, between the Registrant and Goldman, Sachs & Co.
4.1	Third Supplemental Indenture, dated as of September 19, 1997, between the Registrant and The Chase Manhattan Bank, as Trustee.
4.2	Amendment to Registration Rights Agreement, dated as of September 16, 1997, between the Registrant and Diamond Offshore Drilling, Inc.
99.1	Press Release, dated September 23, 1997

Exhibit 1.1

LOEWS CORPORATION

(a Delaware corporation)

$1,000,000,000 aggregate principal amount
3-1/8% Exchangeable Subordinated Notes due 2007

UNDERWRITING AGREEMENT

September 16, 1997

To the Representatives named in Schedule I hereto
of the Underwriters named in Schedule II hereto

Ladies and Gentlemen:

Loews Corporation, a Delaware corporation (the "Company"), proposes to issue and sell to the underwriters named in Schedule II hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), the principal amount of its securities identified in Schedule I hereto (the "Securities"), which may be senior or subordinated debt securities (the "Debt Securities") or any combination thereof.

The Debt Securities will be issued in one or more series as senior indebtedness (the "Senior Debt Securities") under an indenture, dated as of March 1, 1986, between the Company and The Chase Manhattan Bank (National Association), as trustee (the "Trustee"), as supplemented by a first supplemental indenture, dated March 30, 1993, between the Company and the Trustee and a second supplemental indenture, dated as of February 18, 1997, between the Company and the Trustee (such Indenture, as supplemented, is referred to as the "Senior Indenture"), or as subordinated indebtedness (the "Subordinated Debt Securities") under an indenture, dated as of December 1, 1985, between the Company and the Trustee, as supplemented by a first supplemental indenture, dated as of February 18, 1997, between the Company and the Trustee, a second supplemental indenture, dated as of February 18, 1997, between the Company and the Trustee and a third supplemental indenture, dated as of September 19, 1997, between the Company and the Trustee (such Indenture, as supplemented, is referred to as the "Subordinated Indenture," and collectively with the Senior Indenture, the "Indentures," and each, an "Indenture"). Each series of Debt Securities may vary, as applicable, as to title, aggregate principal amount, rank, interest rate or formula and timing of payments thereof, stated maturity date, redemption and/or repayment provisions, sinking fund requirements, conversion provisions (and terms of the related Underlying Securities) and any other variable terms established by or pursuant to the applicable Indenture.

As used herein, "Securities" means the Senior Debt Securities or Subordinated Debt Securities, or any combination thereof, initially issuable by the Company and, if Securities are convertible or exchangeable, "Underlying Securities" means the securities (of the Company or another issuer) issuable upon conversion or exchange of the Senior Debt Securities or Subordinated Debt Securities, as applicable.

Schedule I hereto specifies the number or aggregate principal amount, as the case may be, of Securities to be initially issued (the "Initial Underwritten Securities"), whether such offering is on a fixed or variable price basis and, if on a fixed price basis,

the initial offering price, the price at which the Initial Underwritten Securities are to be purchased by the Underwriters, the form, time, date and place of delivery and payment of the Initial Underwritten Securities and any other material variable terms of the Initial Underwritten Securities, as well as the material variable terms of any related Underlying Securities. In addition, if applicable, such Underwriting Agreement shall specify whether the Company has agreed to grant to the Underwriters an option to purchase additional Securities to cover overallotments, if any, and the number or aggregate principal amount, as the case may be, of Securities subject to such option (the "Option Underwritten Securities"). As used herein, the term "Underwritten Securities" shall include the Initial Underwritten Securities and all or any portion of any Option Underwritten Securities.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-22113) for the registration of the Securities under the Securities Act of 1933, as amended (the "Act"), and the offering thereof from time to time in accordance with Rule 415 of the rules and regulations of the Commission under the Act (the "Act Regulations"), and the Company has filed such post-effective amendments thereto as may be required prior to the execution of this Underwriting Agreement. Such registration statement (as so amended, if applicable) has been declared effective by the Commission and each Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Such registration statement (as so amended, if applicable), including the information, if any, deemed to be a part thereof pursuant to Rule 430A(b) of the Act Regulations (the "Rule 430A Information") or Rule 434(d) of the Act Regulations (the "Rule 434 Information"), is referred to herein as the "Registration Statement"; and the final prospectus and the final prospectus supplement relating to the offering of the Underwritten Securities, in the form first furnished to the Underwriters by the Company for use in connection with the offering of the Underwritten Securities, are collectively referred to herein as the "Final Prospectus"; provided, however, that all references to the "Registration Statement" and the "Final Prospectus" shall also be deemed to include all documents incorporated therein by reference pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), prior to the execution of this Underwriting Agreement; provided further, that if the Company files a registration statement with the Commission pursuant to Rule 462(b) of the Act Regulations (the "Rule 462 Registration Statement"), then, after such filing, all references to "Registration Statement" shall also be deemed to include the Rule 462 Registration Statement; and provided further, that if the Company elects to rely upon

Rule 434 of the Act Regulations, then all references to "Final Prospectus" shall also be deemed to include the final or preliminary prospectus and the applicable term sheet or abbreviated term sheet (the "Term Sheet"), as the case may be, in the form first furnished to the Underwriters by the Company in reliance upon Rule 434 of the Act Regulations, and all references in this Underwriting Agreement to the date of the Final Prospectus shall mean the date of the Term Sheet. A "Preliminary Prospectus" shall be deemed to refer to any prospectus used before the registration statement became effective and any prospectus that omitted, as applicable, the Rule 430A Information, the Rule 434 Information or other information to be included upon pricing in a form of prospectus filed with the Commission pursuant to Rule 424(b) of the Act Regulations, that was used after such effectiveness and prior to the execution and delivery of this Underwriting Agreement. For purposes of this Underwriting Agreement, all references to the Registration Statement, Final Prospectus, Term Sheet or Preliminary Prospectus or to any amendment or supplement to any of the foregoing shall be deemed to include any copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR"). Notwithstanding anything to the contrary in this Underwriting Agreement, if any revised Term Sheet, Preliminary Prospectus or Final Prospectus, as the case may be, shall be provided to the Underwriters by the Company for use in connection with the offering of the Securities which differs from the prospectus on file at the Commission at the time the Registration Statement becomes effective (whether or not such revised prospectus is required to be filed by the Company pursuant to Rule 424(b) of the Act Regulations), the terms "Term Sheet," "Preliminary Prospectus" or "Final Prospectus," as the case may be, shall refer to such revised "Term Sheet," "Preliminary Prospectus" or "Final Prospectus" from and after the time it is first provided to the Underwriters for such use. Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement, Term Sheet, any Preliminary Prospectus or the Final Prospectus, unless otherwise expressly provided therein, shall be deemed to refer to and include the filing of any document under the Exchange Act after the date of this Underwriting Agreement, or the issue date of the Preliminary Prospectus or the Final Prospectus, as the case may be, deemed to be incorporated therein by reference.

All references in this Underwriting Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" (or other references of like import) in the Registration Statement, Final Prospectus or Preliminary Prospectus shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in the Registration Statement, Final Prospectus or Preliminary Prospectus, as the case may be; and all references in this Underwriting Agreement to amendments or supplements to the Registration Statement, Final Prospectus or Preliminary Prospectus shall be deemed to mean and include the filing of any document under the Exchange Act which is incorporated by reference in the Registration Statement, Final Prospectus or Preliminary Prospectus, as the case may be.

1A. Representations and Warranties of the Company. The Company represents and warrants to each Underwriter as of the date hereof and as of the Closing Date that:

(a) The Company meets the requirements for use of Form S-3 under the Act.

(b) This Underwriting Agreement has been duly authorized, executed and delivered by the Company. The Indenture is substantially in the form filed as an exhibit to the Registration Statement at the time the Registration Statement became effective (other than insofar as the Indenture has been modified by a supplemental Indenture), and, has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except that (A) the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect, relating to creditors' rights generally and (B) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. An Amendment to the Registration Rights Agreement, dated October 16, 1995, between the Company and Diamond Offshore Drilling, Inc. ("Diamond Offshore"), in the form of Exhibit A hereto, has been duly authorized by the Company and, as of the Closing Date, will be duly executed and delivered by the Company (as so amended, such Registration Rights Agreement is referred to as the "Amended Registration Rights Agreement").

(c) Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with. In addition, each Indenture has been duly qualified under the Trust Indenture Act.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto (including the filing of the Company's most recent Annual Report on Form 10-K with the Commission (the "Annual Report on Form 10-K")) became effective and as of the date hereof, the Registration Statement, any Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the Act and the Act Regulations and the Trust Indenture Act and the rules and regulations of the Commission under the Trust Indenture Act (the "Trust Indenture Act Regulations") and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. At the date of the Final Prospectus, at the Closing Date and at each Date of Delivery, if any, the Final Prospectus and any amendments and supplements thereto did not and will not include an untrue statement

of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Company elects to rely upon Rule 434 of the Act Regulations, the Company will comply with the requirements of Rule 434. Notwithstanding the foregoing, the representations and warranties in this subsection (c) shall not apply to (i) statements in or omissions from the Registration Statement or the Final Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by or on behalf of any Underwriter expressly for use in the Registration Statement or the Final Prospectus or (ii) that part of the Registration Statement which shall constitute the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of the Trustee.

Each preliminary prospectus and prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Act, complied when so filed in all material respects with the Act Regulations and each Preliminary Prospectus and the Final Prospectus delivered to the Underwriters for use in connection with the offering of Underwritten Securities will, at the time of such delivery, be identical to any electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Final Prospectus as of the date hereof, when they became effective or at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder (the "Exchange Act Regulations").

(e) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Final Prospectus and to enter into and perform its obligations under, or as contemplated under, this Underwriting Agreement. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of material property or the conduct of material business, except where the failure to so qualify or be in good standing would not result in a material adverse change in the condition (financial or other), earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business (a "Material Adverse Effect").

(f) The Underwritten Securities have been duly authorized by the Company for issuance and sale pursuant to this Underwriting Agreement. Such Underwritten

Securities, when issued and authenticated in the manner provided for in the applicable Indenture and delivered against payment of the consideration therefor specified in this Underwriting Agreement, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles, and except further as enforcement thereof may be limited by (A) governmental authority to limit, delay or prohibit the making of payments outside the United States and (B) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. Such Underwritten Securities will be in the form contemplated by, and each registered holder thereof is entitled to the benefits of, the applicable Indenture.

(g) The Underwritten Securities being sold pursuant to this Underwriting Agreement and each applicable Indenture, as of the date of the Final Prospectus, will conform in all material respects to the statements relating thereto contained in the Final Prospectus. The Underwritten Securities will be in substantially the form filed or incorporated by reference, as the case may be, as an exhibit to the Registration Statement.

(h) The execution and delivery of this Underwriting Agreement, each applicable Indenture, the Amended Registration Rights Agreement, and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the transactions contemplated hereby or thereby or in the Registration Statement and the Final Prospectus and the consummation of the transaction contemplated herein and in the Registration Statement and the Final Prospectus (including the issuance and sale of the Underwritten Securities and the use of the proceeds from the sale of the Underwritten Securities as described under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any agreements or instruments, nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any of its subsidiaries or any applicable law, administrative regulation or administrative or court decree which, in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

(i) The statements set forth in the Final Prospectus under the captions "Description of Senior Debt Securities", "Description of Subordinated Debt Securities", "Description of Preferred Stock", "Description of Common Stock", "Description of the Notes" and "Description of Diamond Offshore Capital Stock",

insofar as they purport to constitute a summary of the terms of the Securities, are accurate, complete and fair.

(j) Neither the Company nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes.

1B. Representations and Warranties of Diamond Offshore. Diamond Offshore represents and warrants to each Underwriter as of the date hereof and as of the Closing Date that:

(a) Diamond Offshore's annual report on Form 10-K for the fiscal year ended December 31, 1996 (the "Form 10-K"), its definitive proxy statement on Schedule 14A filed with the Commission on April 1, 1997, its quarterly reports on Form 10-Q for the quarters ended March 31, 1997 and June 30, 1997 and any current reports on Form 8-K filed by Diamond Offshore subsequent to the Form 10-K are hereinafter referred to collectively as the "Exchange Act Reports". The Exchange Act Reports, when they were filed with the Commission, conformed in all material respects to the applicable requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, and did not, and on the date of the Final Prospectus, will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. To the extent that any statement made or omitted in the Registration Statement, the Final Prospectus or any amendment or supplement thereto are made or omitted in reliance upon and in conformity with written information furnished to the Company by Diamond Offshore expressly for use therein, such Registration Statement did, and the Final Prospectus and any further amendments or supplements to the Registration Statement and the Final Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Act and the Act Regulations and not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(b) Diamond Offshore has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Final Prospectus; and Diamond Offshore is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure of Diamond Offshore to be so qualified would not have a material adverse effect on the business, operations or financial condition of Diamond Offshore and its subsidiaries, taken as a whole.

(c) Each subsidiary of Diamond Offshore has been duly incorporated and is an existing corporation in good standing under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Final Prospectus; and each subsidiary of Diamond Offshore is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure of such subsidiary to be so qualified would not have a material adverse effect on the business, operations or financial condition of Diamond Offshore and its subsidiaries, taken as a whole; all of the issued and outstanding capital stock of each subsidiary of Diamond Offshore has been duly authorized and validly issued and is fully paid and nonassessable, except where the failure of such capital stock to have been so authorized and issued would not have a material adverse effect on the business, operations or financial condition of Diamond Offshore and its subsidiaries, taken as a whole; and the capital stock of each subsidiary owned by Diamond Offshore, directly or through subsidiaries, is owned free from liens, encumbrances and defects, except where the failure of Diamond Offshore to so own such capital stock would not have a material adverse effect on the business, operations, properties or financial condition of Diamond Offshore and its subsidiaries, taken as a whole.

(d) The Amended Registration Rights Agreement has been duly authorized by Diamond Offshore and, on the Closing Date, will be duly executed and delivered by Diamond Offshore.

(e) The Underlying Securities deliverable upon exchange of the Underwritten Securities and all other outstanding shares of capital stock of Diamond Offshore have been duly authorized and are validly issued, fully paid and nonassessable; the Underlying Securities conform to the description thereof contained in the Final Prospectus and, when delivered in accordance with the terms of the related Underwritten Securities, will conform to the description thereof contained in the Final Prospectus as the same may be amended or supplemented; and the stockholders of Diamond Offshore have no preemptive rights with respect to the Underlying Securities.

(f) Except as disclosed in the Final Prospectus, there are no contracts, agreements or understandings between Diamond Offshore and any person that would give rise to a valid claim against Diamond Offshore or any Underwriter for a brokerage commission, finder's fee or other like payment relating to the issuance of the Underwritten Securities or the exchange thereof for the Underlying Securities.

(g) Except for the Amended Registration Rights Agreement, there are no currently effective contracts, agreements or understandings between Diamond

Offshore and any person granting such person the right to require Diamond Offshore to file a registration statement under the Act with respect to any securities of Diamond Offshore owned or to be owned by such person or to require Diamond Offshore to include such securities in any securities being registered pursuant to any registration statement filed by Diamond Offshore under the Act.

(h) The outstanding shares of common stock of Diamond Offshore, including the Underlying Securities, are listed on the New York Stock Exchange.

(i) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required to be obtained by Diamond Offshore for the consummation of the transactions contemplated by this Underwriting Agreement or in connection with the exchange of the Underwritten Securities for the Underlying Securities, except such as have been (or, under the Amended Registration Rights Agreement, will have been) obtained and made under the Act and such as may be required under state securities laws.

(j) The execution, delivery and performance of the Amended Registration Rights Agreement and this Underwriting Agreement and compliance with the terms and provisions thereof will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Diamond Offshore or any of its subsidiaries is a party or by which Diamond Offshore or any of its subsidiaries is bound, or to which any of the property or assets of Diamond Offshore or any of its subsidiaries is subject, nor will such action result in any violation of the provisions of the charter or bylaws of Diamond Offshore or any of its subsidiaries or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over Diamond Offshore or any of its subsidiaries or the property of Diamond Offshore or any of its subsidiaries except, in each case other than with respect to such charter or bylaws, which conflict, breach or default or violation would not impair Diamond Offshore's or any of its subsidiaries' ability to perform the obligations hereunder or have any material adverse effect upon the consummation of the transactions contemplated hereby or any Underwriter.

(k) This Underwriting Agreement has been duly authorized, executed and delivered by Diamond Offshore.

(l) Except as disclosed in the Exchange Act Reports or the Final Prospectus and except for Permitted Liens, as such term is defined below, Diamond Offshore and its subsidiaries have good and marketable title to all offshore drilling rigs described as being owned by them in the Exchange Act Reports or the Final Prospectus, and good and marketable title to all real property and all other properties and assets owned by them, in each case free from liens, encumbrances and defects that would materially

affect the value thereof, taken as a whole, or materially interfere with the use made or to be made thereof by them; and except as disclosed in the Exchange Act Reports or the Final Prospectus, Diamond Offshore and its subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions to such validity or enforceability that would materially interfere with the use made or to be made thereof by them. "Permitted Liens" means (i) liens for taxes not yet due or liens that have not been filed for taxes that are being contested in good faith and by appropriate proceedings diligently prosecuted; (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's, maritime, statutory or other like liens arising in the ordinary course of business that are not overdue for more than 30 days or that are being contested in good faith and by appropriate proceedings diligently prosecuted; (iii) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security legislation; and (iv) deposits to secure the performance of bids, contracts in the ordinary course of business (other than for borrowed money), leases, statutory obligations, surety and appeal bonds and performance bonds, and other obligations of a like nature that are incurred in the ordinary course of business.

(m) Diamond Offshore and its subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them in all material respects and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to Diamond Offshore or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on Diamond Offshore and its subsidiaries taken as a whole.

(n) No labor dispute with the employees of Diamond Offshore or any subsidiary exists or, to the knowledge of Diamond Offshore, is imminent that would reasonably be expected to have a material adverse effect on Diamond Offshore and its subsidiaries taken as a whole.

(o) Diamond Offshore and its subsidiaries own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, "intellectual property rights") necessary to conduct the business now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, if determined adversely to Diamond Offshore or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on Diamond Offshore and its subsidiaries taken as a whole.

(p) Except as disclosed in the Exchange Act Reports or the Final Prospectus, neither Diamond Offshore nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court,

domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "environmental laws"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a material adverse effect on Diamond Offshore and its subsidiaries taken as a whole; and Diamond Offshore is not aware of any pending investigation which might lead to such a claim.

(q) There are no pending actions, suits or proceedings against or affecting Diamond Offshore, any of its subsidiaries or any of their respective properties except as disclosed in the Exchange Act Reports or the Final Prospectus, or as individually or in the aggregate do not now have and, to the best knowledge of Diamond Offshore, are not reasonably expected in the future to have a material adverse effect on the condition (financial or other), business, properties or results of operations of Diamond Offshore and its subsidiaries taken as a whole, or would materially and adversely affect the ability of Diamond Offshore to perform its obligations under the Amended Registration Rights Agreement or this Underwriting Agreement, or which are otherwise material in the context of the sale of the Underwritten Securities; and no such actions, suits or proceedings are, to Diamond Offshore's knowledge, threatened or contemplated.

(r) The financial statements included in the Exchange Act Reports present fairly in all material respects the financial position of Diamond Offshore and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis; any schedules included in the Exchange Act Reports present fairly the information required to be stated therein; and if pro forma financial statements are included in the Exchange Act Reports, the assumptions used in preparing the pro forma financial statements included in the Exchange Act Reports provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma adjustments give appropriate effect to those assumptions in all material respects, and the pro forma columns therein reflect the proper application in all material respects of those adjustments to the corresponding historical financial statement amounts.

(s) Except as disclosed in the Exchange Act Reports, since the date of the latest audited financial statements included in the Exchange Act Reports there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or

results of operations of Diamond Offshore and its subsidiaries taken as a whole, and there has been no dividend or distribution of any kind declared, paid or made by Diamond Offshore on any class of its capital stock.

(t) Diamond Offshore is not and, after giving effect to the transactions contemplated by this Underwriting Agreement, will not be (i) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (ii) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(u) Neither Diamond Offshore nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes.

(v) No consent or approval of any federal governmental agency with respect to any federal maritime law matter is required in connection with performance by Diamond Offshore of its obligations under this Underwriting Agreement, and the execution, delivery, and performance by Diamond Offshore and the consummation of the transactions contemplated thereby will not violate any existing federal maritime laws, including, without limitation, the Shipping Act, 1916, as amended, and the rules and regulations of the Maritime Administration (MarAd) and the United States Coast Guard.

2. Purchase and Sale. Subject to the terms and conditions and in reliance upon the representations and warranties set forth herein, the Company agrees to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at the purchase price set forth in Schedule I hereto the principal amount of the Underwritten Securities set forth opposite such Underwriter's name in Schedule II hereto, except that, if Schedule I hereto provides for the sale of Securities pursuant to delayed delivery arrangements, the respective principal amounts of Underwritten Securities to be purchased by the Underwriters shall be as set forth in Schedule II hereto less the respective amounts of Contract Securities (as hereinafter defined) determined as provided below. Securities to be purchased by the Underwriters are herein sometimes called the "Underwritten Securities" and Securities to be purchased pursuant to Delayed Delivery Contracts as hereinafter provided are herein called "Contract Securities."

In addition, subject to the terms and conditions herein set forth, the Company may grant, if so provided in Schedule I, an option to the Underwriters, severally and not jointly, to purchase up to the number or aggregate principal amount, as the case may be, of the Option Underwritten Securities set forth therein at a price per Option Underwritten Security equal to the price per Initial Underwritten Security, less an amount equal to any dividends or distributions declared by the Company and paid or payable on the Initial Underwritten

Securities but not payable on the Option Underwritten Securities. Such option, if granted, will expire 30 days after the date of this Underwriting Agreement, and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial Underwritten Securities upon notice by the Representatives to the Company setting forth the number or aggregate principal amount, as the case may be, of Option Underwritten Securities as to which the several Underwriters are then exercising the option and the time, date and place of payment and delivery for such Option Underwritten Securities. Any such time and date of payment and delivery shall be determined by the Representatives, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Date, unless otherwise agreed upon by the Representatives and the Company. If the option is exercised as to all or any portion of the Option Underwritten Securities, each of the Underwriters, severally and not jointly, will purchase that amount which shall bear the same proportion to the total principal amount of Option Underwritten Securities as the principal amount of Securities set forth opposite the name of such Underwriter bears to the aggregate principal amount of Securities set forth in Schedule II hereto, except to the extent that you determine that such reduction shall be otherwise than in such proportion and so advise the Company in writing.

If so provided in Schedule I hereto, the Underwriters are authorized to solicit offers to purchase Securities from the Company pursuant to delayed delivery contracts ("Delayed Delivery Contracts"), substantially in the form of Schedule III hereto but with such changes therein as the Company may authorize or approve. The Underwriters will endeavor to make such arrangements and, as compensation therefor, the Company will pay to the Representatives, for the account of the Underwriters, on the Closing Date, the percentage set forth in Schedule I hereto of the principal amount of the Securities for which Delayed Delivery Contracts are made. Delayed Delivery Contracts are to be with institutional investors, including commercial and savings banks, insurance companies, pension funds, investment companies and educational and charitable institutions. The Company will enter into Delayed Delivery Contracts in all cases where sales of Contract Securities arranged by the Underwriters have been approved by the Company but, except as the Company may otherwise agree, each such Delayed Delivery Contract must be for not less than the minimum principal amount set forth in Schedule I hereto and the aggregate principal amount of Contract Securities may not exceed the maximum aggregate principal amount set forth in Schedule I hereto. The Underwriters will not have any responsibility in respect of the validity or performance of Delayed Delivery Contracts. The principal amount of Securities to be purchased by each Underwriter as set forth in Schedule II hereto shall be reduced by an amount which shall bear the same proportion to the total principal amount of Contract Securities as the principal amount of Securities set forth opposite the name of such Underwriter bears to the aggregate principal amount of Securities set forth in Schedule II hereto, except to the extent that you determine that such reduction shall be otherwise than in such proportion and so advise the Company in writing; provided, however, that, subject to Section 9 hereof, the total principal amount of Securities to be purchased by all Underwriters shall be the aggregate principal

amount of Securities set forth in Schedule II hereto less the aggregate principal amount of Contract Securities.

3. Delivery and Payment. Delivery of and payment for the Underwritten Securities shall be made at the office, on the date and at the time specified in Schedule I hereto, which date and time may be postponed by agreement between the Representatives and the Company or as provided in Section 9 hereof (such date and time of delivery and payment for the Underwritten Securities being herein called the "Closing Date"). In addition, in the event that the Underwriters have exercised their option, if any, to purchase any or all of the Option Underwritten Securities, payment of the purchase price for, and delivery of such Option Underwritten Securities, shall be made at the location set forth on Schedule I, or at such other place as shall be agreed upon by the Representatives and the Company, as specified in the notice from the Representatives to the Company.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the Representatives for the respective accounts of the Underwriters of the Underwritten Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Underwritten Securities which it has severally agreed to purchase. The Representatives, individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Underwritten Securities to be purchased by any Underwriter whose funds have not been received by the Closing Date, as the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

Certificates for the Underwritten Securities shall be registered in such names and in such denominations as the Representatives may request not less than two full business days in advance of the Closing Date. The Company agrees to have the Underwritten Securities available for inspection, checking and packaging by the Representatives in New York, New York, not later than 1:00 p.m. on the business day prior to the Closing Date.

4. Agreements. (a) The Company agrees with the several Underwriters that:

(i) Until the earlier of (X) the termination of the offering of the Underwritten Securities, and (Y) six months from the date of this Underwriting Agreement, the Company will not file any amendment (other than amendments resulting from the filing of the documents incorporated by reference pursuant to Item 12 of Form S-3 under the Act) of the Registration Statement or the Final Prospectus unless the Company has furnished you a copy for your review prior to filing and will not file any such proposed amendment or supplement to which you reasonably object. The Company will cause the Final Prospectus to be filed with the Commission pursuant to Rule 424. The Company will promptly advise the Representatives (A) when the Final Prospectus shall have been filed with the Commission pursuant to

Rule 424, (B) when any amendment to the Registration Statement relating to the Underwritten Securities shall have become effective, (C) of any request by the Commission for any amendment of the Registration Statement or amendment of or supplement to the Final Prospectus or for any additional information, (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose and (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Underwritten Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof.

(ii) If, at any time when a prospectus relating to the Underwritten Securities is required to be delivered under the Act, any event occurs as a result of which, the Final Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend or supplement the Final Prospectus to comply with the Act or the Exchange Act or the respective rules thereunder, the Company promptly will prepare and file with the Commission, subject to the first sentence of paragraph (a)(i) of this Section 4, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance.

(iii) The Company will comply with the Act and the Act Regulations and the Exchange Act and the Exchange Act Regulations so as to permit the completion of the distribution of the Underwritten Securities as contemplated in this Underwriting Agreement and in the Registration Statement and the Final Prospectus. If at any time when the Final Prospectus is required by the Act or the Exchange Act to be delivered in connection with sales of the Underwritten Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the Registration Statement in order that the Registration Statement will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or to amend or supplement the Final Prospectus in order that the Final Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the Final Prospectus in order to comply with the requirements of the Act or the Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 4(a)(i),

such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Final Prospectus comply with such requirements, and the Company will furnish to the Underwriters, without charge, such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(iv) The Company will make generally available to its securityholders and to the Representatives not later than 90 days after the end of the 12-month period beginning at the end of the current fiscal quarter of the Company an earnings statement or statements of the Company and its subsidiaries which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act.

(v) The Company will furnish to the Representatives and counsel for the Underwriters, without charge, copies of the Registration Statement (including exhibits thereto or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein), and each amendment to the Registration Statement which shall become effective on or prior to the Closing Date and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Act, as many copies of any Preliminary Prospectus and the Final Prospectus and any amendments thereof and supplements thereto as the Representatives may reasonably request and the Company hereby consents to the use of such copies for purposes permitted by the Act. The Company will pay the expenses of printing or other production of all documents relating to the offering. The Final Prospectus and copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to any electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(vi) The Company will arrange for the qualification of the Underwritten Securities for sale under the laws of such jurisdictions as the Representatives may reasonably designate, will maintain such qualifications in effect so long as required for the distribution of the Underwritten Securities and will arrange for the determination of the legality of the Underwritten Securities for purchase by institutional investors; provided, however, the Company shall not be obligated to file any general consent to service of process under the laws of any such jurisdiction, subject itself to taxation as doing business in any such jurisdiction, or qualify to do business as a foreign corporation in any such jurisdiction. The Company will pay all reasonable expenses (including fees and disbursements of counsel) in connection with such qualification (such expenses, fees and disbursements not to exceed in the aggregate $5,000).

(vii) The Company, during the period when the Final Prospectus is required to be delivered under the Act or the Exchange Act, will file all documents

required to be filed with the Commission pursuant to Section 13, 14 or 15 of the Exchange Act within the time periods required by the Exchange Act and the Exchange Act Regulations.

(viii) During the period beginning from the date of the Final Prospectus and continuing to and including the date 90 days after the date of the Final Prospectus, neither the Company nor its subsidiaries will offer, sell, contract to sell or otherwise dispose of any shares of the Underlying Securities or any securities of Diamond Offshore or the Company which are substantially similar to the Underwritten Securities or the Underlying Securities or which are convertible into or exchangeable for the Underlying Securities or securities which are substantially similar to the Underwritten Securities or shares of the Underlying Securities (the "lock-up restriction") without the prior written consent of the Representatives (other than (i) pursuant to employee stock option plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of the Final Prospectus or (ii) the issuance of securities registered on Form S-4 issued in connection with an acquisition, merger or similar transaction, in which event an acquiror of such securities who is, or would by virtue of such acquisition be, an affiliate of the issuer, agrees to the foregoing lock-up restriction for the remainder of the 90-day period), except for the Underwritten Securities offered in connection with the offering.

(ix) The Company will keep available at all times such number of shares of Underlying Securities sufficient to enable the Company to satisfy its obligations under the terms of the Underwritten Securities.

(x) The Company will use reasonable efforts to cause its ownership of shares of the common stock, par value $.01 per share, of Diamond Offshore ("Diamond Offshore Common Stock") not to be less than 50% of the issued and outstanding shares of Diamond Offshore Common Stock at the Closing Date.

(b) Diamond Offshore agrees with the several Underwriters that:

(i) Diamond Offshore shall cooperate with the Company to effect compliance with the covenants and agreements set forth in Sections (4)(a)(i),(ii) and (iii).

(ii) Until the termination of the offering of the Underwritten Securities and the Underlying Securities, Diamond Offshore will file all documents required to be filed with the Commission pursuant to Sections 13, 14 or 15 of the Exchange Act within the time periods required by the Exchange Act and the Exchange Act Regulations.

(iii) During the period beginning from the date of the Final Prospectus and

continuing to and including the date 90 days after the date of the Final Prospectus, neither Diamond Offshore nor its subsidiaries will offer, sell, contract to sell or otherwise dispose of any shares of the Underlying Securities or any securities of Diamond Offshore or the Company which are substantially similar to the Underwritten Securities or the Underlying Securities or which are convertible into or exchangeable for the Underlying Securities or securities which are substantially similar to the Underwritten Securities or shares of the Underlying Securities (the "lock-up restriction") without the prior written consent of the Representatives (other than (i) pursuant to employee stock option plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of the Final Prospectus or (ii) the issuance of securities registered on Form S-4 issued in connection with an acquisition, merger or similar transaction, in which event an acquiror of such securities who is, or would by virtue of such acquisition be, an affiliate of the issuer, agrees to the foregoing lock-up restriction for the remainder of the 90-day period), except for the Underwritten Securities offered in connection with the offering.

(iv) Diamond Offshore hereby covenants with the Underwriters that it shall comply with all its obligations under the Amended Registration Rights Agreement, including without limitation all provisions relating to the timely filing with (and the declaration of effectiveness by) the Commission of a shelf registration statement in respect of the Underlying Securities.

5. Offering by the Underwriters. It is understood that the several Underwriters propose to offer the Underwritten Securities for sale to the public as set forth in the Final Prospectus.

6. Payment of Expenses. The Company agrees with the Underwriters that it will pay or cause the payment on its behalf of all expenses incident to the performance of its obligations under this Underwriting Agreement, including (a) the preparation, printing, filing and mailing of the Registration Statement as originally filed and of each amendment thereto; (b) the printing of this Underwriting Agreement, any applicable Indentures and any blue sky and legal investment surveys and any other documents in connection with the offering, purchase, sale and delivery of the Underwritten Securities; (c) the preparation, issuance, and delivery to the Underwriters of the certificates for the Underwritten Securities and any related Underlying Securities, any certificates for the Underwritten Securities or such Underlying Securities, to the Underwriters, including any transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Underwritten Securities to the Underwriters; (d) the fees and disbursements of the Company's counsel and accountants; (e) the qualification of the Securities under state securities laws in accordance with this Underwriting Agreement, including filing fees and the fee and disbursements of your counsel in connection therewith and in connection with the preparation of the blue sky and legal investment surveys in accordance with Section 4(a)(vi); (f) the printing and delivery to you of copies of the Registration Statement as

originally filed and of each amendment thereto, of the Preliminary Prospectuses, and of the Final Prospectus and any amendments or supplements thereto; (g) the costs of preparing the Securities; (h) the fees, if any, of the National Association of Securities Dealers, Inc. and the New York Stock Exchange; (i) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee in connection with the Indenture; (j) if the Company determines to request rating of the Underwritten Securities by particular rating agencies, any fees payable in connection with such rating of the Underwritten Securities by such rating agencies; and (k) the fees and expenses incurred, if any, in connection with the listing of the Underwritten Securities. Diamond Offshore agrees with the Underwriters that it will pay or cause the payment on its behalf of all expenses incident to the performance of its obligations under this Underwriting Agreement. It is understood that the Company and Diamond Offshore have separately agreed between themselves as to their respective responsibilities to pay expenses in the Amended Registration Rights Agreement. The Underwriters agree to make a payment to the Company in lieu of reimbursement of expenses incurred in connection with the offering and sale of the Underwritten Securities.

7. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Underwritten Securities shall be subject to the accuracy of the representations and warranties on the part of the Company and Diamond Offshore contained herein as of the date hereof, as of the date of the effectiveness of any amendment to the Registration Statement filed prior to the Closing Date (including the filing of any document incorporated by reference therein), as of the date of the filing by Diamond Offshore of any document under the Exchange Act and the Exchange Act Regulations, and as of the Closing Date, to the accuracy of the statements of the Company and Diamond Offshore made in any certificates pursuant to the provisions hereof, to the performance by each of the Company and Diamond Offshore of its obligations hereunder and to the following additional conditions:

(a) The Registration Statement, including any Rule 462(b) Registration Statement, has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been instituted or threatened, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing information relating to the description of the Underwritten Securities and any related Underlying Securities, the specific method of distribution and similar matters shall have been filed with the Commission in accordance with Rule 424(b) (or any required post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A), or, if the Company has elected to rely upon Rule 434 of the Act Regulations, a Term Sheet including the Rule 434 Information shall have been filed with the Commission in accordance with Rule 424(b)(7).

(b) The Company shall have furnished to the Representatives the opinion of Barry

Hirsch, General Counsel for the Company, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware, with full corporate power and authority to own, lease and operate its properties and conduct its business as described in the Final Prospectus and to enter into and perform its obligations under, or as contemplated under, the Underwriting Agreement, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business where the failure to be in good standing or so qualified would result in a Material Adverse Effect;

(ii) each of Lorillard, Inc., CNA Financial Corporation and Diamond Offshore (each a "Subsidiary" and together the "Subsidiaries") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized, with full corporate power and authority to own its properties and conduct its business as described in the Final Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business where the failure to be in good standing or so qualified would have a Material Adverse Effect;

(iii) all the outstanding shares of capital stock of each Subsidiary that are owned by the Company have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Final Prospectus, all outstanding shares of capital stock of the Subsidiaries are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interests, claims, liens or encumbrances;

(iv) the Underwritten Securities conform in all material respects to the description thereof contained in the Final Prospectus;

(v) the Underwritten Securities have been duly authorized by the Company for issuance and sale pursuant to the Underwriting Agreement. The Underwritten Securities, when issued and authenticated in the manner provided for in the applicable Indenture and delivered against payment of the consideration therefor specified in the Underwriting Agreement, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles, and except

further as enforcement thereof may be limited by governmental authority to limit, delay or prohibit the making of payments outside the United States. The Underwritten Securities are in the form contemplated by, and each registered holder thereof is entitled to the benefits of, the applicable Indenture;

(vi) the applicable Indenture has been duly authorized, executed and delivered by the Company and (assuming due authorization, execution and delivery thereof by the applicable Trustee) constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles;

(vii) the Amended Registration Rights Agreement has been duly authorized, executed and delivered by the Company;

(viii) there is no pending or, to the best knowledge of such counsel, threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries, of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Final Prospectus, and there is no franchise, contract or other document of a character required to be described in the Registration Statement or Final Prospectus, or to be filed as an exhibit, which is not described or filed as required; and the statements included or incorporated in the Final Prospectus describing any legal proceedings or material contracts or agreements relating to the Company fairly summarize such matters in all material respects;

(ix) the Registration Statement and any amendments thereto have become effective under the Act; to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement, as amended, has been issued, no proceedings for that purpose have been instituted or threatened, and the Registration Statement, the Final Prospectus and each amendment thereof or supplement thereto as of their respective effective or issue dates (other than the financial statements and other financial and statistical information contained therein as to which such counsel need express no opinion) complied as to form in all material respects with the applicable requirements of the Act and the Exchange Act and the respective rules thereunder; and such counsel has no reason to believe that the Registration Statement, or any amendment thereof, at the time it became effective and at the date of this Underwriting Agreement, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Final Prospectus, as amended or supplemented, as of its date and as of the date hereof, includes any untrue statement of a material fact or omits to state a material

fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(x) this Underwriting Agreement has been duly authorized, executed and delivered by the Company;

(xi) no consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by the Company of the transactions contemplated herein or in the Delayed Delivery Contracts, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Underwritten Securities by the Underwriters and such other approvals (specified in such opinion) as have been obtained;

(xii) neither the issue and sale of the Underwritten Securities, nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof or of any Delayed Delivery Contracts will conflict with, result in a breach of, or constitute a default under the Restated Certificate of Incorporation or By-laws of the Company or the terms of any indenture or other agreement or instrument known to such counsel and to which the Company is a party or bound, or any order or regulation known to such counsel to be applicable to the Company of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the Company; and

(xiii) the Company is not now, and upon the sale of the Underwritten Securities to be sold by it hereunder and application of the net proceeds from such sale as described in the Final Prospectus under "Use of Proceeds" will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws of any jurisdiction other than the corporate laws of the State of Delaware and the laws of the State of New York or the United States, to the extent deemed proper and specified in such opinion, upon the opinion of other counsel of good standing believed to be reliable and who are satisfactory to counsel for the Underwriters and (B) as to matters of fact, to the extent deemed proper, on certificates of responsible officers of the Company and public officials.

(c)(I) The Representatives shall have received an opinion, dated such Closing Date, of Weil, Gotshal & Manges LLP, counsel to Diamond Offshore, to the effect that:

(i) Diamond Offshore is a corporation duly organized, validly existing and in

good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as described in the Final Prospectus;

(ii) all of the outstanding shares of Diamond Offshore Common Stock (including the Underlying Securities) have been duly authorized and validly issued, are fully paid and non-assessable, are free of any preemptive rights pursuant to law or Diamond Offshore's Restated Certificate of Incorporation and conform as to legal matters in all material respects to the description thereof contained in the Final Prospectus;

(iii) Diamond Offshore has all requisite corporate power and authority to execute and deliver each of the Underwriting Agreement and the Amended Registration Rights Agreement and to perform its obligations thereunder. The execution, delivery and performance of each of the Underwriting Agreement and the Amended Registration Rights Agreement have been duly authorized by all necessary corporate action on the part of Diamond Offshore. Each of the Underwriting Agreement and the Amended Registration Rights Agreement has been duly executed and delivered by Diamond Offshore;

(iv) the execution, delivery and performance by Diamond Offshore of each of the Underwriting Agreement and the Amended Registration Rights Agreement and the compliance by Diamond Offshore with the provisions of each of the Underwriting Agreement and the Amended Registration Rights Agreement and the consummation of the transactions contemplated thereby will not conflict with, constitute a default under or result in a breach or violation of (a) any of the terms, conditions or provisions of the Restated Certificate of Incorporation or Amended By-Laws, as amended, of Diamond Offshore, (b) any New York, Texas, Delaware corporate or federal law or regulation (other than federal and state securities or blue sky laws, as to which such counsel need express no opinion in this sentence, and the Shipping Act, 1916, as amended, as to which such counsel need express no opinion), or (c) any judgment, writ, injunction, decree, order or ruling of any federal or state court or governmental authority binding on Diamond Offshore or any of it properties which remains unsatisfied and unperformed on the Closing Date and of which such counsel is aware, except in each case other than with respect to clause (a), any such conflict, default, breach or violation as would not impair Diamond Offshore's ability to perform its obligations under the Underwriting Agreement or the Amended Registration Rights Agreement or have any material adverse effect upon the consummation of the transactions contemplated by the Underwriting Agreement or the Amended Registration Rights Agreement;

(v) no consent, approval, waiver, license, order or authorization or other

action by or filing with any New York, Texas, Delaware corporate or federal governmental agency, body or court is required in connection with the execution and delivery by Diamond Offshore of the Underwriting Agreement or the Amended Registration Rights Agreement, or for the consummation by Diamond Offshore of the transactions contemplated thereby, except for filings and other action required pursuant to federal and state securities or blue sky laws, as to which such counsel need express no opinion, or the Shipping Act, 1916, as amended, as to which such counsel need express no opinion, and those already obtained and made under the Act or the Delaware General Corporation Law ("DGCL");

(vi) Diamond Offshore is not (A) an "investment company" or an entity "controlled" by an "investment company" under the Investment Company Act, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Investment Company Act") or (B) a "holding company" or a "subsidiary company" or an "affiliate" of a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations promulgated by the Commission thereunder (the "Holding Company Act") (in rendering such opinion, such counsel may assume that the Company (x) is not and is not controlled by an "investment company" under the Investment Company Act and (y) is not a "holding company" or a "subsidiary company" or an "affiliate" of a holding company under the Holding Company Act);

(vii) the statements in the Final Prospectus under the caption "Description of Diamond Offshore Capital Stock", insofar as they constitute descriptions of Diamond Offshore Common Stock or refer to statements of laws or legal conclusions under the DGCL, constitute fair summaries thereof in all material respects. The statements in the Final Prospectus under the caption "The Company and Relationship with Diamond Offshore", insofar as they constitute descriptions of the Amended Registration Rights Agreement, constitute fair summaries thereof in all material respects;

In addition, such counsel shall state that such counsel has participated in conferences with officers and other representatives of the Company and Diamond Offshore, independent public accountants for Diamond Offshore, representatives of the Underwriters and representatives of counsel for the Underwriters, at which conferences the contents of the Registration Statement and the Final Prospectus and related matters were discussed, and, although such counsel has not independently verified and is not passing upon and assumes no responsibility for the accuracy, completeness or fairness of such statements contained in the Registration Statement or the Final Prospectus, such counsel shall advise you, on the basis of the foregoing that no facts have come to such counsel's attention which lead such counsel to believe that

the Final Prospectus, as of the date of the Underwriting Agreement or as of such Closing Date contained or contains an untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel need only express such views in respect of information relating to Diamond Offshore that is included in the Final Prospectus and need express no opinion as to the financial statements and related notes or the other financial, statistical and accounting data stated or omitted in the Final Prospectus);

(c)(II) The Representatives shall have received an opinion, dated such Closing Date, of the Vice President and General Counsel of Diamond Offshore, to the effect that:

(i) Diamond Offshore is duly qualified to transact business as a foreign corporation in good standing in all jurisdictions other than the State of Delaware in which its ownership or lease of property or the conduct of its business requires such qualification, except those jurisdictions where the failure to be so qualified would not have a material adverse effect on the business, operations or financial condition of Diamond Offshore and its subsidiaries taken as a whole;

(ii) all of the issued and outstanding shares of capital stock of each subsidiary of Diamond Offshore listed on Schedule III hereto (each, a "DO Subsidiary" and collectively the "DO Subsidiaries") are owned, directly or indirectly, of record and beneficially by Diamond Offshore, free and clear of all liens, claims, limitations on voting rights, options, security interests and other encumbrances and have been duly authorized, validly issued, and are fully paid and nonassessable, except to the extent that any such liens, claims, limitations, options, security interests and other encumbrances, individually or in the aggregate, would not have a material adverse effect on the business, operations or financial condition of Diamond Offshore and its subsidiaries, taken as a whole;

(iii) each DO Subsidiary is a corporation, duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each DO Subsidiary is duly qualified to transact business and is in good standing as a foreign corporation in each state listed by such DO Subsidiary's name on Schedule III hereto, such states being the only states in which each DO Subsidiary is required to be qualified, except where the failure to be so qualified would not have a material adverse effect on the business, operations or financial condition of Diamond Offshore and its subsidiaries, taken as a whole;

(iv) no consent or approval of any federal governmental agency with respect to any federal maritime law matter is required in connection with performance by Diamond Offshore of its obligations under the Underwriting Agreement or the Amended Registration Rights Agreement; and the execution, delivery, and

performance by Diamond Offshore and the consummation of the transactions contemplated thereby will not violate any existing federal maritime laws, including, without limitation, the Shipping Act, 1916, as amended, and the rules and regulations of the Maritime Administration (MarAd) and the United States Coast Guard; and

(v) there is no pending or, to the best knowledge of such counsel, threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving Diamond Offshore or any DO Subsidiary of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Final Prospectus; and the statements included or incorporated in the Final Prospectus describing any legal proceedings relating to Diamond Offshore fairly summarize such matters in all material respects.

In rendering such opinion, such Vice President and General Counsel may rely as to the incorporation of Diamond Offshore, the authorization, execution and delivery of the Underwriting Agreement and the Amended Registration Rights Agreement and all other matters acceptable to the Representatives upon an opinion of counsel satisfactory to the Representatives, a copy of which shall be delivered concurrently with the opinion of such Vice President and General Counsel.

The Representatives shall have also received an opinion, dated such Closing Date, of Nabarro Nathanson, special English counsel to Diamond Offshore, to the effect that each of Diamond Offshore Limited and Diamond Offshore (UK) Limited, each of which is a subsidiary of Diamond Offshore incorporated under the laws of the United Kingdom, (i) is duly incorporated and validly exists under the laws of England and Wales and (ii) has all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now carried on.

(d) The Representatives shall have received from each of Mayer, Brown & Platt, Andrews & Kurth L.L.P., and Sullivan & Cromwell, counsel for the Underwriters, such opinions, dated the Closing Date, with respect to the incorporation of the Company and of Diamond Offshore, the validity of the Indenture, the Securities and the Underlying Securities, the Registration Statement, the Final Prospectus and other related matters as the Representatives may reasonably require, and the Company and Diamond Offshore shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(e) The Company shall have furnished to the Representatives a certificate of a Co-Chairman of the Board, the President or a Vice President, and the principal financial or accounting officer of the Company, dated the Closing Date, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Final Prospectus and this Underwriting Agreement and that:

(i) the representations and warranties of the Company in this Underwriting Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement, as amended, has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the date of the most recent financial statements included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1997, there has been no Material Adverse Effect, except as set forth in the Final Prospectus.

(f) Diamond Offshore shall have furnished to the Representatives a certificate, dated the Closing Date, of the President, any Senior Vice President, the Treasurer or any Vice President and a principal financial or accounting officer of Diamond Offshore in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of Diamond Offshore in this Underwriting Agreement are true and correct, that Diamond Offshore has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date, and that, subsequent to the date of the most recent financial statements in the Exchange Act Reports, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of Diamond Offshore and its subsidiaries taken as a whole except as set forth in or contemplated by the Final Prospectus or as described in such certificate.

(g) At the Closing Date, the Company's independent accountants shall have furnished to the Representatives a letter or letters (which may refer to letters previously delivered to the Representatives), dated as of the Closing Date, in form and substance satisfactory to the Representatives, confirming that they are independent accountants within the meaning of the Act and the Exchange Act and the respective applicable published rules and regulations thereunder, that the response to Item 10 of the Registration Statement is correct insofar as it relates to them and stating in effect that:

(i) in their opinion the audited financial statements and financial statement schedules included or incorporated in the Registration Statement and the Final Prospectus and reported on by them comply in form in all material respects with the applicable accounting requirements of the Act and the Exchange Act and the related published rules and regulations;

(ii) on the basis of a reading of the amounts included or incorporated in the

Registration Statement and the Final Prospectus in response to Item 301 of Regulation S-K and of the latest unaudited financial statements made available by the Company and its subsidiaries; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the stockholders, directors and committees of the Company and the Subsidiaries; and inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company and its subsidiaries as to transactions and events subsequent to the date of the most recent audited financial statements incorporated in the Registration Statement and the Final Prospectus, nothing came to their attention which caused them to believe that:

(1) the amounts in the unaudited Selected Consolidated Financial Data and Capitalization, if any, included in the Registration Statement and the Final Prospectus and the amounts included or incorporated in the Registration Statement and the Final Prospectus in response to Item 301 of Regulation S-K, do not agree with the corresponding amounts in the audited financial statements from which such amounts were derived;

(2) any unaudited financial statements included or incorporated in the Registration Statement and the Final Prospectus do not comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect to financial statements included or incorporated in quarterly reports on Form 10-Q under the Exchange Act; and said unaudited financial statements are not stated (except as permitted by Form 10-Q) in conformity with GAAP applied on a basis substantially consistent with that of the audited financial statements included or incorporated in the Registration Statement and the Final Prospectus; or

(3) with respect to the period subsequent to the date of the most recent financial statements included or incorporated in the Registration Statement and the Final Prospectus, there were any changes, at a specified date not more than five business days prior to the date of the letter, in the long-term debt of the Company and its subsidiaries or capital stock of the Company or decreases in the stockholders' equity of the Company and its subsidiaries as compared with the amounts shown on the most recent consolidated balance sheet included or incorporated in the Registration Statement and the Final Prospectus, or for the period from the date of the most recent financial statements included or incorporated in the Registration Statement and the Final Prospectus to such specified date there were any decreases, as compared with the corresponding period in the preceding year, in total revenues, or in total or per share amounts of income before income taxes or of net income, of the Company and its subsidiaries, except in all instances for changes or decreases set forth in such letter, in which

case the letter shall be accompanied by an explanation by the Company as to the significance thereof unless said explanation is not deemed necessary by the Representatives; and

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of the Company) set forth in the Registration Statement and the Final Prospectus and in Exhibit 12 to the Registration Statement, including the information included or incorporated in Items 1, 6, and 7 of the Company's annual report on Form 10-K, incorporated in the Registration Statement and the Final Prospectus, or in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included or incorporated in the Company's quarterly reports on Form 10-Q or in any Form 8-K, incorporated in the Registration Statement and the Final Prospectus, agrees with the accounting records of the Company and its subsidiaries, excluding any questions of legal interpretation.

References to the Registration Statement and the Final Prospectus in this paragraph (g) are to such documents as amended and supplemented at the date of the letter.

(h) At the Closing Date, Diamond Offshore's independent accountants shall have furnished to the Representatives a letter or letters (which may refer to letters previously delivered to the Representatives), dated as of the Closing Date, with respect to such matters and in such form as the Representatives reasonably request.

In addition, except as provided in Schedule I hereto, at the time this Underwriting Agreement is executed, each of the Company's and Diamond Offshore's independent public accountants shall have furnished to the Representatives a letter or letters, dated the date of this Underwriting Agreement, in form and substance satisfactory to the Representatives, to the effect set forth above in paragraphs (g) and (h) of this Section 7.

(i) Since the respective dates as of which information is given in the Final Prospectus as amended prior to the date of this Underwriting Agreement there shall not have been any change in the capital stock or long-term debt of the Company or Diamond Offshore or any of their respective subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company, Diamond Offshore and their respective subsidiaries, otherwise than as set forth or contemplated in the Final Prospectus as amended prior to the date of this Underwriting Agreement, the effect of which is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Underwritten Securities on the terms and in the manner contemplated in the Final Prospectus as first amended or supplemented relating to the Underwritten Securities;

(j) On or after the date of this Underwriting Agreement, no downgrading shall have occurred in the rating accorded the Company's or Diamond Offshore's debt securities or preferred stock by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act;

(k) On or after the date of this Underwriting Agreement there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's or Diamond Offshore's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Underwritten Securities on the terms and in the manner contemplated in the Final Prospectus as first amended or supplemented relating to the Underwritten Securities;

(l) the Underwritten Securities shall have been approved for listing, subject only to official notice of issuance, on the New York Stock Exchange;

(m) the Amended Registration Rights Agreement shall have been duly executed and delivered by each of the Company and Diamond Offshore;

(n) In the event that the Underwriters are granted an over-allotment option by the Company and the Underwriters exercise their option to purchase all or any portion of the Option Underwritten Securities, the representations and warranties of the Company and of Diamond Offshore contained herein and the statements in any certificates furnished by the Company or Diamond Offshore hereunder shall be true and correct as of each Closing Date, and, at the relevant Closing Date, the Representatives shall have received:

(i) A certificate, dated such Closing Date, of a Co-Chairman of the Board, the President or a Vice President of the Company and the principal financial officer or accounting officer of the Company, confirming that the certificate delivered at the Closing Date pursuant to Section 7(e) hereof remains true and correct as of such Closing Date.

(ii) A certificate, dated such Closing Date, of the President, any Senior Vice President, the Treasurer or any Vice President and a principal financial or accounting officer of Diamond Offshore, confirming that the certificate delivered at the Closing Date pursuant to Section 7(f) hereof remains true and correct as of such Closing Date.

(iii) The opinion of the General Counsel for the Company, dated the Closing Date, relating to the Option Underwritten Securities and otherwise to the same effect as the opinion required by Section 7(b) hereof.

(iv) The opinion of Weil, Gotshal & Manges LLP, dated the Closing Date, relating to the Option Underwritten Securities and otherwise to the same effect as the opinion required by Section 7(c)(I) hereof.

(v) The opinion of the Vice President and General Counsel of Diamond Offshore, dated the Closing Date, relating to the Option Underwritten Securities and otherwise to the same effect as the opinion required by Section 7(c)(II) hereof.

(vi) The opinions of the counsel for the Underwriters, dated the Closing Date, relating to the Option Underwritten Securities and otherwise to the same effect as the opinions required by Section 7(d) hereof.

(vii) A letter from the Company's independent accountants, in form and substance satisfactory to the Representatives and dated such Closing Date, substantially in the same form and substance as the letter furnished to the Representatives pursuant to Section 7(g) hereof, except that the "specified date" on the letter furnished pursuant to this paragraph shall be a date not more than three business days prior to such Closing Date.

(viii) A letter from Diamond Offshore's independent accountants, in form and substance satisfactory to the Representatives and dated such Closing Date, substantially in the same form and substance as the letter furnished to the Representatives pursuant to Section 7(h) hereof, except that the "specified date" on the letter furnished pursuant to this paragraph shall be a date not more than three business days prior to such Closing Date.

(o) Prior to the Closing Date, each of the Company and Diamond Offshore shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

(p) The Company shall have accepted Delayed Delivery Contracts in any case where sales of Contract Securities arranged by the Underwriters have been approved by the Company.

If any of the conditions specified in this Section 7 shall not have been fulfilled in all material respects when and as provided in this Underwriting Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Underwriting Agreement shall not be in all material respects reasonably satisfactory in form and substance to the

Representatives and their counsel, this Underwriting Agreement and all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Company in writing or by telephone or telecopy confirmed in writing.

8. Reimbursement of Underwriters' Expenses. If the sale of the Underwritten Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 7 hereof is not satisfied, or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof other than by reason of a default by any of the Underwriters, or because of the termination of this Underwriting Agreement under Section 11, the Company will reimburse the Underwriters severally upon demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Underwritten Securities; such obligation of the Company to reimburse the Underwriters shall serve as the exclusive remedy of the Underwriters with respect to the Company.

9. Indemnification. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Final Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Final Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter of Underwritten Securities through the Representatives expressly for use in the Final Prospectus as amended or supplemented relating to such Securities.

(b) Diamond Offshore will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary

prospectus supplement, the Registration Statement, the Final Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made (i) in any Exchange Act Report that has been included in any current report on Form 8-K filed by the Company and (ii) under the headings "Diamond Offshore", "Price Range of Diamond Offshore Common Stock and Dividend Policy" and "Description of Diamond Offshore Capital Stock" in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Final Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any such amendment or supplement; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Final Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, any preliminary prospectus supplement, the Registration Statement, the Final Prospectus as amended or supplemented and any other prospectus relating to the Securities, or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection, except to the extent a defense or counterclaim has been foreclosed. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it determines, jointly with any other

indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such several proportions as are appropriate to reflect the relative benefits received by each of the Company and Diamond Offshore, severally, on the one hand and the Underwriters of the Underwritten Securities on the other from the offering of the Underwritten Securities to which such loss, claim, damage or liability (or action in respect thereof) relates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (d) above and a defense or counterclaim has been foreclosed, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and Diamond Offshore on the one hand and the Underwriters of the Underwritten Securities on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and Diamond Offshore, severally, on the one hand and such Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from such offering (before deducting expenses) received by each of the Company and Diamond Offshore, severally, bear to the total underwriting discounts and commissions received by such Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and Diamond Offshore on the one hand or such Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, Diamond Offshore and the Underwriters

agree that it would not be just and equitable if contribution pursuant to this subsection (e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the applicable Underwritten Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Underwriters of Underwritten Securities in this subsection (e) to contribute are several in proportion to their respective underwriting obligations with respect to such Securities and not joint.

(f) The obligations of the Company and Diamond Offshore under this Section 9 shall be in addition to any liability which the Company and Diamond Offshore may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act.

10. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Underwritten Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its obligations under this Underwriting Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the amount of Underwritten Securities set forth opposite their names in Schedule II hereto bears to the aggregate amount of Underwritten Securities set forth opposite the names of all the remaining Underwriters) the Underwritten Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Underwritten Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Underwritten Securities set forth in Schedule II hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Underwritten Securities, and if such nondefaulting Underwriters do not purchase all the Underwritten Securities, this Underwriting Agreement will terminate without liability to any

nondefaulting Underwriter or the Company. In the event of a default by any Underwriter as set forth in this Section 10, the Closing Date shall be postponed for such period, not exceeding seven days, as the Representatives shall determine in order that the required changes in the Registration Statement and the Final Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Underwriting Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company and any nondefaulting Underwriter for damages occasioned by its default hereunder.

11. Termination and Liabilities. (a) This Underwriting Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company prior to delivery of and payment for the Underwritten Securities, if after the date of this Underwriting Agreement and prior to such time there has occurred a development or event of the kind specified in Section 7(i), 7(j) or 7(k).

(b) If this Underwriting Agreement is terminated pursuant to this Section 11, such termination shall be without liability of any party to any other party except as provided in Sections 6 and 8 hereof, and provided further that Sections 1A, 1B, 9 and 12 hereof shall survive such termination and remain in full force and effect.

12. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers and of the Underwriters set forth in or made pursuant to this Underwriting Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of the officers, directors or controlling persons referred to in Section 9 hereof, and will survive delivery of and payment for the Underwritten Securities.

13. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed, delivered, sent by or telegraphed and confirmed to them, at the address specified in Schedule I hereto; or, if sent to the Company, will be mailed, delivered or confirmed telecopy at 667 Madison Avenue, New York, New York 10021, attention of the Corporate Secretary; or, if sent to Diamond Offshore, will be mailed, delivered or confirmed telecopy at 15415 Katy Freeway, Houston, Texas 77094, attention of the Corporate Secretary.

14. Successors. This Underwriting Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder.

15. Applicable Law. This Underwriting Agreement will be governed by and construed in accordance with the laws of the State of New York.

16. Counterparts. This Underwriting Agreement may be signed in various counterparts

which together shall constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, Diamond Offshore and the Underwriter.

Very truly yours,

LOEWS CORPORATION

By: /s/ Peter W. Keegan

Its: Senior Vice President

DIAMOND OFFSHORE
DRILLING, INC.

By: /s/ Robert E. Rose

Its: President and CEO

The foregoing Agreement (including all Schedules and Exhibits hereto) is hereby confirmed and accepted as of the date specified in Schedule I hereto.

/s/ Goldman, Sachs & Co.

(Goldman, Sachs & Co.)

For itself and the other several Underwriters, if any, named in Schedule II to the foregoing Agreement.

SCHEDULE I

Underwriting Agreement dated September 16 , 1997

Representatives: Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

The Underwritten Securities shall have the following terms:

Title: 3-1/8% Exchangeable Subordinated Notes due 2007

Rank: Subordinated Debentures

Aggregate principal amount: $1,000,000,000 (plus up to $150,000,000 aggregate principal amount of Option Underwritten Securities)

Currency of payment: U.S. Dollar

Interest rate or formula: 3-1/8% per annum

Interest payment dates: March 15 and September 15

Regular record dates: March 1 and September 1

Stated maturity date: September 15, 2007

Redemption: In whole or in part at option of Company, on or after September 15, 2002

Exchange provisions: Exchangeable into shares of the Underlying Securities at any time from and including October 1, 1998 and prior to the close of business on September 15, 2007, unless previously redeemed or repurchased, at an exchange rate of 15.3757 shares per $1,000 principal amount of Underwritten Securities, subject to adjustment and to certain Company rights.

Underlying Securities: Common stock, par value $.01 per share, of Diamond Offshore.

Listing requirements: List the Underwritten Securities and the Underlying Securities on the New York Stock Exchange

Fixed or Variable Price Offering: Fixed Price Offering

If Fixed Price Offering, initial public offering price per share: 100%

of the principal amount, plus accrued interest, if any, from September 19, 1997.

Purchase price: 98.00% of principal amount, plus accrued interest, if any, from September 19, 1997.

Form: Global Security

Closing date and location: September 19, 1997
Sullivan & Cromwell
125 Broad Street
New York, New York 10004

Delayed Delivery Arrangements: NONE.

Modification of items to be covered by the letter from the Company's independent accountants delivered pursuant to Section 5(e) at the time this Underwriting Agreement is executed: NONE.

SCHEDULE II

Underwriters	Principal Amount of Securities to be Purchased
Goldman, Sachs & Co.....	$1,000,000,000
Total.....	$1,000,000,000

SCHEDULE III

Subsidiary	State of Incorporation	States Qualified
1. Diamond Offshore Company	DE	TX, LA
2. Diamond Offshore General Company	DE	TX
3. Diamond Offshore Guardian Company	DE	TX
4. Diamond Offshore Southern Company	DE	TX
5. Diamond Offshore Management ...Company	DE	TX, LA
6. Diamond Offshore (USA) Inc.	DE	TX, LA
7. Diamond Offshore Alaska Inc.	DE	TX
8. Diamond Offshore Atlantic Inc.	DE	TX
9. Diamond Offshore (Mexico) Company	DE	TX
10. Diamond Offshore Drilling Services, Inc.	DE	TX, LA
11. Diamond Offshore International Corporation	DE	TX
12. Diamond Offshore Enterprises, Inc.	DE	TX
13. Cumberland Maritime Corporation	DE	TX
14. Diamond Offshore Team Solutions, Inc.	DE	TX, LA
15. Diamond Offshore Finance Company	DE	TX
16. Diamond Offshore Perforadora, Inc.	DE	TX
17. Diamond Offshore Development Company	DE	TX
18. Diamond Offshore (Indonesia), Inc.	DE	TX
19. Diamond Offshore Drilling (Overseas) Inc. (f/k/a Diamond Offshore Champion Inc.)	DE	TX
20. Diamond Offshore Exploration (Bermuda) Limited	DE	TX
21. Arethusa Off-Shore Company	DE	TX, LA
22. Concord Drilling Limited	DE	TX
23. Saratoga Drilling Limited	DE	TX
24. Yorktown Drilling Limited	DE	TX
25. Scotian Drilling Limited	DE	TX
26. Heritage Drilling Limited	DE	TX
27. Sovereign Drilling Limited	DE	TX
28. Miss Kitty Drilling Limited	DE	TX
29. Neptune Drilling Limited	DE	TX
30. Whittington Drilling Limited	DE	TX
31. Yatzy Drilling Limited	DE	TX
32. Winner Drilling Limited	DE	TX
33. Lexington Drilling Limited	DE	TX

EXHIBIT A

[FORM OF AMENDMENT TO REGISTRATION RIGHTS AGREEMENT]

Exhibit 4.1

THIS THIRD SUPPLEMENTAL INDENTURE, dated as of September 16, 1997, is between LOEWS CORPORATION, a Delaware corporation (the "Company"), and THE CHASE MANHATTAN BANK, a New York corporation, successor by merger to Chemical Bank, successor by merger to Manufacturers Hanover Trust Company, as trustee (herein called the "Trustee").

PRELIMINARY STATEMENT

The Company and the Trustee have entered into an Indenture dated as of December 1, 1985 and a First and Second Supplemental Indenture thereto, each dated as of February 18, 1997 (such Indenture, as supplemented is herein called the "Indenture").

Capitalized terms used but not otherwise defined herein, shall have the meanings given them in the Indenture.

Section 201 of the Indenture permits the form of the Debt Securities of any series to be established pursuant to an indenture supplemental to the Indenture.

Section 301 of the Indenture permits the terms of the Debt Securities of any series to be established in an indenture supplemental to the Indenture.

Section 901(6) of the Indenture provides that a supplemental indenture may be entered into by the Company and the Trustee without the consent of any Holders of Debt Securities to establish the form and terms of Debt Securities of any series as permitted by Sections 201 and 301. In accordance with the terms of Sections 901(6) of the Indenture, the Company has, by Board Resolution, authorized this Third Supplemental Indenture. The Trustee has determined that this Third Supplemental Indenture is in form satisfactory to it.

All things necessary to make this Third Supplemental Indenture a valid agreement of the Company and the Trustee and a valid amendment of and supplement to the Indenture have been done.

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Debt Securities of the series to be created hereby, as follows:

1. Definitions.

For all purposes of the Indenture and this Third Supplemental Indenture, with respect to the Securities of the series created hereby, except as otherwise expressly provided or unless the context otherwise requires:

The "Average Market Value" of the Diamond Offshore Common Stock on any date of computation means the arithmetic average of the daily volume weighted average price of the Diamond Offshore Common Stock, as reported on the New York Stock Exchange Consolidated Tape, or if the Diamond Offshore Common Stock is not then listed on the New York Stock Exchange, as reported by the principal securities exchange or interdealer quotations system on which the Diamond Offshore Common Stock is then traded, for the 30-Trading Day period ending two Trading Days prior to such date of computation as computed by the Quotation Agent.

The "Average Market Value Amount" per $1,000 principal amount of Notes means the greater of (A) $1,000 and (B) the product of (i) the then-prevailing Exchange Rate and (ii) the Average Market Value of the Diamond Offshore Common Stock as of the date of computation.

"Cash Distribution" means the distribution by Diamond Offshore to all holders of Diamond Offshore Common Stock of cash, other than any cash that is distributed upon a merger or consolidation to which Section 4.11 of this Third Supplemental Indenture applies or as part of a distribution referred to in paragraph (4) of Section 4.4 of this Third Supplemental Indenture.

"Closing Price" of the Diamond Offshore Common Stock on any date means the price, as of the close of business on such date, of the Diamond Offshore Common Stock, as reported on the New York Stock Exchange Consolidated Tape, or if the Diamond Offshore Common Stock is not then listed on the New York Stock Exchange, as reported by the principal securities exchange or interdealer quotation system on which the Diamond Offshore Common Stock is then traded.

"common stock" includes any stock of any class of capital stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer thereof and which is not subject to redemption by the issuer thereof.

"Determination Date" means, in the case of a dividend or other distribution, including the issuance of rights, options or warrants, to shareholders, the date fixed for the determination of shareholders entitled to receive such dividend or other distribution and, in the case of a tender offer, the last time that tenders could have been made pursuant to such tender offer.

"Diamond Offshore" means Diamond Offshore Drilling, Inc., a Delaware corporation and a Subsidiary of the Company.

"Diamond Offshore Common Stock" means the Common Stock, $.01 par value per share, of Diamond Offshore authorized at the date of this instrument as originally executed. Subject to the provisions of Section 4.11 of this Third Supplemental Indenture, shares issuable on exchange of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such resulting class, the shares so issuable on exchange of Notes shall include shares of all such classes, and the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Excess Purchase Payment" means the excess, if any, of (i) the amount of cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) of any non-cash consideration required to be paid with respect to one share of Diamond Offshore Common Stock acquired or to be acquired in a tender offer made by Diamond Offshore or any subsidiary of Diamond Offshore for all or any portion of the Diamond Offshore Common Stock over (ii) the current market price per share as defined in Section 4.4(7) for purposes of Section 4.4(6).

"Exchange Rate" has the meaning set forth in Section 4.1 of this Third Supplemental Indenture.

"Market Capitalization" means, with respect to a specified date, the product of (i) the current market price per share (determined as provided in paragraph (7) of Section 4.4 of this Third Supplemental Indenture) of the Diamond Offshore Common Stock as of such date times (ii) the number of shares of Diamond Offshore Common Stock outstanding on such date.

"Notes" means any Debt Securities of the series of Debt Securities entitled "3_% Exchangeable Subordinated Notes due 2007" created by this Third Supplemental Indenture.

"Quotation Agent" means the Trustee and its successors or substitutes.

"Trading Day" means any day on which the Diamond Offshore Common Stock (i) is not suspended from trading on the principal securities exchange or interdealer quotation system on which it is traded at the close of business and (ii) has traded at least once on such principal securities exchange or interdealer quotation system.

2. Form of Notes.

2.1. The Notes shall be in the form set forth in this Section.

2.2. Form of Face of Notes.

[IF THE SECURITY IS A GLOBAL SECURITY, THEN INSERT -- UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

LOEWS CORPORATION

3_% EXCHANGEABLE SUBORDINATED NOTE DUE 2007

No. _____ $_____

CUSIP NO. - _____

LOEWS CORPORATION, a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars ($_____) on September 15, 2007 and to pay interest thereon, from September 19, 1997, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on March 15 and September 15 in each year, commencing March 15, 1998, at the rate of 3_% per annum, until the principal hereof is due, and at the rate of 3_% per annum on any overdue principal and premium, if any, and, to the extent permitted by law, on any overdue interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the March 1 or September 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be

paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Company, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Payment of the principal of (and premium, if any, on) this Note shall be made upon the surrender of this Note at the office or agency of the Company as may be designated by it for such purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, or at such other offices or agencies as the Company may designate. Payment of interest on this Note may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed under its corporate seal.

Dated:

LOEWS CORPORATION

By:_____
Name:
Title:

Attest:

_____
Name:
Title:

2.3 Form of Reverse of Note.

This Note is one of a duly authorized issue of debt securities of the Company designated as its "3_% Exchangeable Subordinated Notes due 2007" (herein called the "Notes"), limited in aggregate principal amount to $1,150,000,000, issued and to be issued under an Indenture, dated as of December 1, 1985, as supplemented by a First and Second Supplemental Indenture, each dated as of February 18, 1997, and a Third Supplemental Indenture dated as of September 16, 1997 (herein called the "Indenture"), between the Company and The Chase Manhattan Bank, as Trustee (herein called the "Trustee"), which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee, the holders of Senior Indebtedness and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered.

The Notes are subject to redemption upon not less than 30 nor more than 60 days' notice by mail, at any time on or after September 25, 2002, as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount) if redeemed during the 12-month period beginning September 15 of the years indicated:

Year	Redemption Price
2002	101.5625%
2003	101.2500%
2004	100.9375%
2005	100.6250%
2006	100.3125%

and on September 15, 2007 at a Redemption Price equal to 100% of the principal amount, together in the case of any such redemption with accrued interest to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Notes, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

Subject to and upon compliance with the provisions of the Indenture, and subject to the Company's rights to suspend exchanges and to elect cash settlement as set forth below, the Holder of this Note is entitled at any time on or after October 1, 1998 and before the close of

business on September 15, 2007 (or, in case this Note or a portion hereof is called for redemption, then in respect of this Note or such portion hereof, as the case may be, from October 1, 1998 until and including, but (unless the Company defaults in making the payment due upon redemption) not after, the close of business on the Redemption Date)) to exchange this Note (or any portion of the principal amount hereof that is an integral multiple of $1,000), into fully paid and nonassessable shares (calculated as to each exchange to the nearest 1/100 of a share) of Common Stock, $.01 par value per share ("Diamond Offshore Common Stock" of Diamond Offshore Drilling, Inc. ("Diamond Offshore") at the rate of 15.3757 shares of Diamond Offshore Common Stock for each $1,000 principal amount of Note (or at the current adjusted rate if an adjustment has been made as provided in the Indenture) by surrender of this Note, duly endorsed or assigned to the Company or in blank to the Company at the office or agency of the Company in the Borough of Manhattan, The City of New York or at any other office or agency of the Company maintained for such purpose, accompanied by written notice to the Company that the Holder hereof elects to exchange this Note (or if less than the entire principal amount hereof is to be exchanged, specifying the portion hereof to be exchanged) and, in case such surrender shall be made during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date, also accompanied by payment in New York Clearing House (next day) funds (or other funds acceptable to the Company) of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Note then being exchanged, provided that, if this Note or any portion hereof has been called for redemption on a Redemption Date occurring during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date and is surrendered for exchange during such period, then the Holder of this Note who exchanges this Note or any portion hereof during such period will be entitled to receive the interest accruing on the principal amount of this Note or such portion thereof so called for redemption and then being exchanged from the Interest Payment Date next preceding the date of such exchange to such succeeding Interest Payment Date and shall not be required to pay such interest upon surrender of this Note for exchange. Subject to the provisions of the preceding sentence, no payment or adjustment is to be made on exchange for interest accrued hereon from the Interest Payment Date next preceding the day of exchange, or for dividends on the Diamond Offshore Common Stock issued on exchange hereof. Interest payable on any Interest Payment Date in respect of this Note or any portion hereof surrendered for exchange on or after such Interest Payment Date shall be paid to the Holder of such Note as of the Regular Record Date next preceding such Interest Payment Date, notwithstanding the exercise of the right of exchange. No fractions of shares or scrip representing fractions of shares will be issued on exchange, but instead of any fractional interest, the Company shall pay a cash adjustment as provided in the Indenture or, at its option, the Company shall round up to the next higher whole share.

The Exchange Rate is subject to adjustment as provided in the Indenture. The Indenture also provides that in case of certain consolidations or mergers to which Diamond

Offshore is a party or the conveyance, transfer, sale or lease of all or substantially all of the properties and assets of Diamond Offshore, the Indenture shall be amended, without the consent of any Holders of Notes, so that this Note, if then Outstanding, will be exchangeable thereafter, during the period this Note shall be exchangeable as specified above, only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease (including any Diamond Offshore Common Stock retainable) by a holder of the number of shares of Diamond Offshore Common Stock into which this Note could have been exchanged immediately prior to such consolidation, merger, conveyance, transfer, sale or lease (assuming such holder of Diamond Offshore Common Stock failed to exercise any rights of election and received per share the kind and amount received per share by a plurality of non-electing shares and further assuming, if such consolidation, merger, conveyance, transfer, sale or lease is prior to October 1, 1998 that this Note was exchangeable immediately prior to the time of such occurrence at the initial Exchange Rate specified above as adjusted from the original issue date of the Notes to such time as provided in the Indenture). No adjustment in the Exchange Rate will be made until such adjustment would require an increase or decrease of at least one percent of such rate, provided that any adjustment that would otherwise be made will be carried forward and taken into account in the computation of any subsequent adjustment.

The Company may at any time suspend the right of exchange attaching to the Notes, by giving one business day's notice of such suspension to the Trustee (which notice may be given by Diamond Offshore on behalf of the Company), provided that, (i) the total period during which such right of exchange is suspended shall not exceed 90 consecutive days at any one time or a total of 120 days in any 12-month period; and (ii) no such suspension may be in effect during the 14-day period preceding any Redemption Date or the final maturity date of the Notes. In addition, the right of Holders to exchange will be suspended if the Company has irrevocably elected to pay in cash the Average Market Value Amount in respect of all Notes delivered for exchange prior to a Redemption Date or the final maturity date in respect of the Notes.

At any time prior to September 2, 2007, and unless the Company shall have previously elected in connection with a call for redemption or at maturity to pay in cash the Average Market Value Amount upon any exchange prior to the applicable Redemption Date or final maturity date, as set forth below, the Company may elect to make a cash settlement in respect of any Note surrendered for exchange by delivering notice thereof to the tendering Holder not more than five Trading Days after such Note is surrendered for exchange. Such cash settlement shall be in an amount, per $1,000 principal amount of Notes delivered for exchange, equal to the greater of (A) $1,000 and (B) the product of (i) the then-prevailing Exchange Rate and (ii) the average of the Closing Price of the Diamond Offshore Common Stock on the five Trading Days commencing two Trading Days after delivery by the Company of such notice to such Holder. The Company will pay such cash settlement amount as promptly as practicable

after the completion of such five Trading Day period.

The Company may elect, in connection with a redemption of Notes or the final maturity of the Notes, to satisfy its obligations to Holders who elect to exchange their Notes for Diamond Offshore Common Stock by cash payment of the Average Market Value Amount. If the Company makes such an election, Holders of Notes will no longer be entitled to receive Diamond Offshore Common Stock in exchange for their Notes. The Company may make such an election, in respect of any Notes to be redeemed on a Redemption Date or repaid on the final maturity date, by giving an irrevocable notice thereof to the Holders not later than the 35th Trading Day prior to such Redemption Date or final maturity date, in which case the Company will be obligated to pay the Average Market Value Amount in respect of all Notes to be redeemed or repaid on such Redemption Date or final maturity date to Holders who elect to exchange their Notes for Diamond Offshore Common Stock. If such notice is delivered in connection with a Redemption Date, it shall be required to be given not later than 35 Trading Days prior to the Redemption Date.

[IF NOT A GLOBAL SECURITY INSERT -- In the event of redemption or exchange of this Note in part only, a new Note or Notes for the unredeemed or unexchanged portion hereof will be issued in the name of the Holder hereof.]

[IF A GLOBAL SECURITY INSERT -- In the event of a deposit or withdrawal of an interest in this Note (including upon an exchange, transfer, redemption or exchange of this Note in part only), the Security Registrar, upon receipt of notice of such event from the Depositary's custodian for this Note, shall make an adjustment on its records to reflect an increase or decrease of the Outstanding principal amount of this Note resulting from such deposit or withdrawal, as the case may be.]

The indebtedness evidenced by this Note is, to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness of the Company, and this Note is issued subject to such provisions of the Indenture with respect thereto. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes.

If an Event of Default shall occur and be continuing, the principal of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights under the Indenture of the Holders of Debt Securities issued thereunder at any time by the

Company and the Trustee with the consent of the Holders of a majority in principal amount of the Outstanding Debt Securities affected thereby. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note or such other Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the times, places and rate, and in the coin or currency, herein prescribed or to exchange this Note for Diamond Offshore Common Stock or cash as and when provided in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of Notes is registrable on the Note Register upon surrender of a Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, and at such other offices or agencies as the Company may designate, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to recover any tax or other governmental charge payable in connection therewith.

Prior to due presentation of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered, as the owner thereof for all purposes, whether or not such Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

THE INDENTURE AND THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN

ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

2.4 Form of Trustee's Certificate of Authentication.

This is one of the Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Signatory

2.5 Form of Exchange Notice.

EXCHANGE NOTICE

The undersigned Holder of this Note hereby irrevocably exercises the option to exchange this Note, or any portion of the principal amount hereof (which is an integral multiple of $1,000) below designated, into shares of Common Stock of Diamond Offshore Drilling, Inc. in accordance with the terms of the Indenture (including the rights of the Company to elect cash settlement) referred to in this Note, and directs that such shares, together with a check in payment for any fractional share, or a check in payment of the appropriate cash settlement amount, if applicable, and any Notes representing any unexchanged principal amount hereof, be delivered to and, in the case of shares, be registered in the name of the undersigned unless a different name has been indicated below. If such shares of Common Stock or Notes are to be registered in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes and other governmental charges payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Note.

Dated: _____

_____
Signature

If shares or Notes are to be registered in the name of a Person other than the Holder, please print such Person's name and address:

_____
Name

_____
Address

_____
Social Security or other Taxpayer Identification Number, if any

If only a portion of the Notes is to be exchanged, please indicate:

1. Principal amount to be exchanged:

   $_____

2. Principal amount and denomination of Notes representing unexchanged principal amount to be issued:

   Amount: $_____

   Denominations: $_____ (any integral multiple of $1,000)

Signature must be guaranteed by an eligible Guarantor Institution (banks, stockbrokers, savings and loan associations and credit unions) with membership in an approved signature medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if cash or Common Stock is to be delivered other than to, and in the name of, the registered Holder.

[Signature Guarantee]

3. Title and Terms.

There shall be a series of Debt Securities designated as the "3_% Exchangeable Subordinated Notes due 2007" of the Company. Their Stated Maturity shall be September 15, 2007 and they shall bear interest at the rate of 3_% per annum, from September 19, 1997 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, payable semi-annually on March 15 and September 15, commencing March 15, 1998 until the principal thereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the Person in whose name the Notes (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such interest, which shall be the March 1 or

September 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

The aggregate principal amount of Notes which may be authenticated and delivered under this Third Supplemental Indenture is limited to $1,150,000,000, except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 304, 305, 306, 906 or 1107 of the Indenture.

The Notes shall be redeemable at the option of the Company and exchangeable into shares of Diamond Offshore Common Stock at the option of the Holder, subject to the Company's right to suspend exchanges and to elect cash settlement (including by payment of the Average Market Value Amount in connection with a redemption of Notes or final maturity of the Notes), in each case in accordance with the terms set forth in the form of Note and in this Third Supplemental Indenture.

The Securities of this series shall not be subject to a sinking fund.

The Notes of this series are not subject to defeasance at the option of the Company pursuant to Article Fifteen of the Indenture.

4. Exchange of Notes.

4.1 Exchange Privilege and Exchange Rate; Suspension of Exchanges; Cash Settlement.

Subject to and upon compliance with the provisions of this Section, at the option of the Holder thereof, any Note or any portion which is $1,000 or an integral multiple thereof may be exchanged into fully paid and nonassessable shares (calculated as to each exchange to the nearest 1/100th of a share) of Diamond Offshore Common Stock at the Exchange Rate, determined as hereinafter provided, in effect at the time of exchange. Such exchange right shall commence on October 1, 1998 and shall expire at the close of business on September 15, 2007. In case a Note or portion thereof is called for redemption at the election of the Company, such exchange right in respect of the Note, or portion thereof, so called shall expire at the close of business on the Redemption Date unless the Company defaults in making the payment due upon redemption.

The rate at which shares of Common Stock shall be delivered upon exchange (herein called the "Exchange Rate") shall be initially 15.3757 shares of Diamond Offshore Common Stock for each $1,000 principal amount of Notes. The Exchange Rate shall be adjusted in certain instances as provided in this Section 4.

The Company may at any time suspend the right of exchange attaching to the

Notes, by giving one business day's notice of such suspension to the Trustee (which notice may be given by Diamond Offshore on behalf of the Company), provided that, (i) the total period during which such right of exchange is suspended shall not exceed 90 consecutive days at any one time or a total of 120 days in any 12-month period; and (ii) no such suspension may be in effect during the 14-day period preceding any Redemption Date or the final maturity date of the Notes. In addition, the right of Holders to exchange will be suspended if the Company has irrevocably elected to pay in cash the Average Market Value Amount in respect of all Notes delivered for exchange prior to Redemption Date or final maturity date in respect of the Notes, as provided in the Notes.

At any time prior to September 2, 2007, and unless the Company shall have previously elected in connection with a call for redemption or at maturity to pay in cash the Average Market Value Amount upon any exchange prior to the applicable Redemption Date or final maturity date, as set forth below, the Company may elect to make a cash settlement in respect of any Note surrendered for exchange by delivering notice thereof to the tendering Holder not more than five Trading Days after such Note is surrendered for exchange. Such cash settlement shall be in an amount, per $1,000 principal amount of Notes delivered for exchange, equal to the greater of (A) $1,000 and (B) the product of (i) the then-prevailing Exchange Rate and (ii) the average of the Closing Price of the Diamond Offshore Common Stock on the five Trading Days commencing two Trading Days after delivery by the Company of such notice to such Holder. The Company will pay such cash settlement amount as promptly as practicable after the completion of such five Trading Day period.

4.2. Exercise of Exchange Privilege.

In order to exercise the exchange privilege, the Holder of any Note to be exchanged shall surrender such Note, duly endorsed or assigned to the Company or in blank, at any office or agency of the Company maintained for that purpose pursuant to Section 4.7 of this Third Supplemental Indenture, accompanied by a duly signed exchange notice substantially in the form provided in Section 2.5 of this Third Supplemental Indenture, stating that the Holder elects to exchange such Note or, if less than the entire principal amount thereof is to be exchanged, the portion thereof to be exchanged. Each Note surrendered for exchange (in whole or in part) during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (except in the case of any Note or portion thereof which has been called for redemption on a Redemption Date occurring within such period) be accompanied by payment in New York Clearing House (next day) funds (or other funds acceptable to the Company) of an amount equal to the interest payable on such Interest Payment Date on the principal amount of such Note (or portion thereof, as the case may be) being surrendered for exchange. The interest so payable on any Interest Payment Date with respect to any Note (or portion thereof, if applicable) which has been called for redemption on a Redemption Date occurring during the period from the close of

business on the Regular Record Date next preceding such Interest Payment Date to the opening of business on such Interest Payment Date, which Note (or portion thereof, if applicable) so called for redemption is surrendered for exchange (in whole or in part) prior to such Redemption Date, shall be paid upon such exchange to the Holder of such Note (or portion thereof) as of the exchange date in an amount equal to the interest that would have been payable on the principal amount of such Note (or portion thereof) so called for redemption and being exchanged if such principal amount had been exchanged as of the close of business on such Interest Payment Date. The interest so payable on any Interest Payment Date in respect of any Note (or portion thereof, as the case may be) which has not been called for redemption on a Redemption Date occurring during the period from the close of business on the Regular Record Date next preceding such Interest Payment Date to the opening of business on such Interest Payment Date, which Note (or portion thereof, as the case may be) not so called for redemption is surrendered for exchange (in whole or in part) during such period, shall be paid to the Holder of such Note as of such Regular Record Date. Interest payable on any Interest Payment Date in respect of any Note surrendered for exchange on or after such Interest Payment Date shall be paid to the Holder of such Note as of the Regular Record Date next preceding such Interest Payment Date, notwithstanding the exercise of the right of exchange. Except as provided in this paragraph, no cash payment or adjustment shall be made upon any exchange on account of any interest accrued from the Interest Payment Date next preceding the exchange date in respect of any Note (or part thereof, as the case may be) surrendered for exchange, or on account of any dividends on the Diamond Offshore Common Stock issued upon exchange.

Notes shall be deemed to have been exchanged immediately prior to the close of business on the day of surrender of such Notes for exchange in accordance with the foregoing provisions, and at such time the rights of the Holders of such Notes as Holders shall cease, and the Person or Persons entitled to receive the Diamond Offshore Common Stock issuable upon exchange shall be treated for all purposes as the record holder or holders of such Diamond Offshore Common Stock at such time. Within five Trading Days of the exchange date, the Company shall issue and deliver to the Trustee, for delivery to the Holder, a certificate or certificates for the number of full shares of Diamond Offshore Common Stock issuable upon exchange, together with payment in lieu of any fraction of a share, if any, as provided in Section 4.3 of this Third Supplemental Indenture.

In the case of any Note which is exchanged in part only, upon such exchange the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Note or Notes of authorized denominations in an aggregate principal amount equal to the unexchanged portion of the principal amount of such Note.

4.3. Fractions of Shares.

No fractional shares of Diamond Offshore Common Stock shall be delivered upon

exchange of any Note or Notes. If more than one Note shall be surrendered for exchange at one time by the same Holder, the number of full shares which shall be issuable upon exchange thereof shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof) so surrendered. Instead of any fractional share of Diamond Offshore Common Stock which would otherwise be issuable upon exchange of any Note or Notes (or specified portions thereof), the Company shall calculate and pay a cash adjustment in respect of such fraction (calculated to the nearest 1/100th of a share) in an amount equal to the same fraction of the Closing Price at the close of business on the day of exchange (or, if such day is not a Trading Day, on the Trading Day immediately preceding such day), or at the Company's option, the Company shall round up to the next higher whole share.

4.4. Adjustment of Exchange Rate.

The Exchange Rate shall be subject to adjustments from time to time as follows:

(1) In case Diamond Offshore shall pay or make a dividend or other distribution on Diamond Offshore Common Stock exclusively in Diamond Offshore Common Stock or shall pay or make a dividend or other distribution on any other class of capital stock of Diamond Offshore which dividend or distribution includes Diamond Offshore Common Stock, the Exchange Rate in effect at the opening of business on the day next following the Determination Date of such dividend or other distribution shall be increased by dividing such Exchange Rate by a fraction of which the numerator shall be the number of shares of Diamond Offshore Common Stock outstanding at the close of business on such Determination Date and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day next following such Determination Date. For the purposes of this paragraph (1), the number of shares of Diamond Offshore Common Stock at any time outstanding shall not include shares held in the treasury of Diamond Offshore but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Diamond Offshore Common Stock.

(2) Subject to the last sentence of paragraph (8) of this Section, in case Diamond Offshore shall pay or make a dividend or other distribution on Diamond Offshore Common Stock consisting exclusively of, or shall otherwise issue to all holders of Diamond Offshore Common Stock, rights, warrants or options entitling the holders thereof to subscribe for or purchase shares of Diamond Offshore Common Stock at a price per share less than the current market price per share (determined as provided in paragraph (7) of this Section 4.4) of the Diamond Offshore Common Stock on the Determination Date, the Exchange Rate in effect at the opening of business on the day following such Determination Date shall be increased by dividing such Exchange Rate by a fraction of which the numerator shall be the number of shares of Diamond Offshore Common Stock outstanding at the close of business on such Determination Date plus the number of shares of Diamond Offshore Common Stock which the aggregate of the

offering price of the total number of shares of Diamond Offshore Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator shall be the number of shares of Diamond Offshore Common Stock outstanding at the close of business on such Determination Date plus the number of shares of Diamond Offshore Common Stock so offered for subscription or purchase, such increase to become effective immediately after the opening of business on the day following such Determination Date. For the purposes of this paragraph (2), the number of shares of Diamond Offshore Common Stock at any time outstanding shall not include shares held in the treasury of Diamond Offshore but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Diamond Offshore Common Stock.

(3) In case outstanding shares of Diamond Offshore Common Stock shall be subdivided into a greater number of shares of Diamond Offshore Common Stock, the Exchange Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Diamond Offshore Common Stock shall each be combined into a smaller number of shares of Diamond Offshore Common Stock, the Exchange Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(4) Subject to the last sentence of this paragraph (4) and to the last sentence of paragraph (8) of this Section, in case Diamond Offshore shall, by dividend or otherwise, distribute to all holders of Diamond Offshore Common Stock evidences of its indebtedness, shares of any class of capital stock, securities, cash or property (excluding any rights, warrants or options referred to in paragraph (2) of this Section 4.4, any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in paragraph (1) of this Section 4.4), the Exchange Rate shall be increased so that the same shall equal the rate determined by dividing the Exchange Rate in effect immediately prior to the effectiveness of the Exchange Rate increase contemplated by this paragraph (4) by a fraction of which the numerator shall be the current market price per share (determined as provided in paragraph (7) of this Section) of the Diamond Offshore Common Stock on the date of such effectiveness less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution and shall, in the case of securities being distributed for which prior thereto there is an actual or when-issued trading market, be no less than the value determined by reference to the average of the closing prices in such market over the period specified in the succeeding sentence), on the date of such effectiveness, of the portion of the evidences of indebtedness, shares of capital stock, securities, cash and property so distributed applicable to one share of Diamond Offshore Common Stock and the denominator shall be such current market price per share of the Diamond Offshore Common Stock, such increase to become

effective immediately prior to the opening of business on the day next following the later of (a) the date fixed for the payment of such distribution and (b) the date 20 days after the notice relating to such distribution is given pursuant to Section 4.6 (such later date of (a) and (b) being referred to as the "Reference Date"). For purposes of this paragraph (4), any dividend or distribution that includes shares of Diamond Offshore Common Stock or rights, warrants or options to subscribe for or purchase shares of Diamond Offshore Common stock shall be deemed instead to be (a) a dividend or distribution of the evidences of indebtedness, cash, property, shares of capital stock or securities other than such shares of Diamond Offshore Common Stock or such rights, warrants or options (making any Exchange Rate increase required by this paragraph (4)) immediately followed by (b) a dividend or distribution of such shares of Diamond Offshore Common Stock or such rights, warrants or options (making any further Exchange Rate increase required by paragraph (1) or (2) of this Section 4.4, except (i) the Reference Date of such dividend or distribution as defined in this paragraph (4) shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution", "the date fixed for the determination of stockholders entitled to receive such rights, warrants or options" and "the date fixed for such determination" within the meaning of paragraphs (1) and (2) of this Section 4.4 and (ii) any shares of Diamond Offshore Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of paragraph (1) of this Section 4.4).

(5) In case Diamond Offshore shall, by dividend or otherwise, make a Cash Distribution in an aggregate amount that, combined together with (i) the aggregate amount of any other Cash Distributions made within the 12 months preceding the date of payment of such distribution in respect of which no adjustment pursuant to this paragraph (5) has been made and (ii) any Excess Purchase Payment made within the 12 months preceding the date of such distribution and in respect of which no adjustment has been made pursuant to paragraph (6) of this Section 4.4, exceeds 12.5% of Diamond Offshore's Common Stock Market Capitalization on the Determination Date for such Cash Distribution, then, and in each such case, immediately after the close of business on the Determination Date for such Cash Distribution, the Exchange Rate shall be adjusted so that the same shall equal the rate determined by dividing the Exchange Rate in effect immediately prior to the close of business on such Determination Date by a fraction (a) the numerator of which shall be equal to the current market price per share (determined as provided in paragraph (7) of this Section) of the Diamond Offshore Common Stock on such Determination Date less an amount equal to the quotient of (1) the amount of such excess (over 12.5% of Diamond Offshore's Common Stock Market Capitalization as described above) divided by (2) the number of shares of Diamond Offshore Common Stock outstanding on such Determination Date and (b) the denominator of which shall be equal to the current market price per share (determined as provided in paragraph (7) of this Section 4.4) of the Diamond Offshore Common Stock on such Determination Date.

(6) In case Diamond Offshore or any subsidiary of Diamond Offshore shall make

an Excess Purchase Payment in an aggregate amount that, combined together with (i) the aggregate amount of any other Excess Purchase Payments made by Diamond Offshore or any subsidiary of Diamond Offshore within the 12 months preceding such Excess Purchase Payment in respect of which no adjustment pursuant to this paragraph (6) has been made and (ii) the aggregate amount of any Cash Distributions made within the 12 months preceding such Excess Purchase Payment in respect of which no adjustment pursuant to paragraph (5) of this Section 4.4 has been made, exceeds 12.5% of Diamond Offshore's Market Capitalization as of the Determination Date, then, and in each such case, immediately prior to the opening of business on the day after the tender offer in respect of which such Excess Purchase Payment is to be made expires, the Exchange Rate shall be adjusted so that the same shall equal the rate determined by dividing the Exchange Rate in effect immediately prior to the close of business on the Determination Date for such tender offer by a fraction (a) the numerator of which shall be equal to (A) the product of (I) the number of shares of Diamond Offshore Common Stock outstanding (including any tendered shares) at such Determination Date multiplied by (II) the current market price per share (determined as provided in paragraph (7) of this Section) of the Diamond Offshore Common Stock less (B) the amount of such excess (over 12.5% of Diamond Offshore's Common Stock Market Capitalization as described above) and (b) the denominator of which shall be equal to the product of (X) the current market price per share of the Diamond Offshore Common Stock (determined as provided in paragraph (7) of this Section 4.4) as of such Determination Date multiplied by (Y) the number of shares of Diamond Offshore Common Stock outstanding (including any tendered shares) as of the Determination Date less the number of all shares validly tendered and not withdrawn as of the Determination Date.

(7) For the purpose of any computation under this paragraph and paragraphs (2), (4) and (5) of this Section 4.4, the current market price per share of Diamond Offshore Common Stock on any date in question shall be deemed to be the average of the daily Closing Prices for the 5 consecutive Trading Days selected by the Company commencing not more than 20 Trading Days before, and ending not later than, the date in question; provided, however, that (i) if the "ex" date (as hereinafter defined) for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Exchange Rate pursuant to paragraph (1), (2), (3), (4), (5) or (6) above ("Other Event") occurs on or after the 20th Trading Day prior to the date in question and prior to the "ex" date for the issuance or distribution requiring such computation (the "Current Event"), the Closing Price for each Trading Day prior to the "ex" date for such Other Event shall be adjusted by dividing such Closing Price by the same fraction by which the Exchange Rate is so required to be adjusted as a result of such Other Event, (ii) if the "ex" date for any Other Event occurs after the "ex" date for the Current Event and on or prior to the date in question, the Closing Price for each Trading Day on and after the "ex" date for such Other Event shall be adjusted by dividing such Closing Price by the reciprocal of the fraction by which the Exchange Rate is so required to be adjusted as a result of such Other Event, (iii) if the "ex" date for any Other Event occurs on the "ex" date for the Current Event, one of those events shall be deemed for purposes of clauses (i) and (ii) of this proviso to have an "ex" date occurring prior to the "ex" date for the other event, and (iv) if the "ex" date for the

Current Event is on or prior to the date in question, after taking into account any adjustment required pursuant to clause (ii) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value on the date in question (as determined in good faith by the Board of Directors in a manner consistent with any determination of such value for purposes of paragraph (4) or (5) of this Section 4.4, whose determination shall be conclusive and described in a Board Resolution) of the portion of the rights, warrants, options, evidences of indebtedness, shares of capital stock, securities, cash or property being distributed applicable to one share of Diamond Offshore Common Stock. For the purpose of any computation under paragraph (6) of this Section 4.4, the current market price per share of Diamond Offshore Common Stock on any date in question shall be deemed to be the average of the daily Closing Prices for the 5 consecutive Trading Days selected by the Company commencing on or after the latest (the "Commencement Date") of (i) the date 20 Trading Days before the date in question, (ii) the date of commencement of the tender or exchange offer requiring such computation and (iii) the date of the last amendment, if any, of such tender or exchange offer involving a change in the maximum number of shares for which tenders are sought or a change in the consideration offered, and ending not later than the date of the Expiration Time of such tender or exchange offer (or, if such Expiration Time occurs before the close of trading on a Trading Day, not later than the Trading Day immediately preceding the date of such Expiration Time); provided, however, that if the "ex" date for any Other Event (other than the tender or exchange offer requiring such computation) occurs on or after the Commencement Date and on or prior to the date of the Expiration Time for the tender or exchange offer requiring such computation, the Closing Price for each Trading Day prior to the "ex" date for such Other Event shall be adjusted by dividing such Closing Price by the same fraction by which the Exchange Rate is so required to be adjusted as a result of such other event. For purposes of this paragraph, the term "ex" date, (i) when used with respect to any issuance or distribution, means the first date on which the Diamond Offshore Common Stock trades regular way on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution, (ii) when used with respect to any subdivision or combination of shares of Diamond Offshore Common Stock, means the first date on which the Diamond Offshore Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (iii) when used with respect to any tender or exchange offer means the first date on which the Diamond Offshore Common Stock trades regular way on such exchange or in such market after the Expiration Time of such tender or exchange offer.

(8) The reclassification of Diamond Offshore Common Stock into securities other than Diamond Offshore Common Stock (other than any reclassification upon a consolidation or merger to which Section 4.11 of the Supplemental Indenture applies) shall be deemed to involve (a) a distribution of such securities other than Diamond Offshore Common Stock to all holders of Diamond Offshore Common Stock (and the effective date of such reclassification shall be deemed to be the Determination Date), and (b) a subdivision or

combination, as the case may be, of the number of shares of Diamond Offshore Common Stock outstanding immediately prior to such reclassification into the number of shares of Diamond Offshore Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective", as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of paragraph (3) of this Section 4.4). Rights or warrants issued by Diamond Offshore to all holders of Diamond Offshore Common Stock entitling the holders thereof to subscribe for or purchase shares of Diamond Offshore Common Stock, which rights or warrants (i) are deemed to be transferred with such shares of Diamond Offshore Common Stock, (ii) are not exercisable and (iii) are also issued in respect of future issuances of Diamond Offshore Common Stock, in each case in clauses (i) through (iii) until the occurrence of a specified event or events ("Trigger Event"), shall for purposes of this Section 4.4 not be deemed issued until the occurrence of the earliest Trigger Event.

(9) Diamond Offshore may make such increases in the Exchange Rate, in addition to those required by paragraphs (1), (2), (3), (4), (5) and (6) of this Section, as it considers to be advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

(10) No adjustment in the Exchange Rate shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exchange Rate; provided, however, that any adjustments which by reason of this paragraph (10) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

4.5 Notice of Adjustments of Exchange Rate.

Whenever the Exchange Rate is adjusted as provided in Section 4.4 of this Third Supplemental Indenture:

(1) the Company shall compute the adjusted Exchange Rate in accordance with Section 4.4 and shall prepare a certificate signed by either the chief financial officer, the treasurer or the controller of the Company setting forth the adjusted Exchange Rate and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall promptly be filed with the Trustee and at each office or agency maintained for the purpose of exchange of Notes pursuant to Section 4.7 of this Third Supplemental Indenture; and

(2) a notice stating that the Exchange Rate has been adjusted and setting forth the adjusted Exchange Rate shall forthwith be prepared, and as soon as practicable after it is prepared, such notice shall be provided by the Company to the Trustee and to all Holders. Unless and until the Trustee receives such notice, it need not inquire into whether any

adjustment of the Exchange Rate is required and may assume that no such adjustment has been, or is required to be, made.

4.6. Notice of Certain Corporate Action.

In case:

(a) Diamond Offshore shall declare a dividend (or any other distribution) on Diamond Offshore Common Stock payable (i) otherwise than exclusively in cash or (ii) exclusively in cash in an amount that would require any adjustment pursuant to Section 4.4 of this Third Supplemental Indenture; or

(b) Diamond Offshore shall authorize the granting to the holders of Diamond Offshore Common Stock of rights, options or warrants to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(c) of any reclassification of Diamond Offshore Common Stock, or of any consolidation, merger or share exchange to which Diamond Offshore is a party and for which approval of any shareholders of Diamond Offshore is required, or of the conveyance, sale, transfer or lease of all or substantially all of the assets of Diamond Offshore; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of Diamond Offshore; or

(e) Diamond Offshore or any subsidiary of Diamond Offshore shall commence a tender offer for all or a portion of the outstanding shares of Diamond Offshore Common Stock (or shall amend any such tender offer);

then the Company shall cause to be filed with the Trustee and at each office or agency maintained for the purpose of conversion of Notes pursuant to Section 4.7 of this Third Supplemental Indenture, and shall cause to be provided to all Holders, by the later of (i) as soon as reasonably practicable after the Company has become aware of such matter or (ii) at least 20 days (or 10 days in any case specified in clause (a) or (b) above) prior to the applicable record, expiration or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Diamond Offshore Common Stock of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined, (y) the date on which the right to make tenders under such tender offer expires or (z) the date on which such reclassification, consolidation, merger, conveyance, transfer, sale, lease, dissolution, liquidation or winding up is expected to become effective, and the date as of which it

is expected that holders of Diamond Offshore Common Stock of record shall be entitled to exchange their shares of Diamond Offshore Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, conveyance, transfer, sale, lease, dissolution, liquidation or winding up. Neither the failure to give such notice or the notice referred to in the following paragraph nor any defect therein shall affect the legality or validity of the proceedings described in clauses (a) through (e) of this Section 4.6.

The preceding paragraph to the contrary notwithstanding, the Company shall cause to be filed at each office or agency maintained for the purpose of exchange of Notes pursuant to Section 4.7 of this Third Supplemental Indenture, and shall cause to be provided to all Holders, notice of any tender offer by Diamond Offshore or any subsidiary of Diamond Offshore for all or any portion of the Diamond Offshore Common Stock at or about the time that such notice of tender offer is provided to the public generally.

4.7. Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan, The City of New York an office or agency where Notes may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Notes and the Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such surrenders may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such surrenders.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York) where the Notes may be presented or surrendered for such purpose and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purpose. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

4.8 Taxes on Exchanges.

Except as provided in the next sentence, the Company will pay any and all taxes and duties that may be payable in respect of the delivery of shares of Diamond Offshore Common Stock pursuant hereto. The Company shall not, however, be required to pay any tax or duty which may be payable in respect of any transfer involved in the delivery of shares of Diamond Offshore Common Stock in a name other than that of the Holder of the Note or Notes

to be exchanged, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of any such tax or duty, or has established to the satisfaction of the Company that such tax or duty has been paid.

4.9. Covenant as to Diamond Offshore Common Stock.

The Company agrees that all shares of Diamond Offshore Common Stock which may be delivered upon exchange of Notes, upon such delivery, will have been duly authorized and validly issued and will be fully paid and nonassessable and, except as provided in Section 4.8 of this Third Supplemental Indenture, the Company will pay all taxes, liens and charges with respect to the issue thereof.

4.10. Cancellation of Exchanged Notes.

All Notes delivered for exchange shall be delivered to the Trustee to be canceled by or at the direction of the Trustee, which shall dispose of the same as provided in Section 309 of the Indenture.

4.11. Provision in Case of Consolidation, Merger or Sale of Assets of Diamond Offshore.

In case of any consolidation of Diamond Offshore with any other Person, any merger of Diamond Offshore into another Person or of another Person into Diamond Offshore (other than a merger which does not result in any reclassification, exchange, exchange or cancellation of outstanding shares of Diamond Offshore Common Stock) or any conveyance, sale, transfer or lease of all or substantially all of the properties and assets of Diamond Offshore, the Company shall execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Note then Outstanding shall have the right thereafter, during the period such Note shall be exchangeable, to exchange such Note only into the kind and amount of Notes, cash and other property receivable upon such consolidation, merger, conveyance, sale, transfer or lease (including any Diamond Offshore Common Stock retainable) by a holder of the number of shares of Diamond Offshore Common Stock of the Company into which such Note might have been exchanged immediately prior to such consolidation, merger, conveyance, sale, transfer or lease, (a) assuming such holder of Diamond Offshore Common Stock (i) is not a Person with which Diamond Offshore consolidated, into which Diamond Offshore merged or which merged into Diamond Offshore or to which such conveyance, sale, transfer or lease was made, as the case may be (a "Constituent Person"), or an Affiliate of a Constituent Person and (ii) failed to exercise his rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, sale, transfer or lease (provided that if the kind or amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, sale, transfer, or lease is not the same for each share of Diamond Offshore

Common Stock held immediately prior to such consolidation, merger, conveyance, sale, transfer or lease by others than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("Non-electing Share"), then for the purpose of this Section 4.11 the kind and amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, sale, transfer or lease by the holders of each Non-electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-electing Shares), and (b) further assuming that, if such consolidation, merger, conveyance, transfer, sale or lease occurs before the first date on which Notes may be exchanged as provided herein, such Note was exchangeable immediately prior to the time of such occurrence at the initial Exchange Rate as adjusted from the original issue date of the Notes to such time as provided herein. Such supplemental indenture shall provide for adjustments which, for events subsequent to the effective date of such supplemental indenture, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The above provisions of this Section 4.11 shall similarly apply to successive consolidations, mergers, conveyances, sales, transfers or leases. Notice of the execution of such a supplemental indenture shall be given by the Company to the Holder of each Note promptly upon such execution. In this paragraph, "securities of the kind receivable" upon such consolidation, merger, conveyance, transfer, sale or lease by a holder of Diamond Offshore Common Stock means securities that, among other things, are registered and transferable under the Securities Act, and listed and approved for quotation in all securities markets, in each case to the same extent as such securities so receivable by a holder of Diamond Offshore Common Stock.

Neither the Trustee nor any Paying Agent shall be under any responsibility to determine the correctness of any provisions contained in any such supplemental indenture relating either to the kind or amount of shares of stock or other securities or property or cash receivable by Holders upon the exchange of their Notes after any such consolidation, merger, conveyance, transfer, sale or lease or to any such adjustment, but may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, an Opinion of Counsel with respect thereto, which the Company shall cause to be furnished to the Trustee upon request.

4.12. Responsibility of Trustee for Exchange Provisions.

The Trustee, subject to the provisions of Section 601 of the Indenture, shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist which may require any adjustment of the Exchange Rate, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same, or whether a supplemental indenture need be entered into. The Trustee, in such capacity and subject to the provisions of Section 601 of the Indenture, shall not be accountable with respect to the validity or value (or the kind or amount) of any Diamond Offshore Common Stock, or of any other securities or property or cash, which may at any time be issued or delivered upon the exchange of any Note; and it or

they do not make any representation with respect thereto. The Trustee, in such capacity and subject to the provisions of Section 601 of the Indenture, shall not be responsible for any failure of the Company to make or calculate any cash payment or to issue, transfer or deliver any shares of Diamond Offshore Common Stock or share certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion; and the Trustee, subject to the provisions of Section 601 of the Indenture, shall not be responsible for any failure of the Company to comply with any of the covenants of the Company contained in this Section.

4.13. Registration.

The Company will use its best efforts to effect or cause to be effected all registrations with, and obtain all approvals by, all governmental authorities that may be necessary under any United States Federal or state law (including the Securities Act, the Exchange Act and state securities and Blue Sky laws) for the shares of Diamond Offshore Common Stock issuable upon conversion of Notes to be lawfully issued and delivered as provided herein, and thereafter freely transferrable.

5. Miscellaneous.

(a) The Trustee accepts the trusts created by the Indenture, as supplemented by this Third Supplemental Indenture, and agrees to perform the same upon the terms and conditions of the Indenture, as supplemented by this Third Supplemental Indenture.

(b) The recitals contained herein shall be taken as statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Third Supplemental Indenture.

(c) All covenants and agreements in this Third Supplemental Indenture by the Company or the Trustee shall bind its respective successors and assigns, whether so expressed or not.

(d) In case any provisions in this Third Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(e) Nothing in this Third Supplemental Indenture, express or implied, shall give to any Person, other than the parties hereto and their successors under the Indenture and the Holders of the Notes, any benefit or any legal or equitable right, remedy or claim under the Indenture.

(f) If any provision hereof limits, qualifies or conflicts with a provision of the

Trust Indenture Act of 1939, as may be amended from time to time, that is required under such Act to be a part of and govern this Third Supplemental Indenture, the latter provision shall control. If any provision hereof modifies or excludes any provision of such Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Third Supplemental Indenture as so modified or excluded, as the case may be.

(g) This Third Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

(h) All provisions of this Third Supplemental Indenture shall be deemed to be incorporated in, and made a part of, the Indenture; and the Indenture, as supplemented by this Third Supplemental Indenture, shall be read, taken and construed as one and the same instrument. The provisions of this Third Supplemental Indenture shall, subject to Section 5(f) hereof, supercede the provisions of the Indenture to the extent the Indenture is inconsistent herewith.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Supplemental Indenture to be duly executed by their respective officers thereunto duly authorized and the seal of the Company and the Trustee duly attested to be hereunto affixed all as of the day and year first above written.

LOEWS CORPORATION

[SEAL]

By: /s/ Peter W. Keegan

Its: Vice President

THE CHASE MANHATTAN BANK

[SEAL]

By: /s/ Ronald J. Halleran

Its: Second Vice President

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 18th day of September, 1997, before me personally came Ronald J. Halleran to me known, who, being by me duly sworn, did depose and say that he resides at New York, New York; that he is a Second Vice President of THE CHASE MANHATTAN BANK, one of the banking corporations described herein and that executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the Board of Directors of said corporation and that he signed his name thereto by order of the Board of Directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year of this certificate first above written.

[NOTARIAL SEAL]

/s/ Kin Yu Lee

Notary Public

Kin Yu Lee
Notary Public, State of New York
No. 01LE6031199
Qualified in New York County
Commission Expires Aug. 1, 1998

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 18th day of September, 1997, before me personally came Peter Keegan to me known, who, being by me duly sworn, did depose and say that he resides at New York, New York; that he is a Vice President of LOEWS CORPORATION, the corporations described herein and that executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the Board of Directors of said corporation and that he signed his name thereto by order of the Board of Directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year of this certificate first above written.

[NOTARIAL SEAL]

/s/ Debra D. Karam

Notary Public

Debra D. Karam
Notary Public, State of New York
No. 4886691
Qualified in Nassau County
Commission Expires May 18, 1998

Exhibit 4.2

LOEWS CORPORATION
667 Madison Avenue
New York, NY 10021-8087

Diamond Offshore Drilling, Inc.
15415 Katy Freeway
Houston, TX 77094

Attention: Richard L. Lionberger
Vice President, General Counsel and Secretary

Gentlemen:

Reference is made to the Registration Rights Agreement dated October 16, 1995 (the "Agreement") between you (the "Company") and the undersigned ("Loews"). Capitalized terms used and not otherwise defined herein are used with meanings given thereto in the Agreement.

1. Demand Registration. This letter constitutes Loews's written request (being the first of three such requests to which Loews is entitled) pursuant to Section 2.1 of the Agreement that the Company prepare and file, and use its best efforts to cause to become effective as soon as practicable (but not later than September 30, 1998), one or more registration statements under the Act for a continuous offering by Loews of shares of Registerable Common Stock under Rule 415 promulgated by the Commission under the Act (the "Registration Statement"). The shares of Registerable Common Stock covered by this request will underlie a proposed issuance by Loews of its Exchangeable Notes due 2007 ("Exchangeable Notes") through a public offering of such notes to be underwritten by Goldman, Sachs & Co. (the "Note Offering"). Loews expects to price the Note Offering on or about September 16, 1997 at which time Loews will advise the Company of the exact number of shares of Registerable Common Stock to be covered by this request and the Registration Statement.

2. The Registration Statement.

(i) Notwithstanding Section 5(h) of the Agreement, the Company agrees to keep effective the Registration Statement until the first to occur of (A) September 15, 2007 and (B) such time as no Exchangeable Notes remain outstanding.

(ii) Loews agrees that the Company may, by giving one business day's written notice to Loews, and the trustee and the exchange agent for the Exchangeable Notes (which notice shall specify that it is given on behalf of Loews under the indenture for the Exchangeable Notes (the "Indenture")), defer filing the Registration Statement to a date later than September 30, 1998, or, at any time and from time to time after the Registration Statement has been filed and declared effective, require Loews to suspend use of any resale prospectus or prospectus supplement included in the Registration Statement (A) for a reasonable period of time, but not in excess of ninety (90) days, if the Company (x) is at such time conducting or about to conduct an underwritten public offering of its securities for its own account and the Board of Directors of the Company determines in good faith that such offering would be materially adversely affected by such use, or (y) would, in the opinion of the Company's counsel, be required

to disclose in such Registration Statement information not otherwise then required by law to be publicly disclosed and, in the good faith judgment of the Board of Directors of the Company, such disclosure would reasonably be expected to adversely affect any material business transaction or negotiation in which the Company is then engaged or (B) for any period during which the Company has notified Loews and the exchange agent for the Exchangeable Notes of the occurrence of an event requiring the preparation of a supplement to the resale prospectus included in the Registration Statement or an amendment to the Registration Statement so that, as thereafter delivered to holders of the Exchangeable Notes exchanging such notes for shares of Registerable Common Stock, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and as promptly as practicable make available to Loews any such supplement or amendment. Notwithstanding the foregoing, such suspensions of use of any such resale prospectus or prospectus supplement shall not be in effect for more than 120 days in any twelve-month period.

(iii) Loews further agrees that the provisions of paragraph (ii) above shall apply to any future request for registration made by Loews under Section

2.1 of the Agreement if such request relates to a "shelf" registration requested to be filed by the Company pursuant to Rule 415 promulgated under the Act.

3. Underwriting Agreement. Pursuant to Section 5(1) of the Agreement, the Company agrees to enter into the underwriting agreement, in the form attached hereto as Exhibit "A".

4. Limitations on Suspension Periods. Notwithstanding the provisions of Section 2(ii) hereof, the Company agrees with Loews that it will not suspend the use of any resale prospectus or prospectus supplement included in the Registration Statement (i) during the 14-day period preceding the final maturity date of the Exchangeable Notes or, subject to compliance by Loews with the provisions of this Section 4, during the 14-day period preceding any Redemption Date (as defined in Loews's prospectus supplement for the Exchangeable Notes (the "Prospectus Supplement")) with respect to the Exchangeable Notes. Loews agrees not to give notice under the Indenture to the holders of Exchangeable Notes of any proposed optional redemption at any time when use of any such prospectus or prospectus supplement has been suspended by the Company in accordance with this letter. Prior to giving notice under the Indenture to the holders of Exchangeable Notes of any proposed optional redemption, Loews agrees to provide the Company with at least three full Trading Days' (as defined in the Prospectus Supplement) written notice (or such shorter period as the Company may agree) of such proposed optional redemption (the "Redemption Notice"). On or before the close of business on the third Trading Day following actual receipt by the Company of the Redemption Notice, the Company will notify Loews if the Company elects to suspend the use of any resale prospectus or prospectus supplement pursuant to Section 2(ii) above. If the Company elects to suspend use of any resale prospectus or prospectus supplement, the Company will effect such suspension promptly and Loews will not give notice of any proposed optional redemption until the suspension period has terminated or expired.

5. Effect Hereof. This letter agreement constitutes an amendment to the Agreement pursuant to Section 12.5 thereof and the general provisions of such agreement apply to this letter agreement (except the notice provisions hereof will control over Section 12.7 thereof in the event of any inconsistency). As amended hereby, the Agreement is hereby confirmed to be and remain in full force and effect.

If this letter correctly sets forth our mutual understanding regarding the amendment to the Agreement proposed to be effected hereby, please so indicate by

executing each copy hereof, whereupon this letter shall constitute an agreement between us to amend the Agreement, and otherwise as set forth above.

LOEWS CORPORATION

By: /s/ Barry Hirsch

Name: Barry Hirsch
Title: Sr. Vice President

Agreed and accepted
this 16th day of September, 1997

DIAMOND OFFSHORE DRILLING, INC.

By: /s/ Richard L. Lionberger

Name: Richard L. Lionberger
Title: Vice President

Exhibit 99.1

Contact: Peter W. Keegan
Senior Vice President
(212) 521-2950

FOR IMMEDIATE RELEASE

LOEWS CORPORATION ANNOUNCES COMPLETION OF EXCHANGEABLE SUBORDINATED NOTES OFFERING

NEW YORK, September 23, 1997 -- Loews Corporation (NYSE:LTR) announced that on September 19, 1997 it completed the sale of $1,150,000,000 principal amount of its 3 1/8% Exchangeable Subordinated Notes due September 15, 2007 (NYSE:LTR 07). The transaction included the sale of $150,000,000 of principal amount of Notes to cover over-allotments. The Notes are exchangeable into shares of Diamond Offshore Drilling, Inc. (NYSE:DO) common stock from October 1, 1998 to September 15, 2007 at a price of $65.04 per Diamond Offshore share. The managing underwriter for the offering was Goldman, Sachs & Co.

At the time the sale of the Notes was consummated, Loews owned 70,100,000 shares of Diamond Offshore common stock constituting approximately 50.3% of the outstanding shares, including the approximately 17,682,000 shares into which the Notes are exchangeable.

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