

DIAMOND OFFSHORE DRILLING INC
 Form 4
 August 23, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
WILLIAMS DAVID W

2. Issuer Name and Ticker or Trading Symbol
DIAMOND OFFSHORE DRILLING INC [DO]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
 15415 KATY FREEWAY, SUITE 100
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 08/22/2006

____ Director
 Officer (give title below) _____ 10% Owner
 _____ Other (specify below)
 Executive Vice President

HOUSTON, TX 77094

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Code	V Amount Price			
Common Stock	08/22/2006		M	938	A \$ 22.49	938	D	
Common Stock	08/22/2006		S	938	D \$ 73.9386	0	D	
Common Stock	08/22/2006		M	938	A \$ 23.65	938	D	
Common Stock	08/22/2006		S	938	D \$ 73.9386	0	D	
Common Stock	08/22/2006		M	938	A \$ 32.78	938	D	

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Common Stock	08/22/2006	S	938	D	\$ 73.9386	0	D
Common Stock	08/22/2006	M	938	A	\$ 39.98	938	D
Common Stock	08/22/2006	S	938	D	\$ 73.9386	0	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Stock Option (right to buy)	\$ 22.49	08/22/2006		M	938	05/18/2005 ⁽¹⁾ 05/18/2014	Common Stock	938
Stock Option (right to buy)	\$ 23.65	08/22/2006		M	938	05/18/2005 ⁽¹⁾ 07/01/2014	Common Stock	938
Stock Option (right to buy)	\$ 32.78	08/22/2006		M	938	05/18/2005 ⁽¹⁾ 10/01/2014	Common Stock	938
Stock Option (right to buy)	\$ 39.98	08/22/2006		M	938	05/18/2005 ⁽¹⁾ 12/31/2014	Common Stock	938

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WILLIAMS DAVID W 15415 KATY FREEWAY SUITE 100 HOUSTON, TX 77094			Executive Vice President	

Signatures

/s/ William C. Long Attorney-in-Fact for David W.

Williams

08/23/2006

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The options vested on May 18, 2006.
 - (2) The options vest in two equal annual installments beginning on May 18, 2007.

Remarks:

Form 2 of 2 dated August 23, 2006.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.