

Gol Intelligent Airlines Inc.
Form 6-K
March 31, 2010

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of March, 2010

(Commission File No. 001-32221) ,

GOL LINHAS AÉREAS INTELIGENTES S.A.
(Exact name of registrant as specified in its charter)

GOL INTELLIGENT AIRLINES INC.
(Translation of Registrant's name into English)

**R. Tamoios, 246
Jd. Aeroporto
04630-000 São Paulo, São Paulo
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

GOL LINHAS AÉREAS INTELIGENTES S.A.
CNPJ n.º 06.164.253/0001 -87
N.I.R.E. 35.300.314.441

MANAGEMENT S PROPOSAL FOR 2009 NET PROFIT ALLOCATION

The management of Gol Linhas Aéreas Inteligentes S.A. (Company) calculated the profit for fiscal year 2009 in the amount of R\$ 858,466 thousand, which after deduction of the accumulated loss for fiscal year 2008, in the amount of R\$ 76,000 thousand, resulted in a net profit for fiscal year 2009 of R\$ 782,466 thousand (2009 Net Profit), proposed to be allocated as follows:

1 Legal Reserve

As set forth in art. 193 of Law 6.404/76, as amended, five per cent (5%) of the 2009 Net Profit, equivalent to R\$ 39,123 thousand, shall be allocated to the Legal Reserve, which shall not exceed 20% (twenty per cent) of the Company's paid up capital.

2 Dividends

In compliance with the provisions set forth in the Company s Bylaws, and in art. 202 of Law 6.404/76, as amended, this management, based on the adjusted 2009 Net Profit, hereby proposes the distribution of dividends in the amount of R\$185,839 thousand, to preferred and common shares of the Company, ensuring the shareholders the right to payment of minimum dividends of 25% of the net profit for the fiscal year¹as detailed below. The dividends were already declared by the Board of Directors at the meeting held on March 11, 2010 and will be paid on April 16, 2010. The record date for payment of dividends is set at March 29, 2010,

¹ Company s Bylaws:

ARTICLE 26- From the results of the fiscal year, occasional accumulated losses and income tax provision shall be deducted from the results of the fiscal year prior to any participation.

1st Paragraph - Over the remaining profit calculated as described in this Section's mainline, the statutory participation of the Managers shall be calculated to the maximum extent permitted by law.

2nd Paragraph - The net profit of the fiscal year after the deduction referred to in the previous paragraph, shall be applied as follows:

- a) 5% (five per cent) for the legal reserve until it reaches 20% (twenty per cent) of the Company's paid up capital;
- b) 25% (twenty-five per cent) of the balance of the net profit of the fiscal year, after the deduction referred to in the previous paragraph and adjusted pursuant to Section 202 of Law No. 6.404/76, shall be used to pay mandatory dividend to all of its shareholders;
- c) every time the amount of the minimum dividend is greater than the amount of the realized part of the fiscal year, he administration may suggest, and a Shareholders' Meeting approve, the destination of the excess to the constitution of profit reserve to be realized, pursuant to Section 197 of Law No. 6.404/76; and d) the remaining balance shall have the destination attributed to it by the Board of Directors, provided it has been approved during the Shareholders' Meeting, or it has not been decided otherwise.

	Dividends (R\$ million)	Gross value per share	Net value per share⁽¹⁾	Total value to be distributed (in million⁽²⁾)	Amount of shares (in million)	Distribution ratio⁽³⁾
2009⁽⁴⁾	185.8	0.70	0.70	185.8	265.2	25.0%
2008	36.2	0.18	0.18	36.2	201.4	n/a
2007						
1st Quarter/07	8.1	0.22	0.19	38.2	196.0	25.0%
2nd Quarter/07	-	0.16	0.14	27.2	196.2	29.2%
3rd Quarter/07	32.6	0.32	0.29	57.7	196.2	26.1%
4th Quarter/07	16.6	0.22	0.20	39.5	196.2	21.5%
Total	57.3	0.92	0.83	162.6	n/a	25.0%

1. The per share payment represents the total amount to be distributed after deduction of 15% Withholding Income Tax levied only on interest on the own capital.
2. Total amount to be distributed after deduction of 15% Withholding Income Tax levied only on interest on the own capital.
3. The distribution ratio represents the total net amount to be distributed per share divided by the base profit for calculation of the minimum mandatory dividend.
4. In addition to the dividends already declared, it won't be suggested to the Annual General Meeting any additional distributions, but only the confirmation of the distributions already made.

3 Profit Reserve

In conformity with the Company's Bylaws, the management hereby also proposes the remaining balance of the Net Profit, in the amount of R\$ 557,504 thousand, to be held in the Profit Reserve account, in order to be used for fleet expansion projects and other investments, as described in the Company's Budget Plan.

4 Briefly:

This proposal covers the following allocation of the net profit for fiscal year 2009:

SOURCES	R\$
Profit for fiscal year 2009	858,466
Deduction of the accumulated loss for fiscal year 2008	(76,000)
Net profit for fiscal year 2009	782,466
DESTINATIONS	
Legal reserve	39,123
Profit reserve	557,504
Dividends	185,839
	782,466

Therefore, we hereby submit our proposal.

São Paulo, March 30, 2010.

THE MANAGEMENT

SIGNATURE

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

Date: March 31, 2010

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: /S/ Leonardo Porciúncula Gomes
Pereira

Name: Leonardo Porciúncula Gomes
Pereira
Title: Executive Vice-President and
Chief Financial Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

LE="font-family:Times New Roman" SIZE="2">**15415 KATY FREEWAY**

HOUSTON, TEXAS 77094

PROXY STATEMENT

For the 2013 Annual Meeting of Stockholders

to be held on May 15, 2013

ABOUT THE ANNUAL MEETING

Why am I receiving these materials?

The Board of Directors, or the Board, of Diamond Offshore Drilling, Inc., a Delaware corporation, which we refer to in this Proxy Statement as we, us, our company or Diamond Offshore, is providing you these proxy materials in connection with the Board's solicitation of proxies from stockholders for our 2013 annual meeting of our stockholders, or the Annual Meeting, and any adjournments and postponements of the Annual Meeting. The Annual Meeting will be held at the offices of Loews Corporation, 667 Madison Avenue, New York, New York 10065 on Wednesday, May 15, 2013 at 8:30 a.m. local time. We expect to begin mailing to our stockholders proxy materials or an Important Notice Regarding the Availability of Proxy Materials, which we refer to as a Notice, containing instructions describing how to access our proxy materials, including this Proxy Statement and our Annual Report, by the Internet or by telephone and how to vote shares, on or about April 2, 2013. If you receive a Notice by mail you will not receive a printed copy of the proxy materials unless you specifically request it. Whether or not you plan to attend the Annual Meeting, you may submit a proxy to vote your shares by the Internet, telephone or mail as more fully described

below.

What is the purpose of the Annual Meeting?

At the Annual Meeting, you and our other stockholders entitled to vote at the Annual Meeting are requested to act upon proposals to elect ten members of our Board of Directors to serve until our 2014 annual meeting of stockholders, to ratify the appointment of Deloitte & Touche LLP as our independent auditors for fiscal year 2013 and to approve executive compensation by advisory vote.

Who is entitled to vote at the Annual Meeting?

Only holders of record of our common stock, par value \$.01 per share, at the close of business on March 25, 2013, the record date for the Annual Meeting, are entitled to notice of and to vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of common stock held. Shares of our common stock represented by a properly submitted proxy will be voted at the Annual Meeting. On the record date, 139,035,156 shares of our common stock, which is our only outstanding class of voting securities, were outstanding and entitled to vote.

Who can attend the Annual Meeting?

Only stockholders of record as of the close of business on March 25, 2013 and their accompanied guests, or the holders of their valid proxies, may attend the Annual Meeting. Each person attending the Annual Meeting will be asked to present valid government-issued picture identification, such as a driver's license or a passport, before being admitted to the meeting. In addition, stockholders who hold their shares through a broker or nominee (*i.e.*, in street name) should provide proof of their beneficial ownership as of March 25, 2013, such as

a brokerage statement showing their ownership of shares as of that date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting and attendees will be subject to security inspections.

What constitutes a quorum?

The presence at the Annual Meeting in person or by proxy of the holders of a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting is required to constitute a quorum for the transaction of business. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the Annual Meeting.

What vote is required to approve each item to be voted on at the Annual Meeting?

Majority Vote Standard for Election of Directors. Our Bylaws provide that a nominee for director in an uncontested election such as this one will be elected to the Board if all votes cast for that nominee's election exceed the votes cast against his election. Shares that are voted to abstain with respect to any one or more nominees and broker non-votes will not be counted and will have no effect on the outcome of the voting for directors. In the event that an incumbent nominee does not receive a majority of the votes cast, the Board will require that director to tender his resignation and will establish a committee to consider whether to accept or reject that resignation. The Board will act on the committee's recommendation and publicly disclose its decision.

Votes Required to Adopt Other Proposals. The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for approval of all other items being submitted to stockholders for consideration. Abstentions will be considered present for purposes of calculating the vote, but will not be considered to have been voted in favor of the matter voted upon, and since they are not affirmative votes for a proposal they will have the same effect as votes against the proposal. Broker non-votes will not be considered present for purposes of calculating the vote.

How does the Board recommend that I vote?

Our Board of Directors recommends that you vote for each of the nominees for director named in this Proxy Statement, for the ratification of the appointment of Deloitte & Touche LLP as our independent auditors for fiscal year 2013, and for the resolution approving executive compensation.

How do I vote?

You may vote in person at the Annual Meeting or you may give us your proxy. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. As described below, you can change your vote at the Annual Meeting. You can vote by proxy over the telephone by calling a toll-free number, electronically by using the Internet or through the mail as described below. The telephone and Internet voting procedures have been provided for your convenience and are designed to authenticate your identity, allow you to give voting instructions and confirm that your voting instructions have been properly recorded. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions set forth on the proxy card. If you are a holder of record and received your Proxy Statement and Annual Report by mail, you can vote by signing, dating and completing the proxy card included therewith and returning it by mail in the enclosed postpaid envelope. If you received a Notice and wish to vote by traditional proxy card, you may receive a full printed set of the proxy materials for the Annual Meeting at no charge through one of the following methods: (i) by the Internet at: www.proxyvote.com; (ii) by telephone at: 1-800-579-1639; or (iii) by e-mail at sendmaterial@proxyvote.com. Once you receive the Proxy Statement, Annual Report and proxy card, please sign, date and complete the proxy card and return it in the enclosed postpaid envelope. No postage is necessary if the proxy card is mailed in the United States. If you hold your shares through a bank, broker or other nominee, it will give you separate instructions for voting your shares.

Can I change my vote after I return my proxy card?

Yes. Your proxy may be revoked at any time before its exercise by sending written notice of revocation to William C. Long, Corporate Secretary, Diamond Offshore Drilling, Inc., 15415 Katy Freeway, Suite 100, Houston, Texas 77094, or by signing and delivering a proxy which is dated later, or, if you attend the Annual Meeting in person, by giving notice of revocation to the Inspectors of Election referred to below at the Annual Meeting.

How will votes be recorded?

Votes will be tabulated by Broadridge Financial Solutions, Inc., and the results will be certified by one or more inspectors of election who are required to resolve impartially any interpretive questions as to the conduct of the vote, whom we refer to as the Inspectors of Election. In tabulating votes, the Inspectors of Election will make a record of the number of shares voted for or against each nominee and each other matter voted upon, the number of shares abstaining with respect to each nominee or other matter, and the number of shares held of record by broker-dealers and present at the Annual Meeting but not voting.

Where can I find the voting results of the Annual Meeting?

We plan to announce preliminary voting results at the Annual Meeting and to publish the final results in a current report on Form 8-K following the Annual Meeting.

What is the date of this Proxy Statement?

The date of this Proxy Statement is March 26, 2013.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The table below shows certain information, at March 15, 2013 unless otherwise indicated, as to all persons who, to our knowledge, were the beneficial owners of 5% or more of the outstanding shares of our common stock, which is our only outstanding class of voting securities. All shares reported were owned beneficially by the persons indicated unless otherwise indicated below.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Loews Corporation 667 Madison Avenue New York, NY 10065-8087	70,104,620(1)	50.4%

(1) Loews Corporation has sole investment power and sole voting power over the shares.

Loews Corporation, or Loews, is a holding company. In addition to us, its principal subsidiaries are CNA Financial Corporation, a 90% owned subsidiary engaged in commercial property and casualty insurance; Boardwalk Pipeline Partners, LP, a 55% owned subsidiary engaged in the transportation and storage of natural gas and natural gas liquids and gathering and processing of natural gas; HighMount Exploration & Production LLC, a wholly owned subsidiary engaged in exploration, production and marketing of natural gas and oil (including condensate and natural gas liquids); and Loews Hotels Holding Corporation, a wholly owned subsidiary engaged in the operation of hotels.

Because Loews holds a majority of the outstanding shares of our common stock, Loews has the power to approve matters submitted for consideration at the Annual Meeting without regard to the votes of the other stockholders. We understand that Loews intends to vote for the election of the ten nominees for the Board of Directors, for the ratification of the appointment of Deloitte & Touche LLP as our independent auditors and for the resolution approving executive compensation. There are no agreements between us and Loews with respect to the election of our directors or officers or with respect to the other matters which may come before the Annual Meeting.

SECURITY OWNERSHIP OF MANAGEMENT AND DIRECTORS

The following table shows the amount and nature of beneficial ownership of our common stock and of the common stock, par value \$1.00 per share, of Loews, or Loews Common Stock, beneficially owned by each of our directors and nominees for director, each of our executive officers named in the Summary Compensation Table below, and all of our directors and executive officers as a group, as of March 1, 2013. All of our directors and executive officers individually and as a group own less than 1% of our common stock. Except as otherwise noted, the named beneficial owner has sole voting power and sole investment power with respect to the number(s) of shares shown below. The number of shares included with respect to stock appreciation rights, or SARs, granted under our Second Amended and Restated 2000 Stock Option Plan, as amended, or the Stock Option Plan, is the number of shares of our common stock each person would have received had they exercised their SARs, based on the fair market value per share (\$69.99) of our common stock, determined in accordance with the terms of our Stock Option Plan, on March 1, 2013.

Name of Beneficial Owner	Shares of Our Common Stock	Shares of Loews Common Stock	% of Loews Common Stock
James S. Tisch (1)	35,989	15,231,228	3.9%
Lawrence R. Dickerson (2)	13,448	0	*
John R. Bolton (3)	1,588	0	*
Charles L. Fabrikant (4)	1,815	1,200	*
Paul G. Gaffney II (5)	3,315	0	*
Edward Grebow (6)	815	1,500	*
Herbert C. Hofmann (7)	600	3,622	*
Clifford M. Sobel (6)	600	0	*
Andrew H. Tisch (8)	600	14,563,232	3.7%
Raymond S. Troubh (9)	9,315	30,000	*
Gary T. Krenek (10)	3,734	0	*
John M. Vecchio (11)	1,715	0	*
William C. Long (12)	6,984	0	*
Lyndol L. Dew (6)	1,191	0	*
All Directors and Executive Officers as a Group (16 persons including those listed above) (13)	82,549	29,830,782	7.6%

* Less than 1% of the Loews Common Stock.

- (1) The number of shares of our common stock includes 30,989 shares of common stock issuable upon the exercise of options and SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. The number of shares of Loews Common Stock includes 167,035 shares of Loews Common Stock issuable upon the exercise of options and SARs granted under the Loews Corporation Stock Option Plan that are currently exercisable. The number of shares of Loews Common Stock also includes 9,740,004 shares held by trusts of which Mr. J.S. Tisch is the managing trustee and 270,000 shares held by a charitable foundation as to which Mr. J.S. Tisch has shared voting and investment power.
- (2) Includes 3,351 shares of our common stock issuable upon the exercise of SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. Also includes 5,000 shares as to which Mr. Dickerson shares voting and investment power with his spouse and 5,097 shares held by virtue of his investment in our common stock pursuant to our Retirement Plan described below in Compensation Discussion and Analysis *Employee Benefits*, in which he shares voting and investment power with his spouse.
- (3) Includes 734 shares of our common stock issuable upon the exercise of SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter.
- (4) The number of shares of our common stock represents shares of our common stock issuable upon the exercise of options and/or SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. The number of shares of Loews Common Stock includes 600 shares held by a trust of which Mr. Fabrikant and his sister are the trustees and share voting and investment power.

- (5) Includes 2,315 shares of our common stock issuable upon the exercise of options and SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter, and 1,000 shares as to which Mr. Gaffney shares voting and investment power with his spouse.
- (6) The number of shares of our common stock represents shares of our common stock issuable upon the exercise of options and/or SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter.
- (7) The number of shares of our common stock represents shares of our common stock issuable upon the exercise of SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. The number of shares of Loews Common Stock represents shares of Loews Common Stock issuable upon the exercise of options and SARs granted under the Loews Corporation Stock Option Plan that are currently exercisable.
- (8) The number of shares of our common stock represents shares of common stock issuable upon the exercise of SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. The number of shares of Loews Common Stock includes 167,035 shares of Loews Common Stock issuable upon the exercise of options and SARs granted under the Loews Corporation Stock Option Plan that are currently exercisable. The number of shares of Loews Common Stock also includes 11,399,992 shares held by trusts of which Mr. A.H. Tisch is the managing trustee and 70,000 shares held by a charitable foundation as to which Mr. A.H. Tisch has shared voting and investment power.
- (9) The number of shares of our common stock includes 4,315 shares of our common stock issuable upon the exercise of options and SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter.
- (10) Includes 1,191 shares of our common stock issuable upon the exercise of SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. Also includes 1,000 shares as to which Mr. Krenek shares voting and investment power with his spouse and 1,543 shares held by virtue of his investment in our common stock pursuant to our Retirement Plan, in which he shares voting and investment power with his spouse.
- (11) Includes 1,709 shares of our common stock issuable upon the exercise of SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. Also includes 6 shares held by virtue of Mr. Vecchio's investment in our common stock pursuant to our Retirement Plan, in which he shares voting and investment power with his spouse.
- (12) Includes 4,585 shares of our common stock issuable upon the exercise of options and SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter. Also includes 2,399 shares held by virtue of Mr. Long's investment in our common stock pursuant to our Retirement Plan.
- (13) The number of shares of our common stock owned by all directors and executive officers as a group includes 840 shares of our common stock issuable upon the exercise of SARs granted under our Stock Option Plan that are exercisable at March 1, 2013 or within 60 days thereafter, by our two executive officers who are not Named Executive Officers in the Summary Compensation Table below. See Executive Compensation.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires that our executive officers and directors, and persons who beneficially own more than ten percent of our common stock, file initial reports of ownership and reports of changes in ownership of our equity securities with the Securities and Exchange Commission, or the Commission, and the New York Stock Exchange. Executive officers, directors and greater than ten percent beneficial owners are required by Commission regulations to furnish us with copies of all Section 16(a) reports they file. Based solely on a review of these reports furnished to us and written representations that no report on Form 5 was required for 2012, we believe that no director, executive officer or beneficial owner of more than ten percent of our common stock failed to file a Section 16(a) report on a timely basis during 2012.

ELECTION OF DIRECTORS**(Proposal No. 1)**

Our Board of Directors currently consists of ten directors. All directors are elected annually to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified or until their earlier resignation or removal. Our Board of Directors elects our officers annually to serve until the next annual meeting of the Board of Directors and until their successors are duly elected and qualified or until their earlier death, resignation, disqualification or removal from office. Information about our current nominees for director is below.

The nominees for director are James S. Tisch, Lawrence R. Dickerson, John R. Bolton, Charles L. Fabrikant, Paul G. Gaffney II, Edward Grebow, Herbert C. Hofmann, Clifford M. Sobel, Andrew H. Tisch and Raymond S. Troubh. Mr. J.S. Tisch and Mr. A.H. Tisch are brothers. Each of the ten directors to be elected at the Annual Meeting will serve a term of one year to expire at our 2014 annual meeting of stockholders.

It is intended that the proxies received from holders of our common stock, in the absence of contrary instructions, will be voted at the Annual Meeting for the election of Messrs. J.S. Tisch, Dickerson, Bolton, Fabrikant, Gaffney, Grebow, Hofmann, Sobel, A.H. Tisch and Troubh, each of whom is now a director. Although we do not contemplate that any of the nominees will be unable to serve, decline to serve, or otherwise be unavailable as a nominee at the time of the Annual Meeting, if that occurs we expect that the proxies will be voted for such other candidate or candidates as our Board of Directors may nominate.

Further information concerning the nominees for election as directors at the Annual Meeting, including their business experience during the past five years and other background information and individual qualifications, attributes and skills, appears below.

Name	Position	Age as of January 31, 2013	Director Since
James S. Tisch (1)	Chairman of the Board	60	1989
Lawrence R. Dickerson (1)	Director, President and Chief Executive Officer	60	1998
John R. Bolton	Director	64	2007
Charles L. Fabrikant (2)	Director	68	2004
Paul G. Gaffney II (3)	Director	66	2004
Edward Grebow (2)(3)	Director	63	2008
Herbert C. Hofmann	Director	70	1992
Clifford M. Sobel	Director	63	2011
Andrew H. Tisch (1)	Director	63	2011
Raymond S. Troubh (2)(3)	Director	86	1995

- (1) Member, Executive Committee of the Board of Directors
- (2) Member, Audit Committee of the Board of Directors
- (3) Member, Compensation Committee of the Board of Directors

James S. Tisch has served as Chairman of the Board since November 1995 and as a director since June 1989. He served as our Chief Executive Officer from March 1998 to May 2008. Mr. Tisch is the President and Chief Executive Officer, a member of the Office of the President and a director of Loews, a diversified holding company. Mr. Tisch also serves as a director of CNA Financial Corporation, a subsidiary of Loews, and General Electric Company.

Mr. Tisch's experience as our former Chief Executive Officer and his extensive background with our company have provided him with unique knowledge of and insight into our business and operations, and have

enabled him to be instrumental in providing us with both strategic direction and operational oversight. Our Board believes that Mr. Tisch's leadership and experience at Loews, together with his direct experience in managing our business and his institutional knowledge of our company, cause his contributions to our Board and its deliberations to be of exceptional value.

Lawrence R. Dickerson has served as our President and a director since March 1998 and as our Chief Executive Officer since May 2008. Mr. Dickerson served as our Chief Operating Officer from March 1998 to May 2008. Mr. Dickerson served as a director of Global Industries, Ltd. from March 2007 to November 2011. Mr. Dickerson served on the United States Commission on Ocean Policy from 2001 to 2004.

Mr. Dickerson has held a variety of senior executive positions with our company, including Chief Financial Officer, Chief Operating Officer and currently Chief Executive Officer, and his extensive understanding of our business and operations enables him to provide valuable input and perspective to our Board. In addition to the breadth and extent of his experience with our company, Mr. Dickerson has played an active role in organizations such as the International Association of Drilling Contractors and the Commission on Ocean Policy, which further contribute to his insight into our industry and his contributions to our Board's strategic and other deliberations.

John R. Bolton has served as a director since January 2007. Mr. Bolton is a Senior Fellow of the American Enterprise Institute and is Of Counsel to Kirkland & Ellis LLP. Mr. Bolton also served as a director of EMS Technologies, Inc. from July 2009 to August 2011. Mr. Bolton served in the U.S. Department of State as the U.S. Permanent Representative to the United Nations from 2005 to 2006 and as Under Secretary for Arms Control and International Security from 2001 to 2005.

Mr. Bolton brings to our Board his breadth of experience in international affairs and governmental service. His wide-ranging public policy experience and background in public affairs are a source of valuable knowledge and skills. Particularly in light of our international operations, Mr. Bolton's unique perspective allows him to make important contributions to the work of our Board.

Charles L. Fabrikant has served as a director since January 2004. Mr. Fabrikant has served as the Executive Chairman of the Board of SEACOR Holdings Inc., which operates offshore support vessels servicing oil and gas exploration and development, since 2010. Mr. Fabrikant served as the Chairman of the Board, Chief Executive Officer and President of SEACOR Holdings Inc. from 1989 to 2010. Mr. Fabrikant serves as the Non-Executive Chairman of the Board of ERA Group Inc., an international helicopter operator providing transportation services to the offshore drilling industry, which was wholly owned by SEACOR Holdings Inc. prior to 2013. He served as its President and Chief Executive Officer from October 2011 to April 2012 and has served as Chairman of the Board since July 2011.

As the Executive Chairman, and formerly the Chairman and Chief Executive Officer, of SEACOR Holdings Inc., a company that owns, operates, invests in and markets equipment for the offshore oil and gas, industrial aviation, and marine transportation industries worldwide, Mr. Fabrikant has an extensive background and practical, hands-on experience in the offshore energy industry. This background provides Mr. Fabrikant particular insight into many of the business decisions which come before our Board.

Paul G. Gaffney II has served as a director since October 2004. Mr. Gaffney has served as President of Monmouth University since 2003. He has also served as a trustee of Meridian Health Systems since 2003, and he served as a public trustee for NJ Sea Grant Consortium from 2005 until February 2013. Mr. Gaffney chaired the National Research Council Study, "Assessment of Marine Hydrokinetic Energy," from October 2010 until March 2013, and co-chaired the decadal review of the National Ocean Exploration Program from January 2012 until November 2012. In February 2010, Mr. Gaffney was elected to the National Academy of Engineering, a private, independent, nonprofit institution which advises the federal government and conducts independent studies that examine important topics in engineering and technology. Mr. Gaffney is a retired Navy Vice Admiral and has been recognized with numerous military decorations. He is the past chair of the Ocean Research Advisory Panel,

a panel created by statute to advise federal agencies regarding ocean science and management matters. Mr. Gaffney was President of the National Defense University from 2000 to 2003 and served as Commissioner of the U.S. Commission on Ocean Policy from 2001 to 2004. He was commander of the Navy's oceanography headquarters, located on the Mississippi Gulf Coast, from 1994 to 1997.

Mr. Gaffney's military experience, leadership in academia and expertise in ocean policy have provided him with valuable knowledge of both the complex management and oversight issues faced by large institutions as well as policy and operational issues affecting the offshore drilling industry. His distinguished naval career spanned over three decades including duty at sea, overseas, and ashore in executive and command positions. While a military officer, his career focused on oceanography, research administration and education, and his experience includes oceanographic operations in distant oceans, global weather forecasting and marine science sponsorship including severe weather prediction research. As a result of this knowledge and experience, Mr. Gaffney provides our Board meaningful insights and a unique perspective, which benefit the Board's decision making process.

Edward Grebow has served as a director since July 2008. Mr. Grebow has served as President and Chief Executive Officer of Amalgamated Bank since April 2011. Mr. Grebow also served as managing director of J.C. Flowers & Co. LLC from 2007 to March 2011, a director of Saddle River Valley Bank from 2010 to 2011 and a director of Flowers National Bank from 2008 to 2011. Mr. Grebow served as President of ULLICO Inc. from 2003 to 2006.

Mr. Grebow's experience as President & CEO of Amalgamated Bank, a \$4.5 billion commercial bank, as a managing director of J.C. Flowers & Co. LLC, a private equity firm with a focus on financial services companies, as President of ULLICO Inc., an insurance and financial services firm, and as a director of financial institutions enables him to provide our Board the benefit of his extensive knowledge of and background in financial services, investment and management. This knowledge and experience qualifies him to serve as the financial expert on our Board's Audit Committee.

Herbert C. Hofmann has served as a director since January 1992. Mr. Hofmann served as a Senior Vice President of Loews for over five years until May 2012 and was the President and Chief Executive Officer of Bulova Corporation, formerly a subsidiary of Loews, from 1989 until January 2008.

Mr. Hofmann has had extensive experience in his positions at Loews and practical, hands-on experience as the former Chief Executive Officer of Bulova Corporation, a company that distributes and sells watches and clocks. He also has a long background with our company, having served as a director since 1992. Mr. Hofmann's management background, combined with his institutional knowledge of our company, provide Mr. Hofmann particular insight into many of the business decisions which come before our Board.

Clifford M. Sobel has served as a director since July 2011. Mr. Sobel served as U.S. Ambassador to The Netherlands from 2001 until 2005 and U.S. Ambassador to Brazil from July 2006 until August 2009. He is presently Managing Partner of Valor Capital Group LLC, an investment group investing in Brazil. Previously he served as Chairman of Net2Phone, an Internet provider listed on the NASDAQ. Mr. Sobel is a member of the Millennium Promise Board, a non-governmental organization supporting the UN Millennium Development Goals, and also serves on the Advisory Boards to the American Military Commander of Europe and NATO, as well as the Command for American Forces for Central and South America.

Mr. Sobel's experience in foreign service and diplomatic background in important markets for our offshore drilling services provide him a unique perspective that adds value to the deliberations of our Board. His investment expertise combined with his experience and involvement in international affairs enable him to provide valuable insight and contributions to the work of our Board, particularly with respect to our international operations.

Andrew H. Tisch has served as a director since May 2011. He has served as a Co-Chairman of the Board of Directors of Loews since 2006, and serves as Chairman of the Executive Committee and a member of the Office of the President of Loews. He is also a director of K12 Inc. Mr. Tisch served as Chairman of the Board of Directors of K12 Inc. from May 2007 until June 2012. He is also a director of CNA Financial Corporation and of the general partner of Boardwalk Pipeline Partners, LP, a subsidiary of Loews. He has been a director of Loews since 1985.

Mr. Tisch has served as a member of the Office of the President of Loews since 1999, and prior to that time had served Loews in a number of executive positions. This experience has provided him with broad knowledge of and insight into the operations of Loews and the businesses in which it is engaged, including our company and its business. This experience, coupled with Mr. Tisch's institutional knowledge, is especially beneficial to our Board and its deliberations and decision making process.

Raymond S. Troubh has served as a director since November 1995. Mr. Troubh has been a financial consultant for over five years, is a former Governor of the American Stock Exchange and a former general partner of Lazard Freres & Co., an investment banking firm. Mr. Troubh is a director of General American Investors Company, Gentiva Health Services, Inc. and The Wendy's Company.

Mr. Troubh's breadth of experience, having served as a director of a number of companies in a variety of industries, as well as his skills and extensive background in finance and capital markets, enable him to provide valuable insight into business deliberations and judgments that come before our Board.

Director Independence

Because more than 50% of our outstanding common stock is held by Loews, we are a controlled company under the corporate governance listing standards of the New York Stock Exchange, or the NYSE Listing Standards. Although the NYSE Listing Standards do not require controlled companies to maintain a majority of independent directors, our Board currently is comprised of a majority of independent directors. Our Board of Directors has determined that Mr. Bolton, Mr. Fabrikant, Mr. Gaffney, Mr. Grebow, Mr. Sobel and Mr. Troubh, whom we refer to as Independent Directors, are independent under the NYSE Listing Standards. The Board considered all relevant facts and circumstances known to it and applied the independence guidelines described below in determining that none of the Independent Directors has any material relationship with us or our subsidiaries. In making its determination with respect to Mr. Fabrikant, our Board also considered the commercial relationship and legal proceedings arising in the ordinary course of business between our company and certain subsidiaries of SEACOR Holdings Inc., of which Mr. Fabrikant is the Executive Chairman of the Board, and determined that Mr. Fabrikant meets all of the requirements described above for Independent Directors and does not have a material relationship with us. Please read *Transactions with Related Persons* *Transactions with Other Related Parties* below for more information concerning Mr. Fabrikant's relationship with us.

The Board has established guidelines to assist it in determining director independence. Under these guidelines, a director would not be considered independent if:

(1) any of the following relationships existed during the past three years:

- (i) the director is our employee or the employee of any of our subsidiaries or has received more than \$100,000 per year in direct compensation from us or any of our subsidiaries, other than director and committee fees and pension or certain other forms of deferred compensation for prior service;
- (ii) the director provided significant advisory or consultancy services to us or any of our subsidiaries or is affiliated with a company or a firm that has provided significant advisory or consultancy services to us or any of our subsidiaries (annual revenue of the greater of 2% of the other company's consolidated gross revenues or \$1 million is considered significant);

- (iii) the director has been a significant customer or supplier of us or any of our subsidiaries or affiliated with a company or firm that is a significant customer or supplier of us or any of our subsidiaries (annual revenue of the greater of 2% of the other company's consolidated gross revenues or \$1 million is considered significant);
 - (iv) the director has been employed by or affiliated with an internal or external auditor that within the past three years provided services to us or any of our subsidiaries; or
 - (v) the director has been employed by another company where any of our current executives serve on that company's compensation committee;
- (2) the director's spouse, parent, sibling, child, mother- or father-in-law, son- or daughter-in-law or brother- or sister-in-law, or any other person sharing the director's home (other than a domestic employee), has a relationship described in (1) above; or
- (3) the director has any other relationships with us or any of our subsidiaries or with members of senior management that our Board of Directors determines to be material.

Committees of the Board of Directors

Our Board of Directors has three standing committees, the Executive Committee, the Audit Committee and the Compensation Committee. We do not have a nominating committee or charter. Because we are a controlled company under the NYSE Listing Standards, this committee is not required and our Board of Directors has determined that it is appropriate not to have this committee. The entire Board of Directors participates in the consideration of director nominees.

Executive Committee

The Executive Committee of the Board of Directors consists of three members, Mr. Dickerson, Mr. A.H. Tisch and Mr. J.S. Tisch. The Executive Committee has and may exercise all the powers of our Board of Directors in the management of our business that may lawfully be delegated to it by our Board of Directors. During 2012, the Executive Committee held four meetings.

Audit Committee

The Audit Committee of the Board of Directors consists of three members, Mr. Grebow, Mr. Troubh and Mr. Fabrikant. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility to oversee management's conduct of our financial reporting process, including review of our financial reports and other financial information, our system of internal accounting controls, our compliance with legal and regulatory requirements, the qualifications and independence of our independent auditors and the performance of our internal audit staff and independent auditors. The Audit Committee has sole authority to appoint, retain, compensate, evaluate and terminate the independent auditors and to approve all engagement fees and terms for the independent auditors. Our Board of Directors has adopted a written Audit Committee charter which can be found on our website at www.diamondoffshore.com and is available in print to any stockholder who requests a copy by writing to our Corporate Secretary. The Board has determined that each member of the Audit Committee is an Independent Director and satisfies the additional independence and other requirements for Audit Committee members provided for in the NYSE Listing Standards. The Board has determined that Mr. Grebow qualifies as an audit committee financial expert under the rules of the Commission.

Compensation Committee

The Compensation Committee of the Board of Directors consists of three members, Mr. Gaffney, Mr. Grebow and Mr. Troubh, each of whom is an Independent Director. The primary function of the Compensation Committee is to assist the Board in discharging its responsibilities relating to compensation of our executive officers. The Compensation Committee is also responsible to review and make recommendations to

our Board with respect to our Incentive Compensation Plan for Executive Officers, or Incentive Compensation Plan, and our Stock Option Plan, with respect to our executive officers, and to oversee these plans. The Compensation Committee is authorized to discharge any responsibilities imposed on it by these plans. Our Board of Directors has adopted a written Compensation Committee charter which can be found on our website at www.diamondoffshore.com and is available in print to any stockholder who requests a copy by writing to our Corporate Secretary. In accordance with its charter, the Compensation Committee may form and delegate authority to sub-committees consisting of one or more of its members when appropriate. See Compensation Discussion and Analysis for more information about the responsibilities of the Compensation Committee and the role of executive officers with respect to compensation matters.

Director Nominating Process

Our Board of Directors will, subject to the terms of our Certificate of Incorporation and Bylaws, review candidates recommended by stockholders for positions on the Board of Directors. The Bylaws provide that any stockholder entitled to vote generally in the election of directors at a meeting of stockholders who complies with the procedures specified in the Bylaws may nominate persons for election to the Board of Directors, subject to any conditions, restrictions and limitations imposed by our Certificate of Incorporation or Bylaws. These procedures include a requirement that our Corporate Secretary receive timely written notice of the nomination, which, for the 2014 annual meeting of stockholders, means that the nomination must be received no later than February 14, 2014. Any notice of nomination must be addressed to Diamond Offshore Drilling, Inc., 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary and must include, in addition to any other information or matters required by our Certificate of Incorporation or Bylaws, the following:

- (i) the name and address of the stockholder submitting the nomination and of the person or persons to be nominated;
- (ii) a representation that the stockholder is a holder of our capital stock entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;
- (iii) a description of all contracts, arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;
- (iv) such other information regarding each nominee proposed by the stockholder as would be required to be included in a proxy or information statement filed pursuant to the Exchange Act and the rules and regulations under it; and
- (v) the consent of each nominee to serve as our director if so elected.

Nominations of directors may also be made by the Board of Directors or as otherwise provided in our Certificate of Incorporation or Bylaws. In determining whether it will nominate a candidate for a position on our Board of Directors, the Board considers those matters it deems relevant, which may include, but are not limited to, integrity, judgment, business specialization, technical skills, independence, potential conflicts of interest and the present needs of the Board of Directors. In identifying, evaluating and nominating individuals to serve as our directors, including those identified by stockholders, our Board does not have any formal policy with respect to diversity and does not rely on any preconceived diversity guidelines or rules. Rather, our Board believes that our company is best served by directors with a wide range of perspectives, professional experiences, skills and other individual qualities and attributes. The Board retains its full discretion in making all such determinations, and also takes into account any restrictions, requirements or limitations contained in our Certificate of Incorporation or Bylaws, or any agreement to which we are a party.

Executive Sessions of Non-Management Directors

Our non-management directors meet in regular executive sessions without management participation. In addition, an executive session including only the Independent Directors is held at least annually. Upon the recommendation of the non-management directors and Independent Directors, our Board of Directors has selected Edward Grebow to act as the current Lead Director and to serve as the presiding director at these meetings.

Board Leadership Structure

Our Board's leadership structure consists of our Chairman of the Board, James S. Tisch, and our Lead Director, currently Edward Grebow, who is also the Chairman of our Board's Audit Committee. Currently our Chairman of the Board is not one of our executive officers, although from March 1998 to May 2008, Mr. J.S. Tisch also served as our Chief Executive Officer. As provided in our corporate governance guidelines, the Board has no fixed policy with respect to combining or separating the offices of Chairman of the Board and Chief Executive Officer; the Board has exercised discretion in combining or separating the positions as it has deemed appropriate in light of prevailing circumstances and the Board continues to reserve the right to make this determination. Our Board believes that this structure permits it to obtain input and guidance from both senior management and non-management directors, including through the Lead Director, and provides sufficient flexibility to adapt to changing circumstances, which enable the Board to fulfill its oversight role.

Board Oversight of Risk Management

Our Board recognizes the importance of understanding, evaluating and, to the extent practicable, managing risk and its impact on the financial health of our company. Our management periodically has discussions with our Board and our Audit Committee which, among other things, assist in identifying the principal risks facing our company, identifying and evaluating policies and practices that promote a culture that actively balances risk and reward, and evaluating risk management practices. These opportunities to interact enable the non-management directors to conduct meaningful and substantive discussions concerning these issues with senior management during Board and Audit Committee meetings.

Director Attendance at Meetings

During 2012 there were six meetings of the Board of Directors, eight meetings of the Audit Committee and four meetings of the Compensation Committee. During 2012, each of our incumbent directors then in office attended not less than 75% of the total number of meetings of the Board of Directors and committees of the Board on which that director served. We do not have a specific policy regarding attendance by directors at annual meetings of stockholders, but the Board encourages all directors to attend the annual meeting while recognizing that circumstances may prevent attendance from time to time. All of our directors then in office attended our 2012 annual meeting of stockholders.

Director Compensation

We currently pay each of our directors who is not our employee or an employee of any of our subsidiaries or of Loews or any other affiliated companies a cash retainer of \$50,000 per year in quarterly installments. In addition, our non-employee directors, other than Mr. J.S. Tisch, receive an award of 1,000 SARs each quarter in accordance with the terms of our Stock Option Plan. Our Chairman of the Board, Mr. J.S. Tisch, receives an award of 7,500 SARs each quarter in accordance with the terms of our Stock Option Plan. These SARs vest immediately and have a term of ten years from the date of grant. In addition, the Chairman of the Audit Committee receives an annual cash retainer of \$15,000, the Chairman of the Compensation Committee receives an annual cash retainer of \$10,000 and the Lead Director receives an annual cash retainer of \$10,000. We pay each of our directors who is not our employee or an employee of any of our subsidiaries or of Loews or any other

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affiliated companies a fee of \$1,500 for attendance at each meeting of our Board of Directors and \$1,000 for attendance at each meeting of the Audit Committee or Compensation Committee, in addition to the reasonable costs and expenses incurred by these directors in relation to their services.

The following table provides information on our compensation of non-employee directors for 2012:

Director Compensation for 2012

Name	Fees Earned or Paid in Cash (1)	Option Awards (2)	All Other Compen- sation (3)	Total
James S. Tisch	\$	\$ 565,305	\$ 690,000	\$ 1,255,305
John R. Bolton	59,000	75,374	30,000	164,374
Charles L. Fabrikant	64,500	75,374	45,000	184,874
Paul G. Gaffney II	73,000	75,374	46,500	194,874
Edward Grebow	95,000	75,374	27,000	197,374
Herbert C. Hofmann		75,374	21,000	96,374
Clifford M. Sobel	59,000	75,374	9,000	143,374
Andrew H. Tisch		75,374	10,500	85,874
Raymond S. Troubh	70,000	75,374	52,500	197,874

- (1) These amounts represent all fees earned for service as a director during 2012. The annual retainer fees for the Lead Director, Chairman of the Audit Committee and Chairman of the Compensation Committee are each paid in quarterly installments. Mr. Grebow received retainers totaling \$10,000 and \$15,000 in 2012 as Lead Director and Chairman of the Audit Committee, respectively. Mr. Gaffney received a retainer totaling \$10,000 in 2012 as Chairman of the Compensation Committee.
- (2) These amounts represent the aggregate grant date fair value of these awards pursuant to our Stock Option Plan through December 31, 2012 computed in accordance with the Financial Accounting Standards Board's, or FASB, ASC Topic 718. Assumptions used in the calculation of dollar amounts of these awards are included in Note 3 to our audited consolidated financial statements for the fiscal year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the Commission on February 21, 2013. Other than Mr. J.S. Tisch, each director who is not our employee received a quarterly award of 1,000 SARs in accordance with the terms of our Stock Option Plan. Our Chairman of the Board, Mr. J.S. Tisch, received a quarterly award of 7,500 SARs in accordance with the terms of our Stock Option Plan. Mr. J.S. Tisch was awarded a higher number of SARs than our other non-employee directors because of the unique position Mr. J.S. Tisch holds as Chairman of the Board and in his role as a member of the Executive Committee of our Board of Directors, and because of the additional responsibilities and efforts required of him in that position. We also considered the contributions that Mr. J.S. Tisch makes to our Board of Directors and its deliberations, as described above under Election of Directors *James S. Tisch* and to our company generally, in determining to grant him such SARs. The SARs granted to our non-employee directors vested immediately and have terms of ten years from the date of grant. At December 31, 2012, the aggregate number of option awards and SARs outstanding for each non-employee director was as follows: Mr. James S. Tisch, 217,500; Mr. John R. Bolton, 11,500; Mr. Charles L. Fabrikant, 16,500; Mr. Paul G. Gaffney II, 17,000; Mr. Edward Grebow, 10,500; Mr. Herbert C. Hofmann, 8,500; Mr. Clifford M. Sobel, 4,500; Mr. Andrew H. Tisch, 5,000; and Mr. Raymond S. Troubh, 19,000.
- (3) These amounts represent payments of cash made pursuant to anti-dilution adjustments under the terms of our Stock Option Plan to directors with option and/or SAR awards outstanding in 2012, whose awards vested immediately upon granting. During 2012 we made four such payments, each in the amount of \$0.75 per outstanding and unexercised stock option and/or SAR that was held and vested as of February 13, May 1, August 1 and November 1, 2012. In addition, pursuant to the terms of our Stock Option Plan, anti-dilution adjustments made for outstanding option and/or SAR awards before such awards vest are accrued and paid following the vesting of such awards. The amount for Mr. J.S. Tisch, who also held option

and/or SAR awards subject to vesting, also represents an additional payment of \$74,063 for such accrued anti-dilution adjustments which he received after awards vested in 2012.

Code of Ethics and Corporate Governance Guidelines

We have a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. This code can be found on our website at www.diamondoffshore.com and is available in print to any stockholder who requests a copy by writing to our Corporate Secretary. We intend to post any changes to or waivers of this code for our principal executive officer, principal financial officer and principal accounting officer on our website. In addition, our website contains a corporate governance section that includes our corporate governance guidelines. We will provide a printed copy of our corporate governance guidelines to any stockholder upon request.

AUDIT COMMITTEE REPORT

As discussed above under the heading "Committees of the Board of Directors - Audit Committee," the primary role of the Board's Audit Committee is to oversee our financial reporting process and manage our relationship with our independent auditors. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed our audited financial statements for the year ended December 31, 2012 with our management and independent auditors. The Audit Committee has also discussed with our independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T regarding "Communication with Audit Committees." In addition, the Audit Committee has discussed with the independent auditors their independence in relation to us and our management, including the matters in the written disclosures provided to the Audit Committee as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence, and has determined that the provision of non-audit services provided by the auditors is compatible with maintaining the auditors' independence.

The members of the Audit Committee rely without independent verification on the information provided to them by management and the independent auditors and on management's representation that our financial statements have been prepared with integrity and objectivity. They do not provide any expert or special assurance as to our financial statements or any professional certification as to the independent auditors work. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has applied appropriate accounting and financial reporting principles or internal controls and procedures, that the audit of our financial statements has been carried out in accordance with generally accepted auditing standards, that our financial statements are presented in accordance with generally accepted accounting principles, or that our auditors are in fact independent.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which we have filed with the Commission.

THE AUDIT COMMITTEE

Edward Grebow, Chairman

Charles L. Fabrikant

Raymond S. Troubh

COMPENSATION DISCUSSION AND ANALYSIS

Objectives and Compensation Philosophy. Our executive compensation program is designed to enable us to attract and retain highly qualified executive officers and motivate them to provide a high level of performance for our stockholders. To achieve this objective we have established a compensation policy for executive officers that combines elements of base salary with cash and stock-based incentive compensation, as well as benefits, which collectively provides a competitive total compensation opportunity based on performance. In selecting these elements of executive compensation, we have considered our historical compensation policies and practices as they have developed over time, national surveys of executive compensation at comparable sized companies in the energy industry and the executive compensation programs of various companies engaged in businesses similar to ours (although we do not benchmark our compensation to any particular group of companies), as well as applicable tax and accounting impacts of executive compensation. As part of this process, we refer to and consider executive compensation surveys and other information related to executive compensation levels and compensation practices as shown in the surveys that we review.

Elements of Compensation. The principal components of compensation for our Named Executive Officers are:

base salary;

incentive compensation awards;

grants of stock appreciation rights; and

retirement, life insurance, medical and related benefits.

We do not rely on formula-driven plans when determining the aggregate amount of compensation for each Named Executive Officer. The primary factor in setting compensation is an evaluation of the individual's performance in the context of our company's performance and our past compensation policies and practices. Accordingly, the Compensation Committee considers individual performance factors that include the Compensation Committee's view of the performance of the individual, the responsibilities of the individual's position, and the individual's contribution to our company and to our financial and operational performance for the most recently completed fiscal year.

There is no specific weighting given to each factor, but rather the Compensation Committee considers and balances these factors in its business judgment and discretion. In our most recent fiscal year, each of our Named Executive Officers performed favorably in light of each of these factors applicable to the respective individual.

We also have reviewed and considered compensation levels and practices as shown in the surveys and other materials referred to above. Based on these factors, we determine an overall level of cash compensation—a significant portion of which is incentive-based—and stock-based awards, which are described further below. When compensation for the Named Executive Officers is evaluated, the Compensation Committee will consider, among other things, the following information:

The opportunity for compensation for the prior year, which includes salary, target cash incentive compensation and the potential value of equity-based grants; and

The actual compensation history from previous years, including salary and actual cash incentive compensation earned.

Recommendations regarding compensation of our executive officers are prepared by our Chief Executive Officer. They are reviewed with and are acted upon by the Compensation Committee in accordance with its charter. However, our Chief Executive Officer does not participate in the preparation of recommendations, or the review, modification or approval of recommendations, with respect to his own compensation. The Compensation Committee does not delegate any of its functions in setting executive compensation under its charter to management, although our management and members of our Board provide recommendations to the Compensation Committee.

Base Salary. Every one of our salaried employees, including our Named Executive Officers, is assigned a salary grade at the commencement of employment, which is subject to periodic review, pursuant to a system that considers objective criteria, such as the employee's level of financial responsibility and supervisory duties, and the education and skills required to perform the employee's functions; however, the assignment of an employee to a particular salary grade, or promotion to another salary grade, necessarily involves subjective judgments. Within each grade, salaries are determined within a range based primarily on subjective factors such as the employee's contribution to our company and individual performance. No fixed, relative weights are assigned to these subjective factors. On occasion, an officer's compensation may be fixed at a level above the maximum level for his or her salary grade in response to a subjective determination that the officer's compensation, if set at the maximum level for his or her grade, would be below the level merited by his or her contributions to our company. In 2012, the annual base salary of each of our Named Executive Officers was determined by our Compensation Committee, in light of performance reviews and the other factors described above, as well as the impact of limits on the deductibility of compensation under the Internal Revenue Code of 1986, as amended, which (together with the regulations promulgated thereunder, as each may be amended) we refer to as the Code, as discussed below.

Incentive Compensation Awards. Annual cash bonus incentives may be awarded under our Diamond Offshore Management Bonus Program, or the Management Bonus Program, and, for our executive officers, under our Incentive Compensation Plan, each of which is intended to provide a means whereby certain of our selected officers and key employees may develop a sense of proprietorship and personal involvement in our development and financial success, and encourage the participants to remain with and devote their best efforts to our business, thereby advancing our interests and the interests of our stockholders.

Incentive Compensation Plan. A significant portion of compensation of our Named Executive Officers comes from awards under our Incentive Compensation Plan. This element of our compensation program makes a significant portion of the participating executive officer's annual compensation a function of our attainment of a pre-determined level of EBITDA (as defined below), which helps align their interests with those of our stockholders. Under our Incentive Compensation Plan, the Compensation Committee employs factors that are both quantitative (our attainment of the performance goal discussed below) and qualitative (the Compensation Committee's assessment of the individual participant's performance).

Solely for purposes of this calculation, EBITDA is defined, for us and our subsidiaries on a consolidated basis, as an amount equal to consolidated net income (excluding extraordinary gains and extraordinary losses), determined in accordance with United States generally accepted accounting principles, or GAAP, for the applicable period plus or minus, as applicable, the following to the extent deducted in calculating such consolidated net income:

plus an amount equal to the sum of all interest, premium payments, debt discount, fees, charges and related expenses of our company and our consolidated subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, for such period;

plus or minus the provision for taxes based on income or revenues payable by us and our consolidated subsidiaries for such period;

plus the amount of depreciation and amortization expense for such period;

minus, without duplication, interest income for such period, as determined in accordance with GAAP; and

plus or minus, without duplication, the amount of non-operating income or expenses for such period, all as determined in accordance with GAAP.

Under the Incentive Compensation Plan, our Compensation Committee establishes an annual performance goal expressed as an amount of budgeted EBITDA for the performance period. For 2012, the Compensation Committee set this amount, in consultation with management, at \$1.26 billion. Performance awards for 2012

were determined using a formula established by the Compensation Committee based on the ratio of actual EBITDA for 2012 compared to the average of 2012 budgeted EBITDA and 2011 actual EBITDA. The Compensation Committee determined the amount available for the performance award to each participant by designating a performance rating for each participant expressed as a specified percentage of the participant's eligible base salary. The performance award is based upon the product of the EBITDA ratio and such available amount, but cannot exceed the lesser of 100% of the participant's eligible base salary or \$1.0 million. Although the amount of a performance award is a function of the actual EBITDA achieved for the performance period, failure to achieve the budgeted EBITDA target does not preclude the payment of an award, but rather has the effect generally of reducing (subject to the cap) the amount that would have been payable if the target had been achieved.

The establishment of a cap, or maximum award, which limits the amount an individual may earn under the Incentive Compensation Plan, is an integral part of the determination of the executive's overall potential cash compensation, based on the factors described above. Our Incentive Compensation Plan specifies an overall cap which limits the maximum amount payable under this plan to any participant for any performance period to \$1.0 million per year. The Compensation Committee also limits the potential for excessive compensation by setting a cap on the percentage of eligible base salary payable under this plan to any participant during any performance period. In addition, the Compensation Committee retains the authority under the Incentive Compensation Plan to reduce an award, a concept called negative discretion, when the Compensation Committee deems appropriate. This allows the Compensation Committee to review and evaluate each participant's performance in light of the year-end results which, we believe, serves to discourage excessive risk taking.

The annual performance goal and the cap on each participant's award are established before the end of the first 90 days of the performance year and the decision as to whether to exercise negative discretion and authorize the payment of an award is generally made in the first quarter of the following year, after actual EBITDA for the performance period has been established. In determining whether or not to exercise negative discretion, the Compensation Committee has the ability to reassess the individual's performance during the performance year or to consider other factors the Compensation Committee deems relevant.

Following determination of our actual EBITDA for 2012, which exceeded budgeted EBITDA for the performance period, the Compensation Committee authorized the incentive compensation awards under the Incentive Compensation Plan. In the exercise of its business judgment, the Compensation Committee exercised its negative discretion to authorize incentive compensation awards under the Incentive Compensation Plan for 2012 in amounts that were less than the maximum amounts available for awards under the terms of the Incentive Compensation Plan. Awards authorized under the Incentive Compensation Plan for 2012 were paid in full in February 2013. Awards paid to the Named Executive Officers under the Incentive Compensation Plan for 2012 are included in the column entitled "Non-Equity Incentive Plan Compensation" on the Summary Compensation Table below.

If any participant under the Incentive Compensation Plan ceases to be employed by us before the end of a performance period (other than due to Retirement, as defined in the plan, death or Disability, as defined in the plan), that participant will not be eligible to receive a bonus award for that performance period unless the Compensation Committee determines that payment of the award is in our best interest. Participants who cease to be employed by us before the end of a performance period due to Retirement, death or Disability will receive an award prorated to the date of cessation of employment.

Management Bonus Program. Under our Management Bonus Program, our Board's Executive Committee is authorized to establish an annual bonus pool based on the Executive Committee's evaluation of our company during the year relative to peer companies, the performance of our share price and extraordinary events during the year. The Executive Committee generally establishes the bonus payouts from the bonus pool based upon corporate, group or individual performance, or a combination thereof, or such other subjective criteria as the committee considers appropriate. None of our Named Executive Officers earned awards under the Management

Bonus Program for services performed in 2012 but instead earned awards under our Incentive Compensation Plan. Under our current practice, if the Executive Committee recommends an award to an executive officer under the Management Bonus Program, the Compensation Committee reviews and, in its discretion, approves any such award prior to its payment.

Stock-Based Awards. The third principal element of our compensation policy for Named Executive Officers is stock-based awards under our Stock Option Plan. Unlike base salary, bonuses and incentive compensation awards, which are earned and paid based on the annual performance of the individual and our company, awards under the Stock Option Plan generally vest over a period of four years and have a term of ten years. Stock-based awards to the Named Executive Officers are designed to reward them for taking actions that benefit the long-term performance of our company. These awards are also designed to retain the services of executives during the vesting period because the awards will be forfeited in most circumstances if an executive voluntarily leaves our company before the awards vest. As a result, these awards recognize performance over a longer term, encourage executives to continue their employment with us and directly link the value of the awards to appreciation in the price of our common stock. All of these elements further serve to align the executive's interest with those of our stockholders.

Our current practice is to consider the establishment and granting of stock-based awards to executive officers in the first quarter of each year. We currently establish an annual award in the first quarter but grant the award in four quarterly increments over the following year, the first grant being made in April, and the remaining three grants being made in the following July, October and January. Each grant is made at an exercise or strike price equal to fair market value on the date of grant, which is defined in the Stock Option Plan as the mean between the highest and lowest reported sales price per share of our common stock on the New York Stock Exchange on the trading day immediately preceding the date of grant.

The Stock Option Plan is administered with respect to our employees by our Board's Executive Committee, except for any participant under the plan who is then a participant in our Incentive Compensation Plan or is, with respect to our company, a covered employee within the meaning of Section 1.162-27(c)(2) of the regulations under the Code or an officer of our company as defined in Rule 16a-1(f) under the Exchange Act. For those participants, including all of our executive officers (including all Named Executive Officers), the authority to control and manage the operation and administration of the Stock Option Plan is vested in the Compensation Committee. Our Board of Directors has retained the authority to administer the Stock Option Plan with respect to our non-employee directors and any other eligible grantee under the Stock Option Plan for whom such authority has not been delegated to the Compensation Committee or the Executive Committee. The Board of Directors has also retained plenary authority to amend or terminate the Stock Option Plan.

Our Stock Option Plan provides for the grant of SARs, which constitute the right to receive stock or cash, or a combination of stock and cash, equal in value to the difference between the exercise price of the SAR and the market price of the corresponding amount of common stock on the exercise date. Under our current practice, we award only SARs (payable in stock) to all participants in the Stock Option Plan (including Named Executive Officers). This practice reduces the potential for dilution as the maximum number of shares issuable upon the exercise of SARs is less than the number of shares issuable upon the exercise of an equivalent number of stock options. The number of SARs granted to each of our Named Executive Officers has remained consistent over the past three years.

Our Stock Option Plan requires an anti-dilution adjustment upon the occurrence of certain corporate transactions including, among others, an extraordinary cash dividend. Under our current practice, following our declaration of a special cash dividend, in accordance with the terms of our Stock Option Plan the Compensation Committee approves a payment of cash in the amount of such special cash dividend per outstanding and unexercised stock option and/or SAR as an anti-dilution adjustment to all executive officers who are participants in the Stock Option Plan (including Named Executive Officers) who held stock options and/or SARs that were outstanding as of the record date for such special cash dividend. On the payment date for such special cash

dividend, we pay the participant the anti-dilution adjustment payment with respect to stock options and SARs that were held and vested on the record date for such special cash dividend. With respect to stock options and SARs that were outstanding but not yet vested as of the record date for such special cash dividend, we pay the participant the anti-dilution adjustment payment with respect to such stock options and SARs during the year after they vest. Accordingly, during 2012 we made four such payments, each in the amount of \$0.75 per outstanding and unexercised stock option and/or SAR that was held and vested as of February 13, May 1, August 1 and November 1, 2012, in addition to payments of anti-dilution adjustments for previously unvested stock options or SARs that vested in 2012.

Employment Agreements and Severance Arrangements. We have entered into employment agreements with each of our Named Executive Officers. Each agreement specifies a base salary level and provides that the executive will be entitled to participate in our employee benefit and compensation programs, plans and policies (such as bonus compensation, retirement plans and stock plans, among others) on the same basis as other executive employees. The employment agreements with our Named Executive Officers contain no provision for payment upon a change in control, nor do such agreements require us to provide any perquisites.

We recognize that it may be difficult upon termination for senior management to find comparable employment within a short period of time. Accordingly, each Named Executive Officer party to an employment agreement with us is entitled to certain severance payments if his employment agreement is terminated under specified circumstances. Specifically, if during the term of the employment agreement we terminate the executive without Cause, or as a result of his death or Disability, or if the executive terminates the employment agreement for Good Reason, in addition to the benefits executive employees receive generally (including all accrued but unpaid base salary, accrued and unpaid expense reimbursements and other cash entitlements and, except as otherwise previously requested by the executive, the amount of any accrued and unpaid compensation, as well as unpaid amounts under applicable plans, policies and programs), the executive generally is entitled to continuation of his base salary for the remaining term of the employment agreement or 24 months, whichever is greater (payable as a lump sum in the event of his death); continuation of insurance benefits (medical, dental, life and disability) for him and his family for the remaining term of the employment agreement or two years, whichever is greater, or until he becomes eligible for comparable coverage by a subsequent employer; any unexercised and/or unvested stock option grant or equivalent (SARs paid in stock) held by the executive upon termination of employment will be fully vested on the date of termination and be eligible for exercise as provided for in the applicable plan; and customary outplacement services commensurate with his position, which will not exceed 12 months or \$25,000. The terms Cause, Disability and Good Reason are defined in each executive's employment agreement.

Employee Benefits. Our Named Executive Officers also participate in benefit programs available to salaried employees generally, including our Retirement Plan described below and medical, dental, life and disability insurance plans. Additional benefits paid to the Named Executive Officers are discussed below.

We maintain a defined contribution plan, which we refer to as the Retirement Plan, designed to qualify under Section 401(k) of the Code. In 2012, pursuant to the Retirement Plan we contributed 4% of the participant's defined compensation and we matched 100% of the first 6% of each participant's compensation contributed. Our contributions to the Retirement Plan are subject to annual review and adjustment. Participants are fully vested in the employer match immediately upon enrollment in the plan and subject to a three year cliff vesting period for the profit sharing contribution. Participants may use up to 25% of the amount of such contributions to the Retirement Plan to purchase shares of our common stock. In addition, under our Amended and Restated Supplemental Executive Retirement Plan, or the Supplemental Executive Retirement Plan, we contribute to participants any portion of the applicable percentage of the base salary contribution and the matching contribution to the Retirement Plan that cannot be contributed because of the limitations within the Code. Participants in this plan are a select group of our management or highly compensated employees, including the Named Executive Officers, and are fully vested in all amounts paid into the plan. We also make contributions for group term life insurance, spouse/dependent life insurance, and long-term disability insurance for executive officers, including our Named Executive Officers, as indicated in the Summary Compensation Table below.

2012 Say-on-Pay Advisory Vote on Executive Compensation. In 2012, our stockholders approved a non-binding advisory say-on-pay proposal at our 2012 annual meeting with almost 99% of the votes cast voting in favor of that proposal. The Compensation Committee has taken into account and considered the results of the 2012 annual advisory say-on-pay vote. The Compensation Committee also considers numerous other factors in evaluating our executive compensation program, as discussed in this Compensation Discussion and Analysis. While each of these factors informed the Compensation Committee's decisions regarding our Named Executive Officers' compensation, the Compensation Committee did not implement changes to our executive compensation program as a result of the stockholder advisory vote.

Deductibility of Compensation for Tax Purposes. Under the Code, the amount of compensation paid to or accrued for our Named Executive Officers which may be deductible by us for federal income tax purposes is limited to \$1.0 million per person per year, except that compensation which is considered to be performance-based under the Code and the applicable regulations is excluded for purposes of calculating the amount of compensation. To the extent that our compensation policy can be implemented in a manner which maximizes the deductibility of the compensation we pay, our policy has been to seek to do so. Accordingly, we have designed both our Stock Option Plan and the Incentive Compensation Plan so that compensation in the form of awards or grants made under either plan will be considered to be performance-based under the applicable provisions of the Code.

COMPENSATION COMMITTEE REPORT

In fulfilling its responsibilities, our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with our management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

Paul G. Gaffney II, Chairman

Edward Grebow

Raymond S. Troubh

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Paul G. Gaffney II, Edward Grebow and Raymond S. Troubh, each of whom is an Independent Director and, consequently, none of whom is or has been an officer or employee of our company. During 2012, none of our executive officers served as a member of the compensation committee (or other board committee performing equivalent functions) or as a member of the board of directors of another entity, one of whose executive officers served on our Compensation Committee. In addition, during 2012 none of our executive officers served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the board of directors) of another entity, one of whose executive officers served on our Board of Directors.

Equity Compensation Plan Information

The following table provides information regarding securities authorized for issuance under our equity compensation plan as of December 31, 2012:

Plan Category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	509,264	\$ 80.32	298,212
Equity compensation plans not approved by security holders			
Total	509,264	\$ 80.32	298,212

- (1) The number of shares included with respect to stock options and SARs granted under our Stock Option Plan is the number of shares of our common stock that would have been issued had the stock options and SARs been exercised, based on the fair market value per share (\$67.47) of our common stock, determined in accordance with the terms of our Stock Option Plan, on December 31, 2012.

EXECUTIVE COMPENSATION

The following table shows information for the years ended December 31, 2012, 2011 and 2010 regarding the compensation of our Chief Executive Officer, Chief Financial Officer and each of our three other most highly compensated executive officers as of December 31, 2012, whom we refer to collectively as the Named Executive Officers, for service in all capacities with our company and our subsidiaries.

Summary Compensation Table

Name and Position	Year	Salary	Option Awards (1)	Non-Equity Incentive Plan Compensation (2)	All Other Compensation (3)	Total
Lawrence R. Dickerson	2012	\$ 901,750	\$ 428,304	\$ 535,000	\$ 504,060	\$ 2,369,114
President and	2011	869,000	403,917	560,000	434,170	2,267,087
Chief Executive Officer	2010	827,250	510,743	525,000	509,784	2,372,777
Gary T. Krenek	2012	409,917	152,286	200,000	175,669	937,872
Chief Financial Officer and	2011	396,250	143,615	210,000	149,181	899,046
Senior Vice President	2010	382,333	181,598	225,000	168,331	957,262
Lyndol L. Dew	2012	421,417	152,286	200,000	174,221	947,924
Senior Vice President	2011	407,750	143,615	210,000	147,680	909,045
Worldwide Operations	2010	394,793	181,598	220,000	165,288	961,679
William C. Long	2012	422,417	152,286	210,000	205,709	990,412
Senior Vice President,	2011	407,000	143,615	260,000	179,017	989,632
General Counsel & Secretary	2010	392,400	181,598	220,000	214,818	1,008,816
John M. Vecchio	2012	533,083	228,429	295,000	217,860	1,274,372
Executive Vice President	2011	513,583	215,423	310,000	178,855	1,217,861
	2010	490,050	272,396	285,000	186,198	1,233,644

- (1) These amounts represent the aggregate grant date fair value of these awards pursuant to our Stock Option Plan through December 31, 2012 computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of dollar amounts of the 2012 awards are included in Note 3 to our audited consolidated financial statements for the fiscal year ended December 31, 2012 included in our Annual Report on Form 10-K filed with the Commission on February 21, 2013.
- (2) These amounts represent amounts paid under our Incentive Compensation Plan.
- (3) These amounts represent company contributions and are detailed in the following table.

All Other Compensation Table for 2012

Name and Position	Retirement Plan	Retirement Plan Matching	Insurance	Supplemental Executive Retirement Plan	Anti-Dilution Adjustment for Special Dividends	Total
Lawrence R. Dickerson President and Chief Executive Officer	\$ 10,000	\$ 15,000	\$ 10,322	\$ 76,387	\$ 392,351	\$ 504,060
Gary T. Krenak Chief Financial Officer and Senior Vice President	10,000	15,000	4,233	17,712	128,724	175,669
Lyndol L. Dew Senior Vice President Worldwide Operations	10,000	15,000	4,233	18,796	126,192	174,221
William C. Long Senior Vice President, General Counsel & Secretary	10,000	15,000	4,233	18,964	157,512	205,709
John M. Vecchio Executive Vice President	10,000	15,000	4,233	31,127	157,500	217,860

Employment Agreements

As discussed further in our Compensation Discussion and Analysis above, we maintain employment agreements with each of our Named Executive Officers. The following table shows the current annual base salaries for the Named Executive Officers under the employment agreements.

Named Executive Officer	Current Base Salary
Lawrence R. Dickerson	\$ 928,000
Gary T. Krenak	422,000
Lyndol L. Dew	433,500
William C. Long	434,500
John M. Vecchio	548,500

The base salary under each employment agreement is subject to upward adjustment from time to time in accordance with its terms and subject to our compensation policies. Each employment agreement provided for an initial term through December 31, 2009 (or, in the case of Mr. Dickerson, through September 30, 2009) and is automatically extended for successive one-year periods thereafter. Each agreement previously provided for bonus eligibility, including target bonus amounts, for each Named Executive Officer, but these provisions are no longer in effect. The employment agreements with our Named Executive Officers contain no provision for payment upon a change in control, nor do such agreements require us to provide any perquisites. Additional terms of the employment agreements are discussed above in our Compensation Discussion and Analysis under the heading *Employment Agreements and Severance Arrangements*.

Nonqualified Deferred Compensation

The following table sets forth certain information for the Named Executive Officers as of December 31, 2012 and for the year then ended with respect to nonqualified deferred compensation.

Nonqualified Deferred Compensation for 2012

Name	Registrant Contributions in 2012 (1)	Aggregate Earnings in 2012 (2)	Aggregate Withdrawals/ Distributions in 2012 (3)	Aggregate Balance at December 31, 2012 (4)
Lawrence R. Dickerson	\$ 457,526	\$ 11,212	\$ 454,592	\$ 866,146
Gary T. Krenek	144,716	1,720	150,849	190,597
Lyndol L. Dew	143,334	1,654	148,317	188,140
William C. Long	174,754	1,722	179,637	191,665
John M. Vecchio	185,808	2,819	165,531	286,580

- (1) These amounts include contributions under our Supplemental Executive Retirement Plan in the following amounts: Mr. Dickerson, \$65,175; Mr. Krenek, \$15,992; Mr. Dew, \$17,142; Mr. Long, \$17,242; and Mr. Vecchio, \$28,308. Our contributions under this plan are further described in our Compensation Discussion and Analysis above under the heading *Employee Benefits*. These amounts also include amounts payable pursuant to anti-dilution adjustments under the terms of our Stock Option Plan based on unexercised vested and unvested option and/or SAR awards outstanding as of February 13, May 1, August 1 and November 1, 2012, in the following amounts: Mr. Dickerson, \$392,351; Mr. Krenek, \$128,724; Mr. Dew, \$126,192; Mr. Long, \$157,512; and Mr. Vecchio, \$157,500. These contributions are also reported in the *All Other Compensation* column of the Summary Compensation Table and in the *Supplemental Executive Retirement Plan* and *Anti-Dilution Adjustment for Special Dividends* columns, respectively, of the *All Other Compensation Table* for 2012.
- (2) These amounts represent interest earned on contributions under our Supplemental Executive Retirement Plan. These amounts are also reported in the *All Other Compensation* column of the Summary Compensation Table. These earnings were calculated by applying an interest rate based on Moody's Aa daily long-term corporate bond yield average to current year and deferred contributions.
- (3) These amounts represent payments made in 2012 pursuant to anti-dilution adjustments under the terms of our Stock Option Plan on unexercised vested option and/or SAR awards outstanding as of February 13, May 1, August 1 and November 1, 2012 and payments for accrued anti-dilution adjustments after awards vested in 2012.
- (4) These amounts represent the aggregate balances as of December 31, 2012 for each of the Named Executive Officers pursuant to our Supplemental Executive Retirement Plan and the amount payable pursuant to anti-dilution adjustments under the terms of our Stock Option Plan. The deferred balances related to our Supplemental Executive Retirement Plan were reported in the Summary Compensation Table in each contribution year. The deferred balances related to the amounts payable pursuant to the anti-dilution adjustments under the terms of our Stock Option Plan are reported in the *All Other Compensation* column of the Summary Compensation Table and in the *Anti-Dilution Adjustment for Special Dividends* column of the *All Other Compensation Table* in the year in which such anti-dilution adjustments are made, irrespective of when they are paid.

Potential Payments Upon Termination

We recognize that it may be difficult upon termination for senior management to find comparable employment within a short period of time. We structured the material terms and payment provisions of the termination arrangements for our Named Executive Officers in a manner consistent with our compensation philosophy and the objectives of our executive compensation program, which is designed to enable us to attract and retain highly qualified executive officers and motivate them to provide a high level of performance for our

stockholders. In determining these termination arrangements, we have considered our historical compensation policies and practices as they have developed over time, national surveys of executive compensation at comparable sized companies in the energy industry and the executive compensation programs of various companies engaged in businesses similar to ours (although we do not benchmark our compensation to any particular group of companies), as well as applicable tax and accounting impacts of executive compensation. See Compensation Discussion and Analysis.

As discussed further under Employment Agreements above, we maintain employment agreements with each of our Named Executive Officers. If during the term of his employment agreement we terminate a Named Executive Officer without Cause, or as a result of his death or Disability, or if the Named Executive Officer terminates the employment agreement for Good Reason, in addition to the benefits executive employees receive generally, as well as unpaid amounts under applicable plans, policies and programs, the Named Executive Officer generally is entitled to:

continuation of his base salary for the remaining term of the employment agreement or 24 months, whichever is greater (payable as a lump sum in the event of his death);

continuation of insurance benefits (medical, dental, life and disability) for him and his family for the remaining term of the employment agreement or two years, whichever is greater, or until he becomes eligible for comparable coverage by a subsequent employer;

accelerated vesting of any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon termination of employment; and

customary outplacement services commensurate with his position, which will not exceed 12 months or \$25,000.

The terms Cause, Disability and Good Reason are defined in each Named Executive Officer's employment agreement. The employment agreements with our Named Executive Officers contain no provision for payment upon a change in control.

Each employment agreement also contains a covenant with respect to confidentiality applicable at any time during or after the term of the employment agreement and a covenant not to solicit certain of our officers or employees for a period of two years after the termination of the Named Executive Officer's employment. In addition, as a condition to receiving the severance payments and benefits described below, the Named Executive Officer (or, if deceased or disabled, his estate or legal guardian) must execute a release of claims relating to or arising out of his employment with, and termination of employment from, our company.

The tables below reflect the amount of compensation payable to each of our Named Executive Officers who is party to an employment agreement with us in the event of termination of such executive's employment. The amount of compensation payable to each Named Executive Officer upon involuntary termination without Cause, death or Disability of the executive, voluntary termination for Good Reason, voluntary termination without Good Reason, and involuntary termination for Cause is shown below. The amounts shown assume that such termination took place on December 31, 2012. Under all these circumstances, each Named Executive Officer is entitled to receive, to the extent not previously paid, his base salary through the date of termination, the amount of any compensation accrued as of the date of termination (except as otherwise previously requested by the Named Executive Officer) and any expense reimbursements and any other cash entitlements accrued as of the date of termination. The amount of any unpaid base salary through the date of termination is not included in the total amounts shown below.

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The following table describes the potential payments upon termination for Mr. Lawrence R. Dickerson, our President and Chief Executive Officer.

Executive Benefits & Payments Upon Termination	Involuntary Termination Without Cause	Death or Disability	Voluntary Termination for Good Reason	Voluntary Termination Without Good Reason	Involuntary Termination for Cause
Compensation:					
Base Salary (\$928,000) (1)	\$ 1,856,000	\$ 1,856,000	\$ 1,856,000	\$	\$
Annual Incentive Compensation		535,000(2)	535,000(3)	535,000(3)	
Unvested & Accelerated SARs (4)	183,038	183,038	183,038		
Benefits:					
Post-Termination Health Care (5)	35,404	35,404	35,404		
Life and Disability Insurance Coverages	20,644	20,644	20,644		
Supplemental Executive Retirement Plan	613,037	613,037	613,037	613,037	613,037
Anti-Dilution Adjustments for Special Dividends (6)	253,109	253,109	253,109		
Outplacement Services (7)	25,000	25,000	25,000		
Total:	\$ 2,986,232	\$ 3,521,232	\$ 3,521,232	\$ 1,148,037	\$ 613,037

- (1) This severance is payable not less frequently than in equal monthly installments following termination or, in the case of the Named Executive Officer's death, in a lump sum.
- (2) This amount is payable in a lump sum under our Incentive Compensation Plan (based on the actual performance award paid for 2012). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award that is prorated to the date of cessation of employment but based upon the Performance-Based Amount (as defined in the plan) for the entire performance period.
- (3) This amount is payable in a lump sum under our Incentive Compensation Plan (based on the actual performance award paid for 2012), and assumes that Mr. Dickerson's employment terminated on December 31, 2012, when Mr. Dickerson was age 60, due to Retirement (as defined in our Incentive Compensation Plan). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period due to Retirement (as defined in the plan) at or after age 60 will receive a performance award that is prorated to the date of cessation of employment but based upon the Performance-Based Amount (as defined in the plan) for the entire performance period.
- (4) Any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon involuntary termination without Cause, death or Disability of the Named Executive Officer or voluntary termination for Good Reason will be fully vested on the date of termination and eligible for exercise as provided for in the Stock Option Plan. The amounts shown represent the value of newly vested SARs that would have been in-the-money under the foregoing assumptions, calculated by multiplying the number of accelerated in-the-money SARs by the difference between the exercise price and the closing price (\$67.96) per share of our common stock on December 31, 2012.
- (5) This value is based on the Consolidated Omnibus Budget Reconciliation Act of 1985, or COBRA, rate and assumes that coverage continues for 24 months.
- (6) This is the amount payable pursuant to anti-dilution adjustments under the terms of our Stock Option Plan based on unvested option and/or SAR awards outstanding, assuming all such awards become fully vested on the date of termination.
- (7) This assumes the maximum payment under this obligation.

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The following table describes the potential payments upon termination for Mr. Gary T. Krenek, our Chief Financial Officer and Senior Vice President.

Executive Benefits & Payments Upon Termination	Involuntary Termination Without Cause	Death or Disability	Voluntary Termination for Good Reason	Voluntary Termination Without Good Reason	Involuntary Termination for Cause
Compensation:					
Base Salary (\$422,000) (1)	\$ 844,000	\$ 844,000	\$ 844,000	\$	\$
Annual Incentive Compensation		200,000(2)			
Unvested & Accelerated SARs (3)	65,080	65,080	65,080		
Benefits:					
Post-Termination Health Care (4)	35,404	35,404	35,404		
Life and Disability Insurance Coverages	8,466	8,466	8,466		
Supplemental Executive Retirement Plan	100,597	100,597	100,597	100,597	100,597
Anti-Dilution Adjustments for Special Dividends (5)	90,000	90,000	90,000		
Outplacement Services (6)	25,000	25,000	25,000		
Total:	\$ 1,168,547	\$ 1,368,547	\$ 1,168,547	\$ 100,597	\$ 100,597

- (1) This severance is payable not less frequently than in equal monthly installments following termination or, in the case of the Named Executive Officer's death, in a lump sum.
- (2) This amount is payable in a lump sum under our Incentive Compensation Plan (based on the actual performance award paid for 2012). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award that is prorated to the date of cessation of employment but based upon the Performance-Based Amount (as defined in the plan) for the entire performance period.
- (3) Any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon involuntary termination without Cause, death or Disability of the Named Executive Officer or voluntary termination for Good Reason will be fully vested on the date of termination and eligible for exercise as provided for in the Stock Option Plan. The amounts shown represent the value of newly vested SARs that would have been in-the-money under the foregoing assumptions, calculated by multiplying the number of accelerated in-the-money SARs by the difference between the exercise price and the closing price (\$67.96) per share of our common stock on December 31, 2012.
- (4) This value is based on the COBRA rate and assumes that coverage continues for 24 months.
- (5) This is the amount payable pursuant to anti-dilution adjustments under the terms of our Stock Option Plan based on unvested option and/or SAR awards outstanding, assuming all such awards become fully vested on the date of termination.
- (6) This assumes the maximum payment under this obligation.

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The following table describes the potential payments upon termination for Mr. Lyndol L. Dew, our Senior Vice President Worldwide Operations.

Executive Benefits &	Involuntary Termination Without Cause	Death or Disability	Voluntary Termination for Good Reason	Voluntary Termination Without Good Reason	Involuntary Termination for Cause
Payments Upon Termination					
Compensation:					
Base Salary (\$433,500) (1)	\$ 867,000	\$ 867,000	\$ 867,000	\$	\$
Annual Incentive Compensation		200,000(2)			
Unvested & Accelerated SARs (3)	65,080	65,080	65,080		
Benefits:					
Post-Termination Health Care (4)	26,462	26,462	26,462		
Life and Disability Insurance Coverages	8,466	8,466	8,466		
Supplemental Executive Retirement Plan	98,140	98,140	98,140	98,140	98,140
Anti-Dilution Adjustments for Special Dividends (5)	90,000	90,000	90,000		
Outplacement Services (6)	25,000	25,000	25,000		
Total:	\$ 1,180,148	\$ 1,380,148	\$ 1,180,148	\$ 98,140	\$ 98,140

- (1) This severance is payable not less frequently than in equal monthly installments following termination or, in the case of the Named Executive Officer's death, in a lump sum.
- (2) This amount is payable in a lump sum under our Incentive Compensation Plan (based on the actual performance award paid for 2012). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award that is prorated to the date of cessation of employment but based upon the Performance-Based Amount (as defined in the plan) for the entire performance period.
- (3) Any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon involuntary termination without Cause, death or Disability of the Named Executive Officer or voluntary termination for Good Reason will be fully vested on the date of termination and eligible for exercise as provided for in the Stock Option Plan. The amounts shown represent the value of newly vested SARs that would have been in-the-money under the foregoing assumptions, calculated by multiplying the number of accelerated in-the-money SARs by the difference between the exercise price and the closing price (\$67.96) per share of our common stock on December 31, 2012.
- (4) This value is based on the COBRA rate and assumes that coverage continues for 24 months.
- (5) This is the amount payable pursuant to anti-dilution adjustments under the terms of our Stock Option Plan based on unvested option and/or SAR awards outstanding, assuming all such awards become fully vested on the date of termination.
- (6) This assumes the maximum payment under this obligation.

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The following table describes the potential payments upon termination for Mr. William C. Long, our Senior Vice President, General Counsel & Secretary.

Executive Benefits & Payments Upon Termination	Involuntary Termination Without Cause	Death or Disability	Voluntary Termination for Good Reason	Voluntary Termination Without Good Reason	Involuntary Termination for Cause
Compensation:					
Base Salary (\$434,500) (1)	\$ 869,000	\$ 869,000	\$ 869,000	\$	\$
Annual Incentive Compensation		210,000(2)			
Unvested & Accelerated SARs (3)	65,080	65,080	65,080		
Benefits:					
Post-Termination Health Care (4)	35,404	35,404	35,404		
Life and Disability Insurance Coverages	8,466	8,466	8,466		
Supplemental Executive Retirement Plan	101,665	101,665	101,665	101,665	101,665
Anti-Dilution Adjustments for Special Dividends (5)	90,000	90,000	90,000		
Outplacement Services (6)	25,000	25,000	25,000		
Total:	\$ 1,194,615	\$ 1,404,615	\$ 1,194,615	\$ 101,665	\$ 101,665

- (1) This severance is payable not less frequently than in equal monthly installments following termination or, in the case of the Named Executive Officer's death, in a lump sum.
- (2) This amount is payable in a lump sum under our Incentive Compensation Plan (based on the actual performance award paid for 2012). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award that is prorated to the date of cessation of employment but based upon the Performance-Based Amount (as defined in the plan) for the entire performance period.
- (3) Any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon involuntary termination without Cause, death or Disability of the Named Executive Officer or voluntary termination for Good Reason will be fully vested on the date of termination and eligible for exercise as provided for in the Stock Option Plan. The amounts shown represent the value of newly vested SARs that would have been in-the-money under the foregoing assumptions, calculated by multiplying the number of accelerated in-the-money SARs by the difference between the exercise price and the closing price (\$67.96) per share of our common stock on December 31, 2012.
- (4) This value is based on the COBRA rate and assumes that coverage continues for 24 months.
- (5) This is the amount payable pursuant to anti-dilution adjustments under the terms of our Stock Option Plan based on unvested option and/or SAR awards outstanding, assuming all such awards become fully vested on the date of termination.
- (6) This assumes the maximum payment under this obligation.

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The following table describes the potential payments upon termination for Mr. John M. Vecchio, our Executive Vice President.

Executive Benefits & Payments Upon Termination	Involuntary Termination Without Cause	Death or Disability	Voluntary Termination for Good Reason	Voluntary Termination Without Good Reason	Involuntary Termination for Cause
Compensation:					
Base Salary (\$548,500) (1)	\$ 1,097,000	\$ 1,097,000	\$ 1,097,000	\$	\$
Annual Incentive Compensation		295,000(2)	295,000(3)	295,000(3)	
Unvested & Accelerated SARs (4)	96,757	96,757	96,757		
Benefits:					
Post-Termination Health Care (5)	26,462	26,462	26,462		
Life and Disability Insurance Coverages	8,466	8,466	8,466		
Supplemental Executive Retirement Plan	165,142	165,142	165,142	165,142	165,142
Anti-Dilution Adjustments for Special Dividends (6)	121,438	121,438	121,438		
Outplacement Services (7)	25,000	25,000	25,000		
Total:	\$ 1,540,265	\$ 1,835,265	\$ 1,835,265	\$ 460,142	\$ 165,142

- (1) This severance is payable not less frequently than in equal monthly installments following termination or, in the case of the Named Executive Officer's death, in a lump sum.
- (2) This amount is payable in a lump sum under our Incentive Compensation Plan (based on the actual performance award paid for 2012). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period, other than due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan), generally are not eligible to receive a performance award for the performance period in which such termination of employment occurs. Participants who cease to be employed by us before the end of a performance period due to Retirement (as defined in the plan) at or after age 60, death or Disability (as defined in the plan) will receive a performance award that is prorated to the date of cessation of employment but based upon the Performance-Based Amount (as defined in the plan) for the entire performance period.
- (3) This amount is payable in a lump sum under our Incentive Compensation Plan (based on the actual performance award paid for 2012), and assumes that Mr. Vecchio's employment terminated on December 31, 2012, when Mr. Vecchio was over age 60, due to Retirement (as defined in our Incentive Compensation Plan). Participants in the Incentive Compensation Plan who cease to be employed by us before the end of a performance period due to Retirement (as defined in the plan) at or after age 60 will receive a performance award that is prorated to the date of cessation of employment but based upon the Performance-Based Amount (as defined in the plan) for the entire performance period.
- (4) Any unvested stock option grant or equivalent (SARs paid in stock) held by the Named Executive Officer upon involuntary termination without Cause, death or Disability of the Named Executive Officer or voluntary termination for Good Reason will be fully vested on the date of termination and eligible for exercise as provided for in the Stock Option Plan. The amounts shown represent the value of newly vested SARs that would have been in-the-money under the foregoing assumptions, calculated by multiplying the number of accelerated in-the-money SARs by the difference between the exercise price and the closing price (\$67.96) per share of our common stock on December 31, 2012.
- (5) This value is based on the COBRA rate and assumes that coverage continues for 24 months.
- (6) This is the amount payable pursuant to anti-dilution adjustments under the terms of our Stock Option Plan based on unvested option and/or SAR awards outstanding, assuming all such awards become fully vested on the date of termination.
- (7) This assumes the maximum payment under this obligation.

STOCK OPTION PLAN

Our Stock Option Plan authorizes the issuance of options and/or SARs to acquire up to 1,500,000 shares of our common stock, of which 895,652 shares had been issued as of December 31, 2012. Stock options have a maximum term of ten years, subject to earlier termination under certain conditions, and, unless otherwise specified by the Board, Executive Committee or Compensation Committee at the time of the grant, vest in four equal, annual installments over four years. SARs have a maximum term of ten years, subject to earlier termination under certain conditions, and vest as specified at the time of the grant by the Board, Executive Committee or Compensation Committee. During 2012, 282,200 SARs were granted under the Stock Option Plan.

The following table shows information regarding awards granted to each of our Named Executive Officers under our Stock Option Plan and amounts earned by each of our Named Executive Officers under our Incentive Compensation Plan during the year ended December 31, 2012.

Grants of Plan-Based Awards for 2012

Name	Grant Date	Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Maximum	All Other Option/SAR Awards: Number of Securities Underlying Options (1)	Exercise or Base Price of Option/SAR Awards (2)	Closing Market Price on Date of Grant	Grant Date Fair Value of Stock and Option/SAR Awards (3)
Lawrence R. Dickerson	4/02/12	3/20/12		5,625	\$ 66.68	\$ 67.75	\$ 122,155
	7/02/12	3/20/12		5,625	59.19	59.32	114,596
	10/01/12	3/20/12		5,625	66.04	66.44	101,853
	12/03/12	3/20/12		5,625	68.17	68.80	89,700
			\$ 928,000(4)				
Gary T. Krenek	4/02/12	3/20/12		2,000	66.68	67.75	43,433
	7/02/12	3/20/12		2,000	59.19	59.32	40,745
	10/01/12	3/20/12		2,000	66.04	66.44	36,215
	12/03/12	3/20/12		2,000	68.17	68.80	31,893
			\$ 422,000(4)				
Lyndol L. Dew	4/02/12	3/20/12		2,000	66.68	67.75	43,433
	7/02/12	3/20/12		2,000	59.19	59.32	40,745
	10/01/12	3/20/12		2,000	66.04	66.44	36,215
	12/03/12	3/20/12		2,000	68.17	68.80	31,893
			\$ 433,500(4)				
William C. Long	4/02/12	3/20/12		2,000	66.68	67.75	43,433
	7/02/12	3/20/12		2,000	59.19	59.32	40,745
	10/01/12	3/20/12		2,000	66.04	66.44	36,215
	12/03/12	3/20/12		2,000	68.17	68.80	31,893
			\$ 434,500(4)				
John M. Vecchio	4/02/12	3/20/12		3,000	66.68	67.75	65,149
	7/02/12	3/20/12		3,000	59.19	59.32	61,118
	10/01/12	3/20/12		3,000	66.04	66.44	54,322
	12/03/12	3/20/12		3,000	68.17	68.80	47,840
			\$ 548,500(4)				

- (1) These amounts represent awards of SARs granted under our Stock Option Plan. In 2012 our Compensation Committee established an annual award in March authorizing the award of SARs to our executive officers in four increments over the year. These SARs vest with respect to 25% of the total number of securities underlying each grant on an annual basis commencing on the anniversary of the first grant date of the year. Please read our Compensation Discussion and Analysis above under the heading Stock-Based Awards for more information concerning awards under our Stock Option Plan.

- (2) The exercise prices were calculated in accordance with our Stock Option Plan by averaging the high and low sales prices of our common stock as traded on The New York Stock Exchange on the trading day immediately preceding the grant date.
- (3) Represents the maximum fair value of each equity award recognizable in accordance with FASB ASC Topic 718 and does not include any estimates of forfeitures for service-based vesting.
- (4) These amounts represent the maximum awards established under our Incentive Compensation Plan for 2012, which were also the amounts payable (subject to the exercise of negative discretion by the Compensation Committee) if the performance target under the Incentive Compensation Plan for 2012 was reached. The actual amounts paid for 2012, which were authorized for payment by our Compensation Committee in January 2012, are reported in the Summary Compensation Table above under the heading Non-Equity Incentive Plan Compensation. Awards under our Incentive Compensation Plan are not subject to thresholds. Please read our Compensation Discussion and Analysis above, under the heading *Incentive Compensation Plan*, for more information concerning awards under our Incentive Compensation Plan.

The following table shows information regarding awards granted to each of our Named Executive Officers under our Stock Option Plan that were outstanding as of December 31, 2012. All awards with expiration dates prior to January 2016 represent stock options, and all awards with expiration dates during or after January 2016 represent SARs.

Outstanding Equity Awards at Fiscal Year-End for 2012

Name	Option/SAR Awards (1)			
	Number of Securities Underlying Unexercised Options/SARs Exercisable	Number of Securities Underlying Unexercised Options/SARs Unexercisable	Option/SAR Exercise Price	Option/SAR Expiration Date
Lawrence R. Dickerson	4,219		\$ 92.67	4/27/2016
	4,219		83.44	7/03/2016
	1,407		71.87	10/02/2016
	1,407		79.77	12/31/2016
	5,625		81.42	4/02/2017
	5,625		101.97	7/02/2017
	5,625		114.21	10/01/2017
	5,625		144.44	12/31/2017
	5,625		117.36	4/01/2018
	5,625		140.54	7/01/2018
	5,625		103.02	10/01/2018
	4,219		59.19	12/31/2018
	4,219	1,406	64.51	4/01/2019
	4,219	1,406	83.57	7/01/2019
	4,219	1,406	95.61	10/01/2019
	4,219	1,406	99.55	12/31/2019
	2,813	2,812	87.65	4/01/2020
	2,813	2,812	61.79	7/01/2020
	2,813	2,812	68.52	10/01/2020
	2,813	2,812	64.94	12/01/2020
	1,406	4,219	78.90	4/01/2021
	1,406	4,219	70.38	7/01/2021
	1,406	4,219	55.64	10/01/2021
	1,406	4,219	60.13	12/01/2021
		5,625	66.68	4/02/2022
		5,625	59.19	7/02/2022
		5,625	66.04	10/01/2022
		5,625	68.17	12/03/2022

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Name	Option/SAR Awards (1)			
	Number of Securities Underlying Unexercised Options/SARs Exercisable	Number of Securities Underlying Unexercised Options/SARs Unexercisable	Option/SAR Exercise Price	Option/SAR Expiration Date
Gary T. Krenek	688		\$ 92.67	4/27/2016
	688		83.44	7/03/2016
	344		71.87	10/02/2016
	688		79.77	12/31/2016
	1,000		81.42	4/02/2017
	1,500		101.97	7/02/2017
	1,500		114.21	10/01/2017
	2,000		144.44	12/31/2017
	2,000		117.36	4/01/2018
	2,000		140.54	7/01/2018
	2,000		103.02	10/01/2018
	1,500		59.19	12/31/2018
	1,500	500	64.51	4/01/2019
	1,500	500	83.57	7/01/2019
	1,500	500	95.61	10/01/2019
	1,500	500	99.55	12/31/2019
	1,000	1,000	87.65	4/01/2020
	1,000	1,000	61.79	7/01/2020
	1,000	1,000	68.52	10/01/2020
	1,000	1,000	64.94	12/01/2020
	500	1,500	78.90	4/01/2021
	500	1,500	70.38	7/01/2021
	500	1,500	55.64	10/01/2021
	500	1,500	60.13	12/01/2021
		2,000	66.68	4/02/2022
		2,000	59.19	7/02/2022
	2,000	66.04	10/01/2022	
	2,000	68.17	12/03/2022	
Lyndol L. Dew	625		\$ 92.67	4/27/2016
	313		83.44	7/03/2016
	313		71.87	10/02/2016
	313		79.77	12/31/2016
	1,000		81.42	4/02/2017
	1,500		101.97	7/02/2017
	1,500		114.21	10/01/2017
	2,000		144.44	12/31/2017
	2,000		117.36	4/01/2018
	2,000		140.54	7/01/2018
	2,000		103.02	10/01/2018
	1,500		59.19	12/31/2018
	1,500	500	64.51	4/01/2019
	1,500	500	83.57	7/01/2019
	1,500	500	95.61	10/01/2019
	1,500	500	99.55	12/31/2019
	1,000	1,000	87.65	4/01/2020
	1,000	1,000	61.79	7/01/2020
	1,000	1,000	68.52	10/01/2020
	1,000	1,000	64.94	12/01/2020
	500	1,500	78.90	4/01/2021
	500	1,500	70.38	7/01/2021
	500	1,500	55.64	10/01/2021
	500	1,500	60.13	12/01/2021
		2,000	66.68	4/02/2022

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2,000	59.19	7/02/2022
2,000	66.04	10/01/2022
2,000	68.17	12/03/2022

Option/SAR Awards (1)

Name	Number of Securities Underlying Unexercised Options/SARs Exercisable	Number of Securities Underlying Unexercised Options/SARs Unexercisable	Option/SAR Exercise Price	Option/SAR Expiration Date
William C. Long	313		\$ 22.49	5/18/2014
	313		23.65	7/01/2014
	313		32.78	10/01/2014
	313		39.98	12/31/2014
	688		45.77	4/19/2015
	688		53.60	7/01/2015
	688		61.90	10/03/2015
	688		69.38	12/31/2015
	1,375		92.67	4/27/2016
	1,375		83.44	7/03/2016
	1,375		71.87	10/02/2016
	1,375		79.77	12/31/2016
	2,000		81.42	4/02/2017
	2,000		101.97	7/02/2017
	2,000		114.21	10/01/2017
	2,000		144.44	12/31/2017
	2,000		117.36	4/01/2018
	2,000		140.54	7/01/2018
	2,000		103.02	10/01/2018
	2,000		59.19	12/31/2018
	1,500	500	64.51	4/01/2019
	1,500	500	83.57	7/01/2019
	1,500	500	95.61	10/01/2019
	1,500	500	99.55	12/31/2019
	1,000	1,000	87.65	4/01/2020
	1,000	1,000	61.79	7/01/2020
	1,000	1,000	68.52	10/01/2020
	1,000	1,000	64.94	12/01/2020
	500	1,500	78.90	4/01/2021
	500	1,500	70.38	7/01/2021
	500	1,500	55.64	10/01/2021
	500	1,500	60.13	12/01/2021
		2,000	66.68	4/02/2022
		2,000	59.19	7/02/2022
		2,000	66.04	10/01/2022
		2,000	68.17	12/03/2022

Name	Option/SAR Awards (1)		Option/SAR Exercise Price	Option/SAR Expiration Date
	Number of Securities Underlying Unexercised Options/SARs Exercisable	Number of Securities Underlying Unexercised Options/SARs Unexercisable		
John M. Vecchio	1,000		\$ 92.67	4/27/2016
	500		83.44	7/03/2016
	500		71.87	10/02/2016
	500		79.77	12/31/2016
	1,000		81.42	4/02/2017
	1,500		101.97	7/02/2017
	1,500		114.21	10/01/2017
	2,000		144.44	12/31/2017
	2,000		117.36	4/01/2018
	2,000		140.54	7/01/2018
	2,000		103.02	10/01/2018
	1,500		59.19	12/31/2018
	1,500	500	64.51	4/01/2019
	1,500	500	83.57	7/01/2019
	1,500	500	95.61	10/01/2019
	1,500	500	99.55	12/31/2019
	1,500	1,500	87.65	4/01/2020
	1,500	1,500	61.79	7/01/2020
	1,500	1,500	68.52	10/01/2020
	1,500	1,500	64.94	12/01/2020
	750	2,250	78.90	4/01/2021
	750	2,250	70.38	7/01/2021
	750	2,250	55.64	10/01/2021
	750	2,250	60.13	12/01/2021
		3,000	66.68	4/02/2022
		3,000	59.19	7/02/2022
		3,000	66.04	10/01/2022
		3,000	68.17	12/03/2022

(1) Each stock option and SAR granted to the Named Executive Officers and reported above vests and becomes exercisable with respect to 25% of its underlying securities per year over the first four years of its term, and has or will commence vesting nine years prior to the first expiration date reported for stock options or SARs in the calendar year indicated above.

There were no exercises of awards granted under our Stock Option Plan by our Named Executive Officers during the year ended December 31, 2012.

TRANSACTIONS WITH RELATED PERSONS

We have a written policy requiring that any transaction, regardless of the size or amount, involving us or any of our subsidiaries in which any of our directors, director nominees, executive officers, principal stockholders or any of their immediate family members has had or will have a direct or indirect material interest, be reviewed and approved or ratified by our Audit Committee, without the participation of any member who may be involved in the transaction. All such transactions are to be submitted to our General Counsel for review and reported to our Audit Committee for its consideration. In each case, the Audit Committee will consider, in light of all of the facts and circumstances it deems relevant, whether the transaction is fair and reasonable to us.

Transactions with Loews. Prior to the initial public offering of our common stock in October 1995, or the Initial Public Offering, we were a wholly owned subsidiary of Loews. In connection with the Initial Public

Offering, we entered into agreements with Loews pursuant to which Loews provides certain management, administrative and other services to us and certain other obligations were assumed by the parties. These agreements, which are described below, were not the result of arm's length negotiations between the parties.

Services Agreement. We are party to a services agreement with Loews, or the Services Agreement, pursuant to which Loews performs certain administrative and technical services on our behalf. Such services include personnel, internal auditing, accounting and cash management services, in addition to advice and assistance with respect to preparation of tax returns and obtaining insurance. Under the Services Agreement, we are required to reimburse Loews for (i) allocated personnel costs (such as salaries, employee benefits and payroll taxes) of the Loews personnel actually providing such services and (ii) all out-of-pocket expenses related to the provision of such services. The Services Agreement may be terminated at our option upon 30 days' notice to Loews and at the option of Loews upon six months' notice to us. In addition, we have agreed to indemnify Loews for all claims and damages arising from the provision of services by Loews under the Services Agreement unless due to the gross negligence or willful misconduct of Loews. We were charged \$0.8 million by Loews for these support functions during the year ended December 31, 2012.

Registration Rights Agreement. Under a Registration Rights Agreement dated as of October 16, 1995, as amended, between us and Loews, subject to certain limitations, we will file, upon the request of Loews, one or more registration statements under the Securities Act of 1933, as amended, subject to a maximum of two remaining requests, in order to permit Loews to offer and sell any of our common stock that Loews may hold. Loews will bear the costs of any such registered offering, including any underwriting commissions relating to shares it sells in any such offering, any related transfer taxes and the costs of complying with non-U.S. securities laws, and any fees and expenses of separate counsel and accountants retained by Loews. We have the right to require Loews to delay any exercise by Loews of its rights to require registration and other actions for a period of up to 90 days if, in our judgment, any offering by us then being conducted or about to be conducted would be adversely affected. In addition, we have the right to require Loews to suspend the use of any resale prospectus or prospectus supplement included in a shelf registration statement for a reasonable period of time, not to exceed 90 days in any one instance or an aggregate of 120 days in any 12-month period, if we are conducting or about to conduct an underwritten public offering of our securities for our own account, or would be required to disclose information regarding our company not otherwise then required by law to be publicly disclosed where such disclosure would reasonably be expected to adversely affect any material business transaction or negotiation in which we are then engaged. Subject to certain conditions, we have also granted Loews the right to include its shares of our common stock in any registration statements covering offerings of our common stock by us, and we will pay all costs of such offerings other than underwriting commissions and transfer taxes attributable to the shares sold on behalf of Loews. We will indemnify Loews, and Loews will indemnify us, against certain liabilities in respect of any registration statement or offering covered by the Registration Rights Agreement, as amended.

Transactions with Other Related Parties. From time to time, we hire marine vessels and helicopter transportation services at the prevailing market rate from subsidiaries of SEACOR Holdings Inc. and, following its spinoff from SEACOR Holdings Inc. in January 2013, ERA Group Inc. Mr. Fabrikant, who is a member of our Board of Directors, is the Executive Chairman of the Board of SEACOR Holdings Inc. and the Non-Executive Chairman of the Board of ERA Group Inc. and is the beneficial owner of more than five percent of a class of outstanding voting securities of each company. For the year ended December 31, 2012, we paid \$0.1 million for the hire of such vessels and such services.

During the year ended December 31, 2012 we made payments of \$1.0 million to Ernst & Young LLP for tax and other consulting services. The wife of our President and Chief Executive Officer is an audit partner at this firm.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**(Proposal No. 2)**

The Audit Committee of our Board of Directors has selected Deloitte & Touche LLP to serve as our independent auditors for 2013. Although it is not required to do so, our Board of Directors wishes to submit the selection of Deloitte & Touche LLP for ratification by our stockholders at the Annual Meeting. Even if this selection is ratified by stockholders at the Annual Meeting, the Audit Committee may in its discretion change the appointment at any time during the year if it determines that such a change would be in our best interests and the best interests of our stockholders. If our stockholders do not ratify the selection of Deloitte & Touche LLP, the Audit Committee will reconsider its selection.

We expect that representatives of Deloitte & Touche LLP will be present at the Annual Meeting, with an opportunity to make a statement should they desire to do so, and will be available to respond to appropriate questions from stockholders.

Audit Fees

Deloitte & Touche LLP and its affiliates billed the following fees for professional services rendered to us and our subsidiaries for the years ended December 31, 2012 and 2011:

	2012	2011
Audit Fees (1)	\$ 1,548,200	\$ 2,140,700
Audit-Related Fees		
Tax Fees (2)	155,000	118,600
All Other Fees		
Total	\$ 1,703,200	\$ 2,259,300

- (1) Includes the aggregate fees and expenses for the audit of our annual financial statements and internal control over financial reporting, reviews of our quarterly financial statements and various statutory audits of our foreign subsidiaries.
- (2) Includes the aggregate fees and expenses for tax compliance and tax planning and consulting services.

Auditor Engagement and Pre-Approval Policy

In order to assure the continued independence of our independent auditor, currently Deloitte & Touche LLP, the Audit Committee has a policy requiring its pre-approval of all audit and non-audit services performed by the independent auditor. Under this policy, the Audit Committee annually pre-approves certain limited, specified recurring services which may be provided by Deloitte & Touche LLP, subject to maximum dollar limitations. All other engagements for services which may be provided by Deloitte & Touche LLP must be specifically pre-approved by the Audit Committee, or a designated committee member to whom this authority has been delegated. Since its adoption of this policy, the Audit Committee or its designee has pre-approved all engagements by us and our subsidiaries for services of Deloitte & Touche LLP, including the terms and fees thereof, and concluded that such engagements were compatible with the continued independence of Deloitte & Touche LLP in serving as our independent auditor.

The Board of Directors recommends a vote FOR Proposal No. 2.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

(Proposal No. 3)

As required by Section 14A of the Exchange Act and pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we are providing our stockholders with an advisory vote on executive compensation. This advisory vote, commonly known as a say-on-pay vote, is a non-binding vote on the compensation paid to our Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K, including under the captions Compensation Discussion and Analysis and Executive Compensation in this Proxy Statement.

At our 2011 annual meeting of stockholders, our stockholders voted on a proposal regarding the frequency of holding advisory votes on executive compensation. The stockholders approved, on an advisory basis, an annual advisory vote on the compensation of our named executive officers. In light of this result, our Board of Directors determined that an advisory vote to approve the compensation of our named executive officers will be conducted every year, until the next stockholder advisory vote on the frequency of the advisory vote to approve the compensation of our named executive officers which, in accordance with applicable law, will occur no later than our annual meeting of stockholders in 2017.

Our executive compensation program is designed to attract, motivate and retain highly qualified executives who are able to help achieve our company's objectives and create stockholder value. Our executive compensation programs and goals are described in detail in the Compensation Discussion and Analysis and the level of compensation paid to our Named Executive Officers during the last three years is set out in the Summary Compensation Table and related information above. Our Compensation Committee believes that our executive compensation program is effective in achieving our goals.

This advisory vote on executive compensation is not binding on our Board of Directors. However, the Board and our Compensation Committee will take into account the result of the vote when determining future executive compensation arrangements.

Accordingly, our Board of Directors recommends a vote FOR the following resolution:

RESOLVED, that the compensation paid to our company's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the Commission, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in this Proxy Statement, is hereby approved on an advisory basis.

SOLICITATION EXPENSES

We will bear the cost of preparing, printing and mailing Notices, this Proxy Statement and the accompanying proxy card and of this solicitation of proxies on behalf of our Board of Directors. In addition to solicitation by mail, we may solicit proxies personally, by telephone or other means. We intend to request brokerage houses, custodians, nominees and others who hold our common stock in their names to solicit proxies from the persons who beneficially own such stock and we will reimburse these brokerage houses, custodians, nominees and others for the reasonable costs of sending the proxy materials to the beneficial owners of our common stock.

COMMUNICATIONS WITH DIAMOND OFFSHORE AND OTHERS

Interested parties, including stockholders, wishing to communicate directly with the Lead Director, other non-management directors or the Board as a whole may do so by writing to Diamond Offshore Drilling, Inc., 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary. Stockholders should

clearly specify in each communication the name of the individual director or group of directors to whom the communication is addressed. We will deliver all such communications to the director or directors to whom they are addressed.

Stockholder proposals intended for inclusion in the proxy statement to be issued in connection with our 2014 annual meeting of stockholders must be addressed to: Diamond Offshore Drilling, Inc., 15415 Katy Freeway, Suite 100, Houston, Texas 77094, Attention: Corporate Secretary, and must be received no later than November 26, 2013.

Stockholder proposals submitted outside of the Commission's procedures for including such proposals in our proxy statement must be mailed or delivered to the attention of the Corporate Secretary at the address above and must be received by our Corporate Secretary no later than November 26, 2013. If a proposal is received after that date, our proxy for the 2014 annual meeting of stockholders may confer discretionary authority to vote on such matter without any discussion of such matter in the proxy statement for the 2014 annual meeting of stockholders.

OTHER MATTERS

While management has no reason to believe that any other business will be presented, if any other matters should properly come before the Annual Meeting, the proxies will be voted as to such matters in accordance with the best judgment of the proxy holders.

By Order of the Board of Directors

WILLIAM C. LONG
Senior Vice President, General Counsel and Secretary

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Annual Report, Notice & Proxy Statement is/are available at www.proxyvote.com.

DIAMOND OFFSHORE DRILLING, INC.

This proxy is solicited on behalf of the Board of Directors

for the 2013 Annual Meeting of Stockholders

on May 15, 2013

The undersigned hereby appoints Lawrence R. Dickerson, William C. Long and Gary T. Krenek, and any one of them, and any substitute or substitutes, to be the attorneys and proxies of the undersigned at the 2013 Annual Meeting of Stockholders of Diamond Offshore Drilling, Inc. (the Company) to be held at the offices of Loews Corporation, 667 Madison Avenue, New York, New York 10065 at 8:30 a.m. local time, and at any adjournments or postponements of said meeting, and to vote at such meeting the shares of stock the undersigned held of record on the books of the Company on the record date for the meeting.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted in accordance with the recommendations of the Board of Directors, and in accordance with the discretion of the persons designated above, with respect to any other business that may properly come before the meeting.

Continued and to be signed on reverse

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