SMITH INTERNATIONAL INC
Form DEFM14A
July 21, 2010
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# UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

**Smith International, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

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**MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

To the stockholders of Smith International, Inc.:

The board of directors of Schlumberger Limited (Schlumberger N.V.) and the board of directors of Smith International, Inc. have agreed to a strategic combination pursuant to an Agreement and Plan of Merger, dated as of February 21, 2010, which we refer to as the merger agreement. Upon completion of the merger of a wholly owned subsidiary of Schlumberger with and into Smith, Schlumberger will acquire Smith, and Smith will become a wholly owned subsidiary of Schlumberger.

If the merger is completed, Smith stockholders will have the right to receive 0.6966 shares of Schlumberger common stock for each share of Smith common stock, with cash paid in lieu of fractional shares. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to closing of the merger. Based on the closing price of Schlumberger common stock on the New York Stock Exchange, or the NYSE, on February 18, 2010, the last trading day before various news outlets began reporting on a possible transaction involving Smith and Schlumberger, the 0.6966 exchange ratio represented approximately $45.84 in value for each share of Smith common stock. Based on the closing price of Schlumberger common stock on July 15, 2010, the most recent practicable trading day before the date of this document, the 0.6966 exchange ratio represented approximately $40.87 in value for each share of Smith common stock.

Based on the number of shares of Smith common stock and Smith restricted stock units outstanding as of July 14, 2010, Schlumberger expects to issue approximately 175,903,891 shares of its common stock to Smith stockholders pursuant to the merger and reserve for issuance approximately 740,333 additional shares of Schlumberger common stock in connection with the exercise or conversion of Smith s outstanding equity awards. Upon completion of the merger, we estimate that current Schlumberger shareholders will own approximately 87.2% of the combined company and former Smith stockholders will own approximately 12.8% of the combined company. Schlumberger common stock and Smith common stock are both traded on the NYSE under the symbols SLB and SII, respectively.

At the annual meeting of Smith stockholders, Smith stockholders will be asked to vote on the adoption of the merger agreement. We cannot complete the merger unless the Smith stockholders approve this proposal. Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend the annual meeting in person, please vote your shares as promptly as possible by (1) accessing the internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card, or (3) signing and returning all proxy cards that you receive in the postage-paid envelope provided, so that your shares may be represented and voted at the Smith annual meeting. **Please note that a failure to vote your shares is the equivalent of a vote against the merger.**

Smith stockholders will also be asked to vote on several other proposals, including the election of three Smith directors, James Gibbs, Duane Radtke and John Yearwood; approval of Smith s 1989 Long-Term Incentive Compensation Plan, as amended and restated; the ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the fiscal year ending December 31, 2010; and approval of the adjournment of the Smith annual meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the annual meeting. The completion of the merger is not dependent on the outcome of any of these proposals.

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**The Smith board of directors, by a unanimous vote, recommends that Smith stockholders vote FOR the proposal to adopt the merger agreement, FOR each of the director nominees and FOR the other proposals to be submitted to the stockholders at the Smith annual meeting.**

The obligations of Smith and Schlumberger to complete the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. More information about Smith, Schlumberger and the merger is contained in this proxy statement/prospectus. Smith and Schlumberger encourage you to read this entire proxy statement/prospectus carefully, including the section entitled Risk Factors beginning on page 23.

We at Smith look forward to the successful combination of Smith and Schlumberger.

Sincerely,

John Yearwood

Chief Executive Officer, President

and Chief Operating Officer

Smith International, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the accompanying proxy statement/prospectus or determined that the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement/prospectus is dated July 20, 2010 and is first being mailed to the stockholders of Smith International, Inc. on or about July 27, 2010.

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**1310 Rankin Road**

**Houston, Texas 77073**

**(281) 443-3370**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON AUGUST 24, 2010**

To Our Stockholders:

The Annual Meeting of Stockholders of Smith International, Inc. will be held on Tuesday, August 24, 2010, at 9:00 a.m. local time, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, to consider and take action on the following:

1. Approval of a proposal to adopt the Agreement and Plan of Merger, dated as of February 21, 2010, as it may be amended from time to time, among Schlumberger Limited, Turnberry Merger Sub Inc., and Smith International, Inc., a copy of which is attached as Annex A to the proxy statement/prospectus accompanying this notice;

2. Election of three Class III directors: James R. Gibbs, Duane C. Radtke and John Yearwood, each for a term of three years ending at the 2013 Annual Meeting of Stockholders or until their successors are duly elected and qualified;

3. Approval of the Smith International, Inc. 1989 Long-Term Incentive Compensation Plan, as amended and restated;

4. Ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the fiscal year ending December 31, 2010;

5. Approval of the adjournment of Smith s annual meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the annual meeting; and

6. Conducting any other business as may properly come before Smith s annual meeting or any adjournment or postponement thereof.

Please refer to the proxy statement/prospectus accompanying this notice for further information with respect to the business to be transacted at Smith s annual meeting.

**Smith s board of directors unanimously recommends a vote FOR the proposal to adopt the Agreement and Plan of Merger, FOR each of the director nominees, and FOR each of the other proposals described in the proxy statement/prospectus accompanying this notice.**

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on August 24, 2010: This proxy statement and the Smith 2009 Annual Report to Stockholders are available on the following website: www.proxydocs.com/sii.**

The Smith board of directors has fixed the close of business on July 26, 2010 as the record date for determining stockholders who are entitled to notice of and to vote at the annual meeting. Only holders of record of Smith common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the Smith annual meeting.

By Order of the Board of Directors

Richard E. Chandler, Jr.

Secretary

Houston, Texas

July 20, 2010

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**YOUR VOTE IS IMPORTANT.**

Please vote your proxy promptly so that your shares will be represented, even if you plan to attend the annual meeting. You can vote by internet, by telephone, or by using the proxy card that is enclosed. Please see your proxy card for specific instructions on how to vote. Brokers cannot vote on Proposals 1, 2 or 3 without your instructions.

The proxy statement/prospectus accompanying this notice provides a detailed description of the merger, the Agreement and Plan of Merger and the other matters to be considered at the Smith annual meeting. You are urged to read the entire proxy statement/prospectus, including the annexes and other documents referred to therein.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SMITH ANNUAL MEETING**

*The following are some questions that you, as a stockholder of Smith, may have regarding the merger and the annual meeting, and brief answers to those questions. You are urged to read carefully this proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus in their entirety because this section may not provide all of the information that is important to you with respect to the merger and the annual meeting. Additional important information is contained in the annexes to, and the documents incorporated by reference into, this proxy statement/prospectus.*

***Questions About the Merger***

**Q: Why am I receiving this document?**

A: Schlumberger and Smith have agreed to combine under the terms of a merger agreement that is described in this proxy statement/prospectus. A copy of the merger agreement is attached as Annex A. In order to complete the merger, Smith stockholders must vote to adopt the merger agreement. Smith will submit this proposal to its stockholders at its annual meeting.

At the annual meeting, Smith stockholders will be asked to vote on several other proposals, including the election of James Gibbs, Duane Radtke and John Yearwood as directors of Smith; approval of Smith s 1989 Long-Term Incentive Compensation Plan, as amended and restated; the ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the fiscal year ending December 31, 2010; and the adjournment of the Smith annual meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement.

This document contains important information about the merger and the meeting of the stockholders of Smith, and you should read it carefully. The enclosed voting materials allow you to vote your shares without attending the annual meeting.

Your vote is important. We encourage you to vote as soon as possible.

**Q: What will happen in the merger?**

A: Schlumberger and Smith have agreed to a merger, pursuant to which Turnberry Merger Sub Inc., a wholly owned subsidiary of Schlumberger that was formed for the purpose of the merger, will be merged with and into Smith. Smith will be the surviving corporation in the merger and will be a wholly owned subsidiary of Schlumberger following completion of the merger.

In the merger, Schlumberger will issue shares of Schlumberger common stock as the consideration to be paid to holders of Smith common stock. Following the merger, Smith will cease to be a publicly held corporation and will be a wholly owned subsidiary of Schlumberger.

**Q: Why am I being asked to adopt the merger agreement?**

A: In order to complete the merger, Smith stockholders must vote to adopt the merger agreement. This document is being delivered to you as both a proxy statement of Smith and a prospectus of Schlumberger in connection with the merger. It is the proxy statement by which the Smith board of directors is soliciting proxies from you to vote on certain matters, including the adoption of the merger agreement, at the annual meeting or at any adjournment or postponement of the annual meeting. It is also the prospectus by which Schlumberger is offering the Schlumberger common stock to be issued to you in the merger.

**Q: What will I receive in the merger?**

A: If the merger is completed, each of your shares of Smith common stock will be cancelled and converted automatically into the right to receive 0.6966 shares of Schlumberger common stock. You will receive cash for any fractional shares of Schlumberger common stock that you would otherwise receive in the merger.

Based on the closing price of Schlumberger common stock on the NYSE on February 18, 2010, the last trading day before various news outlets began reporting on a possible transaction involving Smith and Schlumberger, the merger consideration represented approximately $45.84 in value for each share of Smith common stock. Based on the closing price of Schlumberger common stock on the NYSE on July 15, 2010, the most recent practicable trading day prior to the date of this proxy statement/prospectus, the merger consideration represented approximately $40.87 in value for each share of Smith common stock. The market price of Schlumberger common stock will fluctuate prior to the merger, and the market price of Schlumberger common stock when received by Smith stockholders after the merger is completed could be greater or less than the current market price of Schlumberger common stock. See Risk Factors beginning on page 23 of this proxy statement/prospectus.

**Q: What happens if the merger is not completed?**

A: If the merger agreement is not adopted by Smith stockholders or if the merger is not completed for any other reason, you will not receive any payment for your shares of Smith common stock in connection with the merger. Instead, Smith will remain an independent public company and Smith common stock will continue to be listed and traded on the NYSE. If the merger agreement is terminated under specified circumstances, Smith may be required to pay Schlumberger a termination fee of $340 million, or Schlumberger may be required to pay Smith a termination fee of $615 million, as described under The Merger Agreement Termination, Amendment and Waiver Fees and Expenses beginning on page 79 of this proxy statement/prospectus.

**Q: Will I continue to receive future dividends?**

A: Before completion of the merger, Smith expects to continue to pay its regular quarterly cash dividends on shares of its common stock, which currently are $0.12 per share of Smith common stock. However, Smith and Schlumberger will coordinate the timing of dividend declarations leading up to the merger so that a holder will neither receive two dividends, nor fail to receive one dividend, for any quarter. Receipt of the regular quarterly dividend will not reduce the merger consideration you receive. After completion of the merger, you will be entitled only to dividends on any shares of Schlumberger common stock you receive in the merger. Although Schlumberger provides no assurances as to the level or payment of any future dividends on shares of its common stock, and Schlumberger s board of directors has the power to modify its dividend policy at any time, Schlumberger currently pays dividends at a quarterly rate of $0.21 per share of Schlumberger common stock.

**Q: Does the Smith board of directors recommend that stockholders adopt the merger agreement?**

A: Yes, the Smith board of directors unanimously recommends a vote FOR the adoption of the merger agreement.

**Q: What happens if I sell my shares after the record date but before the annual meeting?**

A: The record date for the annual meeting is earlier than the date of the annual meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your shares of Smith common stock after the record date but before the date of the annual meeting, you will retain your right to vote at the annual meeting. However, you will not have the right to receive the merger consideration to be received by Smith stockholders in the merger. In order to receive the merger consideration, you must hold your shares through completion of the merger.

**Q: Am I entitled to appraisal rights if I vote against the adoption of the merger agreement?**

A:

No. Appraisal rights confer on stockholders who vote against the merger the right to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to stockholders in connection with the merger. Because Smith common stock was listed on the NYSE on the record date and will, upon the completion of the merger, be converted into the right to receive Schlumberger common stock, which will also be listed on the NYSE, Smith stockholders will not have appraisal rights in connection with the merger.

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**Q: Is completion of the merger subject to any conditions?**

A: Yes. In addition to the adoption of the merger agreement by Smith stockholders, completion of the merger requires the receipt of the necessary governmental and regulatory approvals and the satisfaction or, to the extent permitted by applicable law, waiver of the other conditions specified in the merger agreement.

**Q When do you expect to complete the merger?**

A: Smith and Schlumberger are working toward completing the merger promptly. Smith and Schlumberger currently expect to complete the merger in the second half of 2010, subject to receipt of Smith s stockholder approval, governmental and regulatory approvals and other usual and customary closing conditions. However, no assurance can be given as to when, or if, the merger will occur.

**Q: Should I send in my stock certificates now?**

A: No. Smith stockholders should not send in their stock certificates at this time. At the effective time of the merger, your shares of Smith common stock will be converted automatically into the right to receive the merger consideration. After completion of the merger, Schlumberger s exchange agent will send you a letter of transmittal and instructions for exchanging your shares of Smith common stock for the merger consideration. Upon surrender of the certificates or book-entry shares for cancellation along with the executed letter of transmittal and other documents, a Smith stockholder will receive the merger consideration and any unpaid dividends and distributions declared and paid in respect of Schlumberger common stock after completion of the merger. Unless you specifically request to receive Schlumberger stock certificates, the shares of Schlumberger stock you receive in the merger will be issued in book-entry form.

***General Information About Voting***

**Q: When and where will the annual meeting be held?**

A: The Smith annual meeting of stockholders will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, on Tuesday, August 24, 2010, at 9:00 a.m., local time.

**Q: Who may vote?**

A: You are entitled to vote your shares of Smith common stock if you are a stockholder of record on July 26, 2010, the record date for the annual meeting.

**Q: How many votes do I have?**

A: You are entitled to one vote for each share of Smith common stock that you owned as of the record date. Each share of Smith common stock has one vote. The enclosed proxy card shows the number of shares that you are entitled to vote. As of the close of business on July 14, 2010, there were approximately 248,576,204 outstanding shares of Smith common stock. As of that date, approximately 0.60% of the outstanding shares of common stock of Smith entitled to vote were owned by its directors and executive officers and their affiliates.

**Q: How do I vote?**

A: Stockholders of record of Smith as of the record date for the Smith annual meeting may vote in person by attending the stockholder meeting, or by telephone, internet or mail. If you are voting by mail, please sign, date and mail the enclosed proxy card. If you are voting by telephone or internet, please follow the instructions on the enclosed proxy card. Whether or not you plan to attend the meeting, we encourage you to vote by proxy as soon as possible. If you hold your shares in more than one type of account or your shares are registered differently, you may receive more than one proxy card. We encourage you to vote each proxy card that you receive.

If you choose to attend the meeting in person, you will be asked to present valid picture identification and, if you hold your shares through a broker, you will be asked to present a copy of your brokerage statement showing your stock ownership as of July 26, 2010, and, in order to vote at the annual meeting, a legal proxy from your broker. For directions to the meeting, contact the Hotel du Pont, Wilmington, Delaware at (302) 594-3100.

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**Q: How will my shares be voted?**

A: If you vote by proxy, the individuals named on the proxy card (your proxies) will vote your shares in the manner you indicate. You may specify on your proxy card whether your shares should be voted for all of the nominees for director or your vote should be withheld with respect to one or more of the nominees. You may also specify whether you approve, disapprove or abstain from the other proposals.

If you sign and return your proxy card without indicating your voting instructions, your shares will be voted FOR the adoption of the merger agreement, FOR the election of all nominees for director, FOR the approval of the Smith long-term incentive compensation plan, FOR the ratification of the appointment of Deloitte & Touche as Smith s independent registered accounting firm and, if necessary, FOR the adjournment of the Smith annual meeting.

**Q: What if my shares are held by a broker?**

A: If you hold your shares in a stock brokerage account or if your shares are held by a bank or nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to Smith or by voting in person at the Smith annual meeting unless you provide a legal proxy, which you must obtain from your bank or broker.

If you do not instruct your broker on how to vote your shares, your broker may not give a proxy on or vote your shares on the proposals to adopt the merger agreement (which will have the same effect as a vote against adoption of the merger agreement), elect directors (which will have no effect on the election results, assuming a quorum is present) or to approve the incentive plan proposal (which will have the same effect as a vote against the approval of the incentive plan) without specific instructions from their customers, but may give a proxy on or vote your shares with respect to the other proposals to be considered at the annual meeting. We refer to matters where a proxy has been given but the broker may not vote the shares due to the lack of specific instructions as broker non-votes.

**Q: May I revoke or change my vote?**

A: Yes. You may revoke or change your proxy at any time before it is exercised by submitting written notice of revocation to Smith s Corporate Secretary so that he receives it before the Smith annual meeting (which, if you hold your shares in street name, you must do in accordance with instructions from your bank or broker); voting again by telephone, internet or mail; or voting in person at the Smith annual meeting.

Attendance at the Smith annual meeting will not by itself revoke a previously granted proxy. If you hold your shares in street name and you wish to change your vote at the Smith annual meeting, you will need to obtain a proxy from the broker or nominee that holds your shares.

**Q: What constitutes a quorum?**

A: The holders of a majority of the outstanding shares of Smith common stock entitled to vote at the meeting constitutes a quorum for the transaction of business at the annual meeting. If you have returned valid proxy instructions or attend the meeting in person and are entitled to vote your shares at the meeting, your Smith common stock will be counted for the purpose of determining whether there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the meeting. Broker non-votes also count for quorum purposes.

**Q: How many votes are required to approve each proposal?**

A: The following votes are required to approve each proposal:

Adoption of the merger agreement requires the affirmative vote of a majority of the aggregate voting power of all of the shares of Smith common stock that are outstanding as of the record date and entitled to vote at the Smith annual meeting.

Election of each director requires the affirmative vote of a majority of the total votes cast either for or against the election of such director at the Smith annual meeting. If a nominee is not elected, he must promptly tender his resignation to the Smith board of directors, which will determine, based on a

recommendation from the nominating and corporate governance committee of the Smith board of directors, whether to accept or reject the resignation. In the event of a vacancy on the Smith board of directors, a majority of the remaining directors will appoint a successor or decrease the size of the Smith board of directors.

The approval of the 1989 Long-Term Incentive Compensation Plan requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal, provided that the total vote cast on the proposal constitutes at least a majority of the outstanding shares of Smith common stock. Shares represented at the meeting and entitled to vote on such proposal include all shares that are voted in person at the meeting or that are represented by valid proxies.

Each of the ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the 2010 fiscal year, and the approval of the adjournment of the Smith annual meeting requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal. Shares represented at the meeting and entitled to vote on such proposal include all shares that are voted in person at the meeting or that are represented by valid proxies.

**Q: What will happen if I return my proxy card without indicating how to vote?**

A: If you are a holder of record and you sign and return your proxy card without indicating how to vote on any particular proposal, the Smith common stock represented by your proxy will be voted as recommended by the Smith board of directors with respect to that proposal.

**Q: What will happen if I fail to vote or I abstain from voting?**

A: If you fail to vote, fail to instruct your broker or nominee to vote, or vote to abstain, it will have the same effect as a vote against the proposal to adopt the merger agreement. It will have no effect on the outcome of the proposal to elect directors, assuming a quorum is present. With respect to the proposal to approve the 1989 Long Term Incentive Compensation Plan, a failure to vote will have no effect on the outcome, assuming that a quorum is present and that at least a majority of the outstanding shares of Smith common stock vote on the proposal, but a failure to instruct your broker or nominee to vote or a vote to abstain will have the same effect as a vote against such proposal. With respect to the proposals to ratify the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the 2010 fiscal year or to adjourn the Smith annual meeting, a failure to vote will have no effect on the outcome of either of such proposals, assuming in each case that a quorum is present, a failure to specify your voting instructions to your broker or nominee to vote will permit your broker or nominee to vote your shares on such proposals, and a vote to abstain will have the same effect as a vote against such proposals.

**Q: What other matters will be acted upon at the meeting?**

A: We do not know of any other matters that will be presented at the Smith annual meeting, other than those mentioned in this proxy statement/prospectus.

**Q: Who pays the cost of this proxy solicitation?**

Smith will pay the cost of solicitation of proxies including preparing, printing and mailing this proxy statement/prospectus. Smith has retained MacKenzie Partners to help in soliciting proxies for a fee of $25,000, plus reasonable out-of-pocket costs and expenses. Smith will also reimburse brokers, banks and other nominees for their costs in sending proxy materials to beneficial owners of Smith common stock. Other proxy solicitation expenses that Smith will pay include those for preparation, mailing, returning and tabulating the proxies.

**Q: Who may attend the annual meeting?**

A: Holders of record of Smith common stock as of July 26, 2010 may attend the annual meeting. For a period of at least 10 days prior to the Smith annual meeting, a complete list of stockholders entitled to vote at the Smith annual meeting will be open to examination by any Smith stockholder during ordinary business hours at the office of the Smith Corporate Secretary at 1310 Rankin Road, Houston Texas 77073.

**Q: What do I do if I receive more than one set of voting materials?**

A: You may receive more than one set of voting materials for the annual meeting, including multiple copies of this proxy statement/prospectus, proxy cards and/or voting instruction forms. This can occur if you hold your shares in more than one brokerage account, if you hold shares directly as a record holder and also in street name, or otherwise through a nominee, and in certain other circumstances. If you receive more than one set of voting materials, each should be voted and/or returned separately in order to ensure that all of your shares are voted.

**Q: What do I need to do now?**

A: Carefully read and consider the information contained in and incorporated by reference into this proxy statement/prospectus, including its annexes. Then, please vote your shares of Smith common stock, which you may do by:

- completing, dating, signing and returning the enclosed proxy card in the accompanying postage-paid envelope;
- submitting your proxy by telephone or via the internet by following the instructions included on your proxy card; or
- attending the Smith annual meeting and voting by ballot in person.

If you hold shares through a broker or other nominee, please instruct your broker or nominee to vote your shares by following the instructions that the broker or nominee provides to you with these materials.

**Q: Whom should I call with questions?**

A: Smith stockholders who have questions about the merger, the election of directors or the other matters to be voted on at the Smith annual meeting or desire additional copies of this document or additional proxy cards should contact:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

proxy@mackenziepartners.com

Call Collect: (212) 929-5500

or

Toll-Free: (800) 322-2885

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## SUMMARY

*This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. You are urged to read carefully the entire proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus in order to fully understand the merger agreement and the proposed merger. See Where You Can Find More Information beginning on page 144 of this proxy statement/prospectus. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.*

### The Companies (page 31)

***Schlumberger Limited***

Founded in 1926, Schlumberger is the world s leading supplier of technology, integrated project management and information solutions to the international oil and gas exploration and production industry.

Schlumberger has principal executive offices in Paris, Houston and The Hague. Its principal executive offices in the United States are located at 5599 San Felipe, 17th Floor, Houston, Texas 77056, and its telephone number is (713) 513-2000.

***Smith International, Inc.***

Founded in 1902, Smith is a leading global provider of premium products and services used during the drilling, completion and production phases of oil and natural gas development activities.

Smith was incorporated in the state of California in January 1937 and reincorporated under Delaware law in May 1983. Smith s executive offices are headquartered at 1310 Rankin Road, Houston, Texas 77073, and its telephone number is (281) 443-3370.

***Turnberry Merger Sub Inc.***

Turnberry Merger Sub Inc., referred to as Merger Sub, is a Delaware corporation and a wholly owned subsidiary of Schlumberger. Merger Sub was formed solely for the purpose of participating in the merger and has conducted no activities other than in connection with the merger.

### The Merger

***The Merger Agreement*** (page 66)

Schlumberger, Smith and Merger Sub have entered into an Agreement and Plan of Merger dated as of February 21, 2010, which, as it may be amended from time to time, is referred to in this proxy statement/prospectus as the merger agreement. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, Merger Sub will be merged with and into Smith, with Smith continuing as the surviving corporation. Upon completion of this transaction, which is referred to in this proxy statement/prospectus as the merger, Smith will be a wholly owned subsidiary of Schlumberger, and Smith common stock will no longer be publicly traded. A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus. **You should read the merger agreement carefully because it is the legal document that governs the merger.**

***The Merger Consideration*** (page 67)

If the merger is completed, Smith stockholders will be entitled to receive in the merger, for each share of Smith common stock that they own, 0.6966 shares of Schlumberger common stock. The number of shares of Schlumberger common stock delivered in respect of each share of Smith common stock in the merger is referred to in this proxy statement/prospectus as the exchange ratio. Schlumberger will not issue any fractional shares of its common stock in the merger. Instead, the total number of shares of Schlumberger common stock that each Smith stockholder will receive in the merger will be rounded down to the nearest whole number, and each Smith stockholder will receive cash, without interest, for any fractional shares of Schlumberger common stock that he or she would otherwise receive in the merger. The amount of cash for fractional shares will be calculated by multiplying the fraction of a share of Schlumberger common stock that the Smith stockholder would otherwise be entitled to receive in the merger by the closing sale price of a share of Schlumberger common stock on the business day immediately preceding the completion of the merger. The Schlumberger common stock issuable based on the exchange ratio, together with any cash payable in lieu of fractional shares, is referred to in this proxy statement/prospectus as the merger consideration.

*Example: If you currently own 100 shares of Smith common stock, you will be entitled to receive 69 shares of Schlumberger common stock and cash for the market value of 0.66 shares of Schlumberger common stock at the closing sale price of a share of Schlumberger common stock on the business day immediately preceding the completion of the merger.*

The exchange ratio of 0.6966 of a share of Schlumberger common stock is fixed, which means that it will not change between now and the date of the merger, regardless of whether the market price of either Schlumberger or Smith common stock changes. Therefore, the value of the merger consideration will depend on the market price of Schlumberger common stock at the time Smith stockholders receive Schlumberger common stock in the merger. The market price of Schlumberger common stock will fluctuate prior to the merger, and the market price of Schlumberger common stock when received by Smith stockholders in connection with the merger could be greater or less than the current market price of Schlumberger common stock.

**Annual Meeting of Smith Stockholders** **(page 32)**

***Meeting***

The Smith annual meeting will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, on Tuesday, August 24, 2010 at 9:00 a.m., local time. At the Smith annual meeting, Smith stockholders will be asked to vote on the following proposals:

- to adopt the merger agreement;
- to elect three Class III directors: James R. Gibbs, Duane C. Radtke and John Yearwood, each for a term of three years ending at the 2013 annual meeting of stockholders or until their respective successors have been duly elected and qualified;
- to approve the Smith International, Inc. 1989 Long-Term Incentive Compensation Plan, as amended and restated;
- to ratify the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the 2010 fiscal year; and
- to adjourn the Smith annual meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the Smith annual meeting.

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*Record Date*

Only Smith stockholders of record at the close of business on July 26, 2010, which is referred to as the record date, will be entitled to notice of, and to vote at, the Smith annual meeting or any adjournments or postponements thereof.

As of July 14, 2010, the most recent practicable date prior to the date of this proxy statement/prospectus, there were 248,576,204 shares of Smith common stock outstanding and expected to be entitled to vote at the Smith annual meeting. The Smith common stock is the only class of securities entitled to vote at the Smith annual meeting. Each share of Smith common stock outstanding on the record date entitles the holder thereof to one vote on each matter properly brought before the Smith annual meeting, exercisable in person or by proxy through the internet or by telephone or by a properly executed and delivered proxy with respect to the Smith annual meeting.

For a period of at least 10 days prior to the Smith annual meeting, a complete list of stockholders entitled to vote at the Smith annual meeting will be open to examination by any Smith stockholder during ordinary business hours at the office of the Smith Corporate Secretary at 1310 Rankin Road, Houston, Texas 77073.

*Required Vote*

To adopt the merger agreement, holders of a majority of the shares of Smith common stock outstanding on the record date must vote in favor of adoption of the merger agreement. Smith cannot complete the merger unless its stockholders adopt the merger agreement. Because approval is based on the affirmative vote of a majority of the outstanding shares of Smith common stock, a Smith stockholder s failure to vote, an abstention from voting or the failure of an Smith stockholder who holds his or her shares in street name through a broker or other nominee to give voting instructions to such broker or other nominee will all have the same effect as a vote AGAINST adoption of the merger agreement.

Election of the directors requires the affirmative vote of a majority of the votes cast either for or against the election of such director at the Smith annual meeting. An abstention does not count as a vote cast for these purposes. If a nominee is not elected, he must promptly tender his resignation to the Smith board of directors, which will determine, based on a recommendation from the nominating and corporate governance committee of the Smith board of directors, whether to accept or reject the resignation. In the event of a vacancy on the Smith board of directors, a majority of the remaining directors will appoint a successor or decrease the size of the Smith board of directors.

Approval of the 1989 Long-Term Incentive Compensation Plan, as amended and restated, requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal, provided that at least a majority of the outstanding shares of Smith common stock vote on such proposal.

Approval of each of the ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the 2010 fiscal year and the adjournment of the Smith annual meeting requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal.

*Recommendation of the Smith Board of Directors*

**The Smith board of directors unanimously recommends that Smith stockholders vote FOR the proposal to adopt the merger agreement. For the factors considered by the Smith board of directors in reaching its decision to approve the merger agreement, see The Merger Smith s Reasons for the Merger; Recommendation of the Smith Board of Directors.**

The Smith board of directors recommends that Smith stockholders vote **FOR** each of the director nominees and **FOR** all of the other proposals set forth above.

**Schlumberger Stockholder Approval Is Not Required**

Schlumberger stockholders are not required to adopt the merger agreement or approve the merger or the issuance of shares of Schlumberger common stock in connection with the merger.

**Share Ownership of Smith s Directors and Executive Officers (page 32)**

As of July 14, directors and executive officers of Smith and their affiliates owned and were entitled to vote 1,487,629 shares of Smith common stock, or approximately 0.60% of the shares of Smith common stock outstanding on that date. It is currently expected that Smith s directors and executive officers will vote their shares in favor of the adoption of the merger agreement and each of the other Smith proposals described in this proxy statement/prospectus, although none of them have entered into any agreements obligating them to do so.

**Treatment of Equity Awards (page 67)**

At the effective time of the merger, all outstanding options to purchase shares of Smith common stock will be converted into options to purchase shares of Schlumberger common stock with the duration and terms of such converted options to remain the same as the original Smith option. The number of shares of Schlumberger common stock subject to each option will be determined by multiplying the number of shares of Smith common stock subject to the original Smith option by the exchange ratio, rounded down to the nearest whole share. The option exercise price per share of Schlumberger common stock will be equal to the option exercise price per share of Smith common stock under the original Smith option divided by the exchange ratio rounded up to the nearest whole cent. All converted Schlumberger options, other than those issued in respect of Smith options awarded after February 21, 2010, will be fully vested and exercisable.

At the effective time of the merger, each outstanding award of restricted stock units granted by Smith under any of its plans on or prior to February 21, 2010, will be converted into the right to receive the merger consideration based on the total number of shares of Smith common stock subject to the outstanding award. To the extent the outstanding award is for performance-based restricted stock units, the number of shares subject to the outstanding award will be calculated based on the deemed attainment of performance goals at 100% of the target performance level. Any award of restricted stock units made by Smith after February 21, 2010 will be converted into an award of Schlumberger restricted stock units in an amount equal to the product of the number of shares of Smith stock subject to the original Smith award and the exchange ratio, with any fractional units rounded to the nearest whole unit.

**Opinion of Smith s Financial Advisor (page 46)**

On February 20, 2010, at a meeting of Smith s board of directors held to evaluate the proposed merger, UBS Securities LLC, referred to as UBS, delivered to Smith s board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion, dated February 20, 2010, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to holders of Smith common stock other than Schlumberger and its affiliates.

The full text of UBS opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. A copy of this opinion is attached as Annex B hereto and is incorporated into this proxy statement/prospectus by reference. **Holders of Smith common stock are encouraged to read UBS opinion carefully in its entirety. UBS opinion was provided for the benefit of Smith s board of directors in connection with, and for the purpose of, its evaluation of the exchange ratio from a financial point of view and does not address any other aspect of the merger. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available with respect to Smith or Smith s underlying business decision to effect the merger. The opinion does not constitute a recommendation to any stockholder as to how to vote or act with respect to the merger.**

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**Ownership of Schlumberger After the Merger**

Based on the number of shares of Smith common stock and Smith restricted stock units outstanding as of July 14, 2010, Schlumberger expects to issue approximately 175,903,891 shares of its common stock to Smith stockholders pursuant to the merger and reserve for issuance approximately 740,333 additional shares of Schlumberger common stock in connection with the exercise or conversion of Smith s outstanding equity awards. The actual number of shares of Schlumberger common stock to be issued and reserved for issuance pursuant to the merger will be determined at the completion of the merger based on the exchange ratio of 0.6966 and the number of shares of Smith common stock, options and restricted stock units outstanding at such time. Immediately after completion of the merger, it is expected that former Smith stockholders will own approximately 12.8% of Schlumberger s outstanding common stock, based on the number of shares of Smith and Schlumberger common stock outstanding, on a fully diluted basis.

**Interests of Smith s Directors and Officers in the Merger (page 55)**

Smith s executive officers and directors have financial interests in the merger that are different from, or in addition to, those of Smith s stockholders generally. The independent members of Smith s board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to Smith stockholders that the merger agreement be adopted.

Certain of Smith s executive officers, including each of its named executive officers, are party to change of control agreements with Smith that provide severance and other benefits in the case of qualifying terminations of employment in connection with or following a change of control, including completion of the merger.

Smith equity compensation plans and award agreements generally provide for the vesting of stock-based awards upon completion of the merger.

In addition, under the terms of the merger agreement, Smith may establish a retention program with a retention pool in an aggregate amount up to $74.3 million. Of this amount, up to $16 million will be allocated to persons who are executive officers of Smith or who are party to change of control employment agreements with Smith. Smith separately recently allocated approximately $18 million in retention payments to certain employees who are not executive officers, and may make additional allocations.

Please see The Merger Interests of Smith s Directors and Officers in the Merger beginning on page 55 of this proxy statement/prospectus for additional information about those financial interests.

**Listing of Schlumberger Stock and Delisting and Deregistration of Smith Stock (page 58)**

Schlumberger will apply to have the shares of its common stock to be issued in the merger approved for listing on the NYSE, where Schlumberger common stock is currently traded. If the merger is completed, Smith shares will no longer be listed on the NYSE, and will be deregistered under the Securities Exchange Act of 1934, as amended, which is referred to in this proxy statement/prospectus as the Exchange Act.

**No Appraisal Rights (page 58)**

Under Delaware law, Smith stockholders will not have appraisal rights in connection with the merger.

**Completion of the Merger Is Subject to Certain Conditions (page 77)**

*Conditions to the Obligations of Each Party to Effect the Merger.* The respective obligations of each party to effect the merger will be subject to the fulfillment of the following conditions on or prior to the closing date:

the adoption of the merger agreement by Smith s stockholders;

(1) the termination or expiration of any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which is referred to as the HSR Act, and (2) the issuance by the European Commission of a decision under Council Regulation No. 4064/89 of the European Community, which is referred to as the EC Merger Regulation, declaring the merger compatible with the common market;

the expiration, lapse or termination of all applicable waiting or other time periods under antitrust laws in other specified jurisdictions;

the absence of any judgment, injunction, order or decree of any governmental authority in the United States, the European Union or other specified jurisdictions prohibiting or enjoining the consummation of the merger;

the effectiveness of the registration statement that includes this prospectus, and the absence of any stop order or proceeding seeking a stop order;

the approval for listing on the NYSE of the Schlumberger common stock to be issued pursuant to the merger;

performance in all material respects by each of Schlumberger and Merger Sub, on the one hand, and Smith, on the other hand, of its respective covenants and agreements required to be performed by it under the merger agreement at or prior to the closing date;

representations and warranties of Schlumberger and Merger Sub, on the one hand, and Smith, on the other hand, contained in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date, subject to certain materiality thresholds; and

receipt of an opinion by Schlumberger and Smith from their respective counsel, in form and substance reasonably satisfactory to Schlumberger and Smith, respectively, dated as of the closing date, to the effect that for U.S. federal income tax purposes (1) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (2) each transfer of Smith stock to Schlumberger by a stockholder of Smith pursuant to the merger (other than a stockholder of Smith that is a five percent transferee shareholder of Schlumberger, as defined in Treasury regulations promulgated under Section 367(a) of the Internal Revenue Code) will not be subject to Section 367(a)(1) of the Internal Revenue Code.

**Regulatory Approvals Required for the Merger (page 63)**

The merger is subject to review by the Antitrust Division of the U.S. Department of Justice, which is referred to as the Antitrust Division, under the HSR Act. Under the HSR Act, Schlumberger and Smith are required to make premerger notification filings and to await the expiration or early termination of the statutory waiting period (and any extension of the waiting period) prior to completing the merger. On March 3, 2010, Schlumberger and Smith each filed a Premerger Notification and Report Form with the Antitrust Division and the Federal Trade Commission, which is referred to as the FTC. By agreement between the two agencies, the Antitrust Division is conducting the review. Prior to the expiration of the initial 30-day waiting period, on April 2, 2010, Schlumberger and Smith each received a request for additional information and documentary material, often referred to as a second request, from the Antitrust Division. Issuance of the second request extends the statutory waiting period until 30 days after such time as each of Schlumberger and Smith has certified substantial compliance with the second request, unless the Antitrust Division provides written notice that the transaction may close prior to that time. On July 16, 2010, Schlumberger and Smith each certified substantial compliance with the second request.

The merger is also subject to antitrust review by government authorities in several foreign jurisdictions in which the companies have a sufficient market presence to require filings. As of the date of this proxy statement/

prospectus, the parties have made certain antitrust filings in the European Union pursuant to the EC Merger Regulation, and in other jurisdictions.

Under the terms of the merger agreement, Schlumberger has the right, but not the obligation, to oppose by refusing to consent, through litigation or otherwise, any divestitures, hold-separate restrictions or other restrictions demanded by an antitrust regulator. Schlumberger is required to agree to take all actions demanded by an antitrust regulator in order to resolve any objections to the merger (including divestitures, hold-separate restrictions or other restrictions) if doing so would not exceed a specified threshold, which is referred to as the detriment limit. The detriment limit would be exceeded if the required divestitures or hold-separate restrictions affect assets other than (1) the W-H Energy Services business and corresponding Schlumberger operations and (2) other assets accounting for Schlumberger or Smith revenues of not more than $190 million in 2009, excluding from such calculation any W-H Energy Services operations and Smith s Wilson business unit. If the merger has not occurred on or before the termination date described below in Termination of the Merger Agreement due to the failure to obtain regulatory clearances, or if an order, decree or ruling permanently prohibits the merger, the merger agreement may be terminated (subject in some circumstances to payment of a termination fee, as described below).

**No Solicitation by Smith (page 72)**

Under the merger agreement, Smith has agreed not to (and to direct and use its reasonable best efforts to cause its officers, directors, employees, investment bankers, consultants, attorneys, accountants, advisors, agents and other representatives not to), among other things:

- solicit, initiate, knowingly encourage or knowingly facilitate, or participate in discussions regarding, any competing acquisition proposal;
- provide nonpublic information regarding Smith or access to Smith s properties, books or records to a third party in connection with a competing acquisition proposal; or
- approve or recommend a competing acquisition proposal.

However, before the adoption of the merger agreement by the Smith stockholders, Smith may, under certain circumstances, engage in negotiations with and provide information regarding Smith to a third party making an unsolicited, written acquisition proposal that Smith s board of directors concludes in good faith is reasonably likely to be superior to the merger. Under the merger agreement, Smith is required to notify Schlumberger if it receives any competing acquisition proposal or request for information in connection with such a proposal. Additionally, before the adoption of the merger agreement by the Smith stockholders, the Smith board of directors may withdraw its recommendation of the merger if it determines in good faith, after consultation with its outside legal counsel and financial advisors, that a failure to change its recommendation would be inconsistent with its fiduciary duties. To date, Smith has not received any competing acquisition proposals.

**Termination of the Merger Agreement (page 78)**

The merger agreement may be terminated at any time prior to the effective time of the merger, notwithstanding the adoption of the merger agreement by Smith s stockholders:

- by mutual written agreement of Schlumberger and Smith;
- by either Schlumberger or Smith if:
  - the merger has not occurred on or before the termination date, February 21, 2011, which termination date may, subject to specified conditions, at the option of either Schlumberger or Smith, be extended to a date not later than May 31, 2011;

the Smith stockholders do not adopt the merger agreement at the annual meeting or any adjournment or postponement of the annual meeting; or

a court of competent jurisdiction in the United States, the European Union or other specified jurisdictions has issued a final, nonappealable order, decree or ruling permanently restraining, enjoining or otherwise prohibiting the merger;

by Smith if:

Schlumberger is in breach of the merger agreement such that the conditions set forth in the merger agreement would not be satisfied and such breach is not curable prior to the termination date, or

Smith has received an acquisition proposal that Smith s board of directors determines in good faith to be superior to the merger and reasonably likely to be consummated and, after giving Schlumberger at least three business days notice of its intent to terminate the agreement (and at least two business days notice following any change to the financial terms of such proposal), resolves to accept such proposal and pay the termination fee described below; or

by Schlumberger if:

Smith is in breach of the merger agreement such that the conditions set forth in the merger agreement would not be satisfied and such breach is not curable prior to the termination date, or

the Smith board of directors fails to recommend the merger to Smith stockholders or there is a change in the Smith board of directors recommendation.

**Termination Fees and Expenses (page 79)**

The merger agreement provides for the payment of termination fees by one party to the other if the agreement is terminated in specified circumstances.

Smith will be obligated to pay Schlumberger a $340 million termination fee if:

either party terminates the merger agreement because Smith s stockholder approval is not obtained and:

prior to such time there is a publicly announced or disclosed acquisition proposal by another bidder that has not been withdrawn, and

within one year after the date of termination, Smith enters into a definitive agreement with respect to, or consummates, an acquisition proposal;

Smith terminates the merger agreement prior to obtaining the approval of Smith stockholders in order to enter into an agreement providing for a superior proposal; or

the Smith board of directors fails to recommend its approval of the merger or there is a change in the Smith board of directors recommendation.

Schlumberger will be obligated to pay a $615 million termination fee if the merger agreement is terminated by Smith or Schlumberger as a result of an order, decree, ruling or other action prohibiting the merger under certain antitrust or competition laws or because the merger has not been

consummated on or before the termination date, and all other conditions to the merger (except for those that, by their nature, cannot be satisfied until closing but remain capable of satisfaction) have been satisfied or waived as of the date of such termination.

The merger agreement generally provides that all expenses incurred by the parties will be borne by the party that has incurred such expenses. However, under specified circumstances either party may be required to reimburse the other party for its expenses of up to $10 million.

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**Payment of Dividends and Stock Repurchases (page 70)**

***Schlumberger***

Schlumberger has paid quarterly cash dividends of $0.210 per share since the first quarter of 2008. Prior to the first quarter of 2008, Schlumberger paid quarterly cash dividends of $0.175 per share. Schlumberger is not prohibited under the terms of the merger agreement from paying quarterly dividends consistent with past practice.

On April 17, 2008, the Schlumberger board of directors approved an $8 billion share repurchase program for Schlumberger common stock, to be acquired in the open market before December 31, 2011. Schlumberger is not prohibited from making repurchases under the share repurchase program by the terms of the merger agreement.

***Smith***

Smith makes regular quarterly distributions under a cash dividend program. The Smith board of directors declared dividends of $0.12 per share, $0.12 per share and $0.10 per share for each quarter during the years ended December 31, 2009, 2008 and 2007, respectively. Under the terms of the merger agreement, during the period before the closing of the merger, Smith is prohibited from paying any dividends other than regular quarterly dividends not exceeding $0.12 per share without the consent of Schlumberger.

The Smith board of directors approved a share repurchase program that allows for the purchase of up to 20 million shares of Smith common stock, subject to regulatory issues, market considerations and other relevant factors. Under the terms of the merger agreement, during the period before the closing of the merger, Smith is prohibited from making repurchases under the share repurchase program without the consent of Schlumberger.

**Rights of Smith Stockholders Will Change as a Result of the Merger (page 92)**

Smith stockholders will have different rights once they become Schlumberger stockholders due to differences between Delaware corporate law and Netherlands Antilles law and the organizational documents of Schlumberger and Smith.

**Material U.S. Federal Income Tax Consequences of the Merger (page 59)**

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and it is a condition to the completion of the merger that Smith and Schlumberger each receive a written opinion from its respective counsel, in form and substance reasonably satisfactory to Smith and Schlumberger, respectively, dated as of the date of completion of the merger, to the effect that, for U.S. federal income tax purposes, (1) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (2) each transfer of Smith stock to Schlumberger by a stockholder of Smith pursuant to the merger (other than a stockholder of Smith that is a five percent transferee shareholder of Schlumberger, as defined in Treasury regulations promulgated under Section 367(a) of the Internal Revenue Code) will not be subject to Section 367(a)(1) of the Internal Revenue Code. Accordingly, Schlumberger and Smith expect that, for U.S. federal income tax purposes, holders of Smith common stock generally will not recognize any gain or loss on the exchange of their shares of Smith common stock for Schlumberger common stock in the merger, except with respect to any cash received in lieu of a fractional share of Schlumberger common stock.

***Please refer to The Merger Material U.S. Federal Income Tax Consequences beginning on page 59 of this proxy statement/prospectus for a description of the material U.S. federal income tax consequences of***

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***the merger. Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you.***

**Accounting Treatment (page 58)**

In accordance with accounting principles generally accepted in the United States, Schlumberger will account for the merger as an acquisition of a business.

**Litigation Relating to the Merger (page 64)**

Subsequent to the announcement of the merger, five putative class action lawsuits were commenced on behalf of stockholders of Smith against Smith and its directors, and in certain cases against Schlumberger and one of its affiliates, challenging the merger. Four of the lawsuits were filed in the District Court of Harris County, Texas, and have been consolidated into a single action in the 164th District Court of Harris County, Texas (the Texas Action ), and one lawsuit is pending in the Delaware Court of Chancery (the Delaware Action, and collectively with the Texas Action, the Actions ). The parties in the Texas Action and Delaware Action have agreed to an expedited discovery schedule and to the coordination of pleadings and discovery in advance of any preliminary injunction hearing, which will be heard only in the Texas Action. On April 19, 2010, the court in the Delaware Action approved the parties agreement concerning the coordination of the Texas and Delaware Actions and agreed to otherwise stay the Delaware proceedings through any preliminary injunction hearing in Texas. Plaintiffs in the Texas and Delaware Actions have served a consolidated amended petition for breach of fiduciary duty and a verified amended class action complaint, respectively. The amended pleadings are substantively similar and allege that Smith s directors breached their fiduciary duties by, among other things, causing Smith to enter into the merger agreement at an allegedly inadequate and unfair price, agreeing to transaction terms that improperly inhibit alternative transactions and failing to provide material information to Smith s stockholders in the preliminary proxy statement filed in connection with the merger. Specifically, the pleadings allege that the preliminary proxy statement omits material information relating to, among other things: the analyses performed by, and the information relied upon by, UBS; any strategic alternatives to the merger considered by UBS; UBS s involvement in the negotiations between Smith and Schlumberger; the fee to be paid to UBS in connection with the merger; and any negotiations or plans concerning the employment of Smith management after consummation of the merger. The pleadings also allege that Smith and Schlumberger aided and abetted the directors breaches of fiduciary duties. The pleadings seek, among other things, an injunction barring defendants from consummating the proposed transaction, declaratory relief and attorneys fees.

On May 28, 2010, a purported Smith stockholder filed an individual lawsuit in the United States District Court for the Southern District of Texas, Houston Division, against Smith and its directors, alleging that Smith had disseminated a false and materially misleading preliminary proxy statement in connection with the merger in violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and the rules promulgated thereunder. The lawsuit alleges that the preliminary proxy statement omits and/or misrepresents material information relating to, among other things: negotiations, if any, with other potential acquirers of Smith; any market check conducted by Smith in connection with the merger; any strategic alternatives considered by Smith s directors in connection with the merger; whether the merger consideration includes any compensation for the synergies to be achieved in the merger; the financial information and forecasts provided by Smith s directors to UBS in connection with its fairness opinion; the discounted cash flow, comparable transaction and selected companies analyses performed by UBS; and business ties between any of Smith s directors and Schlumberger. The complaint seeks, among other things, injunctive relief, compensatory damages and reasonable costs and expenses incurred in the action, including counsel fees and expert fees.

Smith and Schlumberger believe that the lawsuits in which they are named are without merit and intend to defend the lawsuits vigorously.

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**Recent Developments**

On April 20, 2010, a fire and explosion occurred onboard the semisubmersible drilling rig *Deepwater Horizon*, owned by Transocean Ltd. and under contract to a subsidiary of BP plc. Pursuant to a contract between M-I SWACO (a joint venture 60% owned by Smith and 40% owned by Schlumberger) and BP for the provision of certain services by M-I SWACO under the direction of BP, five employees of M-I SWACO were aboard the *Deepwater Horizon* at the time of the incident and unfortunately two of them were killed (the other three were uninjured). A number of legal actions, certain of which name Schlumberger and an M-I SWACO entity as defendants, have been filed in connection with the *Deepwater Horizon* incident, and additional legal actions are likely to be filed in the future. The parties are currently investigating the incident and the liabilities that could potentially arise therefrom, and are assessing the availability of contractual indemnities and insurance coverage. However, the information currently known indicates that the amount of any potential loss that M-I SWACO could face with respect to any potential liabilities related to the incident would not be material.

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**Selected Historical Consolidated Financial Data of Schlumberger**

The following table sets forth Schlumberger s selected consolidated historical financial information that has been derived from Schlumberger s consolidated financial statements as of December 31, 2009, 2008, 2007, 2006 and 2005 and for the years then ended and as of March 31, 2010 and 2009 and for the three months then ended. This disclosure does not include the effects of the merger. You should read this financial information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto in Schlumberger s Annual Report on Form 10-K for the year ended December 31, 2009 and in its Quarterly Report on Form 10-Q for the three months ended March 31, 2010 incorporated by reference in this document. See also the pro forma information set forth elsewhere in this proxy statement/prospectus regarding the proposed merger with Smith. Schlumberger s historical results are not necessarily indicative of results to be expected in future periods.

| | As of/For the Three Months Ended March 31, | | As of/For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (In millions, except per share data) | | | | | | |
| STATEMENT OF INCOME DATA | | | | | | | |
| Revenue | $ 5,598 | $ 6,000 | $ 22,702 | $ 27,163 | $ 23,277 | $ 19,230 | $ 14,309 |
| Income from continuing operations | 674 | 940 | 3,164 | 5,422 | 5,177 | 3,759 | 2,290 |
| Diluted earnings per share from continuing operations | $ 0.56 | $ 0.78 | $ 2.61 | $ 4.42 | $ 4.20 | $ 3.01 | $ 1.81 |
| BALANCE SHEET DATA | | | | | | | |
| Working capital | $ 6,311 | | $ 6,391 | $ 4,811 | $ 3,551 | $ 2,731 | $ 3,121 |
| Total assets | 32,883 | | 33,465 | 32,094 | 27,853 | 22,832 | 18,077 |
| Net debt[(1)] | 75 | | 126 | 1,129 | 1,857 | 2,834 | 532 |
| Long-term debt | 4,052 | | 4,355 | 3,694 | 3,794 | 4,664 | 3,591 |
| Schlumberger stockholders equity | 19,428 | | 19,120 | 16,862 | 14,876 | 10,420 | 7,592 |
| Cash dividends declared per share | $ 0.21 | | $ 0.84 | $ 0.84 | $ 0.70 | $ 0.50 | $ 0.42 |

(1) Net debt represents gross debt less cash, short-term investments and fixed income investments, held to maturity. Management believes that net debt provides useful information regarding the level of Schlumberger s indebtedness by reflecting cash and investments that could be used to repay debt.

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**Selected Historical Consolidated Financial Data of Smith**

The following table sets forth Smith s selected consolidated historical financial information that has been derived from Smith s consolidated financial statements as of December 31, 2009, 2008, 2007, 2006 and 2005 and for the years then ended and as of March 31, 2010 and 2009 and for the three months then ended. This disclosure does not include the effects of the merger. You should read this financial information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto in Smith s Annual Report on Form 10-K, as amended, for the year ended December 31, 2009 and in its Quarterly Report on Form 10-Q for the three months ended March 31, 2010 incorporated by reference in this document. See also the pro forma information set forth elsewhere in this proxy statement/prospectus regarding the proposed merger with Schlumberger. Smith s historical results are not necessarily indicative of results to be expected in future periods.

| | As of/For the Three Months Ended March 31, | | As of/For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (In millions, except per share data) | | | | | | |
| STATEMENTS OF OPERATIONS DATA | | | | | | | |
| Revenues | $ 2,138 | $ 2,411 | $ 8,219 | $ 10,771 | $ 8,764 | $ 7,334 | $ 5,579 |
| Gross profit | $ 591 | $ 692 | 2,250 | 3,429 | 2,856 | 2,344 | 1,685 |
| Operating income | 125 | 242 | 599 | 1,642 | 1,370 | 1,080 | 671 |
| Net income attributable to Smith | 12 | 97 | 148 | 767 | 647 | 502 | 302 |
| Earnings per share diluted basis | $ 0.05 | $ 0.44 | $ 0.66 | $ 3.68 | $ 3.20 | $ 2.49 | $ 1.48 |
| BALANCE SHEET DATA | | | | | | | |
| Working capital | $ 2,911 | | $ 3,404 | $ 2,153 | $ 2,554 | $ 1,892 | $ 1,504 |
| Total assets | 10,403 | | 10,739 | 10,816 | 6,062 | 5,335 | 4,060 |
| Long-term debt | 1,317 | | 1,814 | 1,441 | 846 | 801 | 611 |
| Smith stockholders equity | 5,416 | | 5,441 | 4,549 | 2,595 | 1,987 | 1,579 |
| Cash dividends declared per common share | $ 0.12 | | $ 0.48 | $ 0.48 | $ 0.40 | $ 0.32 | $ 0.24 |

**Selected Unaudited Pro Forma Condensed Combined Financial Information**

The unaudited pro forma condensed combined statements of income information for the three months ended March 31, 2010 and for the year ended December 31, 2009 have been prepared to give effect to the merger as if it had occurred on January 1, 2009. The unaudited pro forma condensed combined balance sheet information of Schlumberger as of March 31, 2010 has been prepared to give effect to the merger as if it had occurred on March 31, 2010.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company s financial position or results of operations actually would have been had the merger been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company. Future results may vary significantly from the results reflected because of various factors, including those discussed in Risk Factors. The following selected unaudited pro forma condensed combined financial information should be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Statements and related notes included elsewhere in this proxy statement/prospectus.

| | Three Months Ended March 31, 2010 | Year Ended December 31, 2009 |
|---|---|---|
| | (In millions, except per share amount) | |
| **Pro Forma Condensed Combined Statement of Income Information:** | | |
| Revenue | $ 7,681 | $ 30,711 |
| Income from continuing operations attributable to Schlumberger/Smith | 691 | 3,206 |
| Diluted earnings per share from continuing operations attributable to Schlumberger/Smith | 0.50 | 2.31 |

| | As of March 31, 2010 (In millions) |
|---|---|
| **Pro Forma Condensed Combined Balance Sheet Information:** | |
| Total assets | $ 49,898 |
| Total debt | 7,110 |
| Net debt | 1,651 |
| Total equity | 30,873 |

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**Comparative Per Share Data**

The following table presents: (1) historical per share information for Schlumberger; (2) pro forma per share information of the combined company after giving effect to the merger; and (3) historical and equivalent pro forma per share information for Smith.

The combined company pro forma per share information was derived by combining information from the historical consolidated financial statements of Schlumberger and Smith. You should read this table together with the historical consolidated financial statements of Schlumberger and Smith that are filed with the Securities and Exchange Commission and incorporated by reference into this proxy statement/prospectus. You should not rely on the pro forma per share information as being necessarily indicative of actual results had the merger occurred on January 1, 2009 for statement of operations purposes or December 31, 2009 or March 31, 2010, as applicable, for book value per share data. The equivalent pro forma per share information was derived by multiplying the combined company pro forma per share information by the exchange ratio of 0.6966.

| | Year Ended December 31, 2009 | | | |
|---|---|---|---|---|
| | Schlumberger | | Smith | |
| | Historical | Combined Company Pro Forma | Historical | Equivalent Pro Forma |
| Basic earnings per share from continuing operations | $ 2.63 | $ 2.33 | $ 0.67 | $ 1.62 |
| Diluted earnings per share from continuing operations | 2.61 | 2.31 | 0.66 | 1.61 |
| Cash dividends per share | 0.84 | 0.84 | 0.48 | 0.59 |
| Book value per share at period end | 16.00 | | 21.92 | |

| | Three Months Ended March 31, 2010 | | | |
|---|---|---|---|---|
| | Schlumberger | | Smith | |
| | Historical | Combined Company Pro Forma | Historical | Equivalent Pro Forma |
| Basic earnings per share from continuing operations | $ 0.56 | $ 0.50 | $ 0.05 | $ 0.35 |
| Diluted earnings per share from continuing operations | 0.56 | 0.50 | 0.05 | 0.35 |
| Cash dividends per share | 0.21 | 0.21 | 0.12 | 0.15 |
| Book value per share at period end | 16.28 | 22.37 | 21.80 | 15.58 |

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**Comparative Per Share Market Price And Dividend Information**

The following table sets forth, for the periods indicated, the intra-day high and low sales prices per share for Schlumberger and Smith common stock as reported on the NYSE, which is the principal trading market for both Schlumberger and Smith common stock, and the cash dividends declared per share of Schlumberger and Smith common stock.

| | Schlumberger Common Stock | | | Smith Common Stock | | |
|---|---|---|---|---|---|---|
| | High | Low | Cash Dividends Declared | High | Low | Cash Dividends Declared |
| **2010** | | | | | | |
| Third Quarter (through July 15, 2010) | $ 59.70 | $ 53.61 | $ | $ 40.98 | $ 36.51 | $ |
| Second Quarter | 73.99 | 51.67 | 0.210 | 49.66 | 34.44 | 0.120 |
| First Quarter | 72.00 | 59.42 | 0.210 | 45.32 | 27.17 | 0.120 |
| **2009** | | | | | | |
| Fourth Quarter | $ 71.10 | $ 56.00 | $ 0.210 | $ 34.46 | $ 25.54 | $ 0.120 |
| Third Quarter | 63.00 | 48.13 | 0.210 | 30.92 | 22.12 | 0.120 |
| Second Quarter | 63.78 | 39.11 | 0.210 | 32.44 | 20.50 | 0.120 |
| First Quarter | 49.25 | 35.05 | 0.210 | 29.45 | 18.43 | 0.120 |
| **2008** | | | | | | |
| Fourth Quarter | $ 78.00 | $ 37.07 | $ 0.210 | $ 57.82 | $ 18.23 | $ 0.120 |
| Third Quarter | 111.95 | 75.53 | 0.210 | 88.40 | 54.69 | 0.120 |
| Second Quarter | 110.11 | 85.72 | 0.210 | 85.67 | 62.59 | 0.120 |
| First Quarter | 102.71 | 72.30 | 0.210 | 76.89 | 53.39 | 0.120 |
| **2007** | | | | | | |
| Fourth Quarter | $ 114.84 | $ 87.42 | $ 0.175 | $ 76.99 | $ 58.91 | $ 0.100 |
| Third Quarter | 108.75 | 81.26 | 0.175 | 74.35 | 54.08 | 0.100 |
| Second Quarter | 89.20 | 68.25 | 0.175 | 60.82 | 47.68 | 0.100 |
| First Quarter | 71.17 | 55.68 | 0.175 | 49.05 | 36.13 | 0.100 |

The following table sets forth the closing sale price per share of Schlumberger and Smith common stock as reported on the NYSE as of February 18, 2010, the last trading day before various news outlets began reporting on a possible transaction involving Smith and Schlumberger; as of February 19, 2010, the last trading date before the public announcement of the merger; and as of July 15, 2010, the most recent practicable trading day prior to the date of this proxy statement/prospectus. The table also shows the implied value of the merger consideration proposed for each share of Smith common stock as of the same dates. This implied value was calculated by multiplying the closing sale price of Schlumberger common stock on the relevant date by the exchange ratio of 0.6966.

| | Schlumberger Closing Price | Smith Closing Price | Equivalent Per Share Value |
|---|---|---|---|
| February 18, 2010 | $ 65.81 | $ 33.35 | $ 45.84 |
| February 19, 2010 | 63.90 | 37.70 | 44.51 |
| July 15, 2010 | 58.67 | 40.29 | 40.87 |

The market prices of Schlumberger and Smith common stock will fluctuate between the date of this proxy statement/prospectus and the completion of the merger. No assurance can be given concerning the market prices of Schlumberger or Smith common stock before the completion of the merger or Schlumberger common stock after the completion of the merger. Because the exchange ratio is fixed in the merger agreement, the market value of the Schlumberger common stock that Smith stockholders will receive in connection with the merger may vary significantly from the prices shown in the table above. Accordingly, Smith stockholders are advised to obtain current market quotations for Schlumberger and Smith common stock before deciding whether to vote for adoption of the merger agreement.

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## RISK FACTORS

### Risks Relating to the Merger

***The exchange ratio is fixed and will not be adjusted in the event of any change in either Smith s or Schlumberger s stock price.***

Upon the closing of the merger, each share of Smith common stock (other than shares held by Smith or its subsidiaries) will be converted into the right to receive 0.6966 shares of Schlumberger common stock, with cash paid in lieu of fractional shares. This exchange ratio was fixed in the merger agreement and will not be adjusted for changes in the market price of either Smith common stock or Schlumberger common stock. Changes in the price of Schlumberger common stock prior to the merger will affect the market value that Smith stockholders will become entitled to receive on the date of the merger. Stock price changes may result from a variety of factors (many of which are beyond Smith s or Schlumberger s control), including:

- changes in Smith s and Schlumberger s respective business, operations and prospects;
- changes in market assessments of the business, operations and prospects of either company;
- market assessments of the likelihood that the merger will be completed, including related considerations regarding regulatory approvals of the merger;
- interest rates, general market, industry and economic conditions and other factors generally affecting the price of Smith s and Schlumberger s common stock; and
- federal, state and local legislation, governmental regulation and legal developments in the businesses in which Smith and Schlumberger operate.

The price of Schlumberger common stock at the closing of the merger may vary from its price on the date the merger agreement was executed, on the date of this proxy statement/prospectus and on the date of the Smith annual meeting. As a result, the market value represented by the exchange ratio will also vary. For example, based on the range of closing prices of Schlumberger common stock during the period from February 18, 2010 (the last trading day before various news outlets began reporting on a possible transaction between Smith and Schlumberger), through July 15, 2010, the most recent practicable trading day before the date of this proxy statement/prospectus, the exchange ratio represented a market value ranging from a low of $35.99 to a high of $51.54 for each share of Smith common stock.

***Because the date that the merger is completed will be later than the date of the Smith annual meeting, at the time of the Smith annual meeting, Smith stockholders will not know the exact market value of the Schlumberger common stock that they will receive upon completion of the merger.***

If the price of Schlumberger common stock declines between the date of the Smith annual meeting and the effective time of the merger, including for any of the reasons described above, Smith stockholders will receive shares of Schlumberger common stock that have a market value upon completion of the merger that is less than the market value calculated pursuant to the exchange ratio on the date of the Smith annual meeting. Therefore, while the number of shares of Schlumberger common stock to be issued in the merger is fixed, Smith stockholders cannot be sure of the market value of the Schlumberger common stock they will receive upon completion of the merger or the market value of Schlumberger common stock at any time after the completion of the merger.

***Smith s directors and executive officers have interests in the merger that may be different from, and in addition to, the interests of other Smith stockholders.***

Smith s directors and executive officers are parties to agreements or participants in other arrangements that give them interests in the merger that may be different from, or in addition to, the interests of the other stockholders of Smith, which could create conflicts of interest in their

determinations to recommend the merger.

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Smith stockholders should consider these interests in voting on the merger. These different interests are described under The Merger Interests of Smith s Directors and Officers in the Merger.

***The ability of Smith and Schlumberger to complete the merger is subject to the approval of Smith stockholders, certain closing conditions and the receipt of consents and approvals from government entities, which may impose conditions that could adversely affect Smith or Schlumberger or cause the merger to be abandoned.***

The merger agreement contains certain closing conditions, including approval of the merger by Smith stockholders, the absence of injunctions or other legal restrictions and that no material adverse effect shall have occurred with respect to either company. In addition, Smith and Schlumberger will be unable to complete the merger until approvals are received from the Antitrust Division, the European Commission and various other governmental entities. Regulatory entities may impose certain requirements or obligations as conditions for their approval. The merger agreement may require Smith and/or Schlumberger to accept conditions from these regulators that could adversely impact the combined company. We can provide no assurance that the various closing conditions will be satisfied and that the necessary approvals will be obtained, or that any required conditions will not materially adversely affect the combined company following the merger. In addition, we can provide no assurance that these conditions will not result in the abandonment or delay of the merger.

***Failure to complete the merger could negatively impact Smith and Schlumberger.***

If the merger is not completed, the ongoing businesses and the market price of the common stock of Smith and/or Schlumberger may be adversely affected and Smith and Schlumberger will be subject to several risks, including Smith being required, under certain circumstances, to pay Schlumberger a termination fee of $340 million or Schlumberger being required, under certain circumstances, to pay Smith a termination fee of $615 million; Smith or Schlumberger having to pay certain costs relating to the merger; and diverting the focus of management from pursuing other opportunities that could be beneficial to each of Smith and Schlumberger, in each case, without realizing any of the benefits which might have resulted had the merger been completed.

***The pendency of the merger could adversely affect Smith and Schlumberger.***

In connection with the pending merger, some of the customers of Smith and/or Schlumberger may delay or defer purchasing decisions, which could negatively impact revenues, earnings and cash flows regardless of whether the merger is completed. Additionally, Smith and Schlumberger have each agreed in the merger agreement to refrain from taking certain actions with respect to their business and financial affairs during the pendency of the merger, which restrictions could be in place for an extended period of time if completion of the merger is delayed and could adversely impact Smith s and Schlumberger s financial condition, results of operations or cash flows.

***Smith may be unable to retain key employees during the pendency of the merger.***

In connection with the pending merger, current and prospective employees of Smith may experience uncertainty about their future roles with the combined company following the merger, which may materially adversely affect the ability of Smith to attract and retain key personnel during the pendency of the merger. Key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company following the merger. Accordingly, no assurance can be given that Smith will be able to retain key employees to the same extent that Smith has been able to in the past.

***Smith stockholders will have a significantly reduced ownership and voting interest after the merger and will exercise less influence over management.***

Immediately after the completion of the merger, it is expected that former Smith stockholders, who collectively own 100% of Smith, will own approximately 12.8% of Schlumberger based on the number of

shares of Smith and Schlumberger common stock outstanding, on a fully diluted basis. Consequently, Smith stockholders will have less influence over the management and policies of Schlumberger than they currently have over the management and policies of Smith.

***Multiple lawsuits have been filed against Smith challenging the merger, and an adverse ruling in any such lawsuit may prevent the merger from being completed.***

Subsequent to the announcement of the merger, five putative class action lawsuits were commenced on behalf of stockholders of Smith against Smith and its directors, and in certain cases against Schlumberger and one of its affiliates, challenging the merger. See The Merger Litigation Relating to the Merger for more information about the lawsuits related to the merger that have been filed.

One of the conditions to the closing of the merger is that no law, order, injunction, judgment, decree, ruling or other similar requirement shall be in effect that prohibits the completion of the merger. Accordingly, if any of the plaintiffs is successful in obtaining an injunction prohibiting the completion of the merger, then such injunction may prevent the merger from becoming effective, or delay its becoming effective within the expected timeframe.

**Risks Relating to Schlumberger Following the Merger**

*Schlumberger and Smith are, and following completion of the merger, the combined company will continue to be, subject to the risks described in (a) Part I, Item 1A in Schlumberger s Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on February 5, 2010, (b) Part II, Item 1A in Schlumberger s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed with the SEC on April 28, 2010, (c) Part I, Item 1A in Smith s Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010, and (d) Part II, Item 1A in Smith s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed with the SEC on April 28, 2010, each of which is incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information beginning on page 144 of this proxy statement/prospectus. In addition, the business and operations of the combined company may be affected by the following additional risks:*

***The combined company could incur substantial expenses related to the integration of Smith and Schlumberger.***

Smith and Schlumberger expect that the combined company will incur substantial expenses in connection with integrating their respective businesses, policies, procedures, operations, technologies and systems. There are a large number of systems that must be integrated, including information management, purchasing, accounting and finance, sales, billing, payroll and benefits, fixed asset and lease administration systems and regulatory compliance. There are a number of factors beyond the control of either party that could affect the total amount or the timing of all of the expected integration expenses. Moreover, many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. These expenses could, particularly in the near term, exceed the savings that Schlumberger expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings and revenue enhancements related to the integration of the businesses following the completion of the merger. These integration expenses may result in the combined company taking significant charges against earnings following the completion of the merger.

***Following the merger, the combined company may be unable to successfully integrate Smith s and Schlumberger s businesses and realize the anticipated benefits of the merger.***

The merger involves the combination of two companies which currently operate as independent public companies. The combined company will be required to devote management attention and resources to integrating its business practices and operations. Potential difficulties the combined company may encounter in the integration process include the following:

- the inability to successfully integrate the respective businesses of Smith and Schlumberger in a manner that permits the combined company to achieve the cost savings and operating synergies anticipated to

- result from the merger, which would result in the anticipated benefits of the merger not being realized partly or wholly in the time frame currently anticipated or at all;

- lost sales and customers as a result of certain customers of either or both of the two companies deciding not to do business with the combined company, or deciding to decrease their amount of business in order to reduce their reliance on a single company;

- integrating personnel from the two companies while maintaining focus on providing consistent, high quality products and customer service;

- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger; and

- performance shortfalls at one or both of the two companies as a result of the diversion of management s attention caused by completing the merger and integrating the companies operations.

***Business issues currently faced by one company may be imputed to the operations of the other company.***

To the extent that either Schlumberger or Smith currently has or is perceived by customers to have operational challenges, such as on-time performance, safety issues or workforce issues, those challenges may raise concerns by existing customers of the other company following the merger which may limit or impede Schlumberger s future ability to obtain additional work from those customers.

***Failure to retain key employees and skilled workers could adversely affect Schlumberger following the merger.***

Schlumberger s performance following the merger could be adversely affected if the combined company is unable to retain certain key employees and skilled workers of Smith. The loss of the services of one or more of these key employees and skilled workers could adversely affect Schlumberger s future operating results because of their experience and knowledge of Smith s business. In addition, current and prospective employees of Schlumberger and Smith may experience uncertainty about their future roles with the company until after the merger is completed. This may adversely affect the ability of Schlumberger and Smith to attract and retain key personnel, which could adversely affect Schlumberger s performance following the merger.

***The required regulatory approvals may not be obtained or may contain materially burdensome conditions that could have an adverse effect on Schlumberger.***

Completion of the merger is conditioned upon the receipt of certain governmental approvals, including, without limitation, the expiration or termination of the applicable waiting period under the HSR Act, the issuance by the European Commission of a decision under the EC Merger Regulation declaring the merger compatible with the common market and the approval of the merger by the antitrust regulators in other specified jurisdictions. Although Schlumberger and Smith have agreed in the merger agreement to use their reasonable best efforts to obtain the requisite governmental approvals, there can be no assurance that these approvals will be obtained. In addition, the governmental authorities from which these approvals are required may impose conditions on the completion of the merger or require changes to the terms of the merger. Under the terms of the merger agreement, Schlumberger is required to agree to take all actions demanded by an antitrust regulator in order to resolve any objections to the merger (including divestitures, hold-separate restrictions or other restrictions) if doing so would not exceed a specified threshold, which is referred to as the detriment limit. The detriment limit would be exceeded if the required divestitures or hold-separate restrictions affect assets other than (1) the W-H Energy Services business and corresponding Schlumberger operations and (2) other assets accounting for Schlumberger or Smith revenues of not more than $190 million in 2009, excluding from such calculation any W-H Energy Services operations and Smith s Wilson business unit. Please see The Merger Agreement Certain Additional Agreements Filings on page 74 for more information on the calculation of the detriment limit. If Schlumberger agrees to undertake divestitures or comply with operating restrictions in

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order to obtain any approvals required to complete the merger, Schlumberger may be less able to realize anticipated benefits of the merger, and the business and results of operations of the combined company after the merger may be adversely affected.

***A portion of the combined company s revenue will be dependent on the activity level of natural gas exploration and production in North America.***

Upon consummation of the merger, a portion of the combined company s revenues will be derived from its North American operations. Because of the current economic environment and related decrease in demand for energy, natural gas exploration and production in North America have decreased significantly from their peak levels in the summer of 2008. Warmer than normal winters in North America, among other factors, may adversely impact demand for natural gas and, therefore, demand for oilfield services. If the economic conditions deteriorate further or do not improve, the decline in natural gas exploration and production could cause a decline in the demand for the services and products of the combined company. Such decline could result in a significant adverse effect on the operating results of the combined company and the expected benefits of the merger.

**Risks Relating to Schlumberger Common Stock Following the Merger**

***The market value of Schlumberger common stock could decline if large amounts of its common stock are sold following the merger.***

Following the merger, stockholders of Schlumberger and former stockholders of Smith will own interests in a combined company operating an expanded business with more assets and a different mix of liabilities. Current stockholders of Schlumberger and Smith may not wish to continue to invest in the combined company, or may wish to reduce their investment in the combined company, in order to comply with institutional investing guidelines, to increase diversification or to track any rebalancing of stock indices in which Schlumberger or Smith common stock is included. If, following the merger, large amounts of Schlumberger common stock are sold, the price of its common stock could decline.

***The merger will likely not be accretive, and may be dilutive, to Schlumberger s earnings per share in the near term, which may negatively affect the market price of Schlumberger common stock.***

Schlumberger anticipates that the merger will not be accretive, and may be dilutive, to earnings per share in the near term. This expectation is based on preliminary estimates that may materially change. In addition, future events and conditions could decrease or delay any accretion, result in dilution or cause greater dilution than is currently expected, including:

- adverse changes in energy market conditions;
- commodity prices for oil, natural gas and natural gas liquids;
- production levels;
- reserve levels;
- operating results;
- competitive conditions;
- laws and regulations affecting the energy business;

capital expenditure obligations; and

general economic conditions.

Any dilution of, or decrease or delay of any accretion to, Schlumberger s earnings per share could cause the price of Schlumberger s common stock to decline.

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***The shares of Schlumberger common stock to be received by Smith stockholders upon the completion of the merger will have different rights from shares of Smith common stock.***

Upon completion of the merger, Smith stockholders will no longer be stockholders of Smith, a Delaware corporation, but will instead become shareholders of Schlumberger, a company organized under the laws of the Netherlands Antilles, and their rights as shareholders will be governed by Netherlands Antilles law and Schlumberger s articles of incorporation and bylaws. Netherlands Antilles law and the terms of Schlumberger s articles of incorporation and bylaws may be materially different than Delaware law and the terms of Smith s restated certificate of incorporation and amended and restated bylaws, which currently govern the rights of Smith stockholders. Please see Comparison of Shareholder Rights for a discussion of the different rights associated with Schlumberger common stock.

**Risks Relating to Schlumberger and Smith**

***The offshore oil and gas operations of the combined company could be adversely impacted by the* Deepwater Horizon *drilling rig accident and resulting oil spill.***

On April 20, 2010, a fire and explosion occurred onboard the semisubmersible drilling rig *Deepwater Horizon*, owned by Transocean Ltd. and under contract to a subsidiary of BP plc. In response to this incident, the Minerals Management Service of the U.S. Department of the Interior, or MMS, issued a notice on May 30, 2010 implementing a six-month moratorium on certain drilling activities in the U.S. Gulf of Mexico. The notice also stated that the MMS would not consider during the six-month moratorium period drilling permits for new wells and related activities for specified water depths. In addition, wells covered by the moratorium that were then being drilled were required to halt drilling and take steps to secure the well. On June 22, 2010, the U.S. District Court for the Eastern District of Louisiana issued a preliminary injunction prohibiting the enforcement of the moratorium, which the Department of the Interior has appealed to the Fifth Circuit Court of Appeals. On July 8, 2010, the court of appeals denied the government s request that the district court s order be stayed while the appeal is pending. On July 12, 2010, the Secretary of the Department of the Interior directed the Bureau of Ocean Energy Management, Regulation and Enforcement, or BOEM (formerly named the MMS), to issue a suspension until November 30, 2010 of drilling activities for specified drilling configurations and technologies, rather than a moratorium based on water depths. The BOEM has issued new safety guidelines and is expected to issue new environmental guidelines or regulations for drilling in the U.S. Gulf of Mexico and may take other steps that could increase the costs of exploration and production, reduce the area of operations and result in permitting delays.

Schlumberger Oilfield Services revenue attributable to the U.S. Gulf of Mexico represented approximately 3.5% of consolidated Schlumberger revenue for the year ended December 31, 2009. In addition, WesternGeco U.S. Gulf of Mexico revenue amounted to approximately 1.8% of consolidated revenue. The majority of these revenues related to the high-technology services and products deployed in deepwater operations.

At this time, neither Smith nor Schlumberger can predict what further impact, if any, the *Deepwater Horizon* incident may have on the regulation of offshore oil and gas exploration and development activity, the cost or availability of insurance coverage to cover the risks of such operations, or what actions may be taken by customers of Schlumberger or Smith or other industry participants in response to the incident. Increased costs for the operations of Schlumberger s and Smith s customers in the U.S. Gulf of Mexico, along with permitting delays, could affect the economics of currently planned activity in the area and demand for their services and may result over the long term in a shift in activity away from the United States. A prolonged suspension of drilling activity in the U.S. Gulf of Mexico and resulting new regulations could materially adversely affect each company s financial condition, results of operations or cash flows.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus and the documents incorporated by reference herein include forward-looking statements about Schlumberger, Smith and the combined company within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. The opinions, forecasts, projections, or other statements other than statements of historical fact, are forward-looking statements. Similarly, statements that describe future plans, objectives or goals or future revenues or other financial metrics are also forward-looking statements. Although Schlumberger and Smith believe that the expectations reflected in such forward-looking statements are reasonable, they can give no assurances that such expectations will prove to have been correct. These statements are subject to, among other things, satisfaction of the closing conditions to the merger, the risk that the contemplated merger does not occur, negative effects from the pendency of the merger, the ability to successfully integrate the merged businesses and to realize expected synergies, the risk that Schlumberger and Smith will not be able to retain key employees, expenses of the merger, and other risk factors.

Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as would, should, plans, likely, expects, anticipates, intends, believes, estimates, thinks, may and similar expressions, are forward-looking statemen following important factors, in addition to those discussed under Risk Factors and elsewhere in this proxy statement/prospectus and the documents incorporated by reference herein, could affect the future results of the energy industry in general, and Schlumberger after the merger in particular, and could cause those results to differ materially from those expressed in or implied by such forward-looking statements:

- forecasts or expectations regarding business outlook;
- overall demand for and pricing of the products and services of Schlumberger and Smith;
- growth for Schlumberger, Smith and the combined company (and for specified products or geographic areas within each business segment);
- Schlumberger s ability to integrate the operations of Smith;
- the amount and timing of any cost savings synergies or other efficiencies expected to result from the merger;
- oil and natural gas demand and production growth;
- oil and gas prices;
- operating margins;
- regulatory and operational risks arising from the international nature of Smith s and Schlumberger s operations;
- capital expenditures by the companies and the oil and gas industry;
- the business strategies of customers;

failure to retain certain key employees and skilled workers;

effects of the drilling moratorium in the Gulf of Mexico, or related changes in laws or regulations;

future global economic conditions;

expected pension and post-retirement funding;

expected stock compensation costs;

future results of operations;

political stability of oil-producing countries;

changes in laws or regulations;

the various risks and other factors considered by the respective boards of Schlumberger and Smith as described under The Merger Smith s Reasons for the Merger; Recommendation of the Smith Board of Directors and under The Merger Schlumberger s Reasons for the Merger ;

future and pro forma financial condition or results of operations and future revenues and expenses;

business strategy and other plans and objectives for future operations;

regulatory conditions which may be imposed as a condition to approval of the merger;

changes in interest rates;

unexpected liabilities, including environmental liabilities; and

loss of intellectual property rights.

Any projection or estimate by Smith that was furnished to its financial advisor, including those statements summarized herein, was made as of a date shortly before the date of the merger agreement and spoke only as of the date furnished and has not been updated. These estimates and projections were only intended to be used by such financial advisor for analysis of the merger and are not intended to provide guidance as to future results and should not be relied upon for that purpose.

All subsequent written and oral forward-looking statements attributable to Schlumberger or Smith or to persons acting on their behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and neither Schlumberger nor Smith undertakes any obligation to publicly update or revise any forward-looking statements except as required by law.

For additional information with respect to these factors, see Where You Can Find More Information.

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**THE COMPANIES**

**Schlumberger Limited (Schlumberger N.V.)**

Founded in 1926, Schlumberger is the world s leading supplier of technology, integrated project management and information solutions to the international oil and gas exploration and production industry. Having invented wireline logging as a technique for obtaining downhole data in oil and gas wells, Schlumberger today provides the industry s widest range of products and services from exploration through production. As of December 31, 2009, Schlumberger employed approximately 77,000 people of over 140 nationalities operating in approximately 80 countries. Schlumberger consists of two business segments, Schlumberger Oilfield Services and WesternGeco. Schlumberger Oilfield Services provides the industry s widest range of products and services from exploration to production, while WesternGeco is the world s most technologically advanced surface seismic acquisition and processing company.

The principal United States market for Schlumberger s common stock is the NYSE, where it is traded under the symbol SLB. Schlumberger s common stock is also traded on the Euronext Paris, Euronext Amsterdam, London and SIX Swiss stock exchanges.

Schlumberger has principal executive offices in Paris, Houston and The Hague. Its principal executive offices in the United States are located at 5599 San Felipe, 17th Floor, Houston, Texas 77056, and its telephone number is (713) 513-2000.

**Smith International, Inc.**

Founded in 1902, Smith is a leading global provider of premium products and services used during the drilling, completion and production phases of oil and natural gas development activities. Smith s business is segregated into three operating segments, M-I SWACO, Smith Oilfield and Distribution. Smith provides a comprehensive line of technologically-advanced products and engineering services, including drilling and completion fluid systems, solids-control and separation equipment, waste-management services, three-cone and diamond drill bits, borehole enlargement services, tubulars, directional systems, measurement-while-drilling and logging-while-drilling services, coiled tubing, cased-hole wireline and other complementary downhole tools and services. Smith also offers supply-chain management solutions through an extensive North American branch network providing pipe, valves and fittings as well as mill, safety and other maintenance products.

Smith s common stock is listed on the NYSE, where it is traded under the symbol SII.

Smith was incorporated in the state of California in January 1937 and reincorporated under Delaware law in May 1983. Smith s executive offices are headquartered at 1310 Rankin Road, Houston, Texas 77073, and its telephone number is (281) 443-3370.

**Turnberry Merger Sub Inc.**

Turnberry Merger Sub Inc., referred to as Merger Sub, is a Delaware corporation and a wholly owned subsidiary of Schlumberger. Merger Sub was formed solely for the purpose of participating in the merger and has conducted no activities other than in connection with the merger.

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## THE ANNUAL MEETING

### Date, Time and Place

The annual meeting of Smith stockholders will be held on Tuesday, August 24, 2010, at 9:00 a.m., local time, at the Hotel du Pont, located at 11th and Market Streets, Wilmington, Delaware.

### Purpose of the Smith Annual Meeting

At the Smith annual meeting, Smith stockholders will be asked to vote on the following proposals:

1. to adopt the merger agreement;
2. to elect three Class III directors to hold office until the 2013 annual meeting of stockholders or until their respective successors have been elected and qualified;
3. to approve Smith s 1989 Long-Term Incentive Compensation Plan, as amended and restated;
4. to ratify the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the 2010 fiscal year; and
5. to approve the adjournment of the Smith annual meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the annual meeting.

**Only the approval of Proposal 1 is required for the completion of the merger.**

### Smith Record Date; Stock Entitled to Vote

Only Smith stockholders of record at the close of business on July 26, 2010, which is referred to as the record date, will be entitled to notice of, and to vote at, the Smith annual meeting or any adjournments or postponements thereof.

As of July 14, 2010, the most recent practicable date prior to the date of this proxy statement/prospectus, there were 248,576,204 shares of Smith common stock outstanding and expected to be entitled to vote at the Smith annual meeting. The Smith common stock is the only class of securities entitled to vote at the Smith annual meeting. Each share of Smith common stock outstanding on the record date entitles the holder thereof to one vote on each matter properly brought before the Smith annual meeting, exercisable in person or by proxy through the internet or by telephone or by a properly executed and delivered proxy with respect to the Smith annual meeting.

As of July 14, 2010, the most recent practicable date prior to the date of this proxy statement/prospectus, directors and executive officers of Smith and their affiliates owned and were entitled to vote 1,487,629 shares of Smith common stock, or approximately 0.60% of the shares of Smith common stock outstanding on that date. It is currently expected that Smith s directors and executive officers will vote their shares in favor of the adoption of the merger agreement and each of the other proposals described in this proxy statement/prospectus, although none of them have entered into any agreements obligating them to do so.

For a period of at least 10 days prior to the Smith annual meeting, a complete list of stockholders entitled to vote at the Smith annual meeting will be open to examination by any Smith stockholder during ordinary business hours at the office of the Smith Corporate Secretary at 1310 Rankin Road, Houston, Texas 77073.

### Quorum

The holders of a majority of the outstanding shares of Smith common stock entitled to vote constitutes a quorum for the transaction of business at the Smith annual meeting. If you have returned valid proxy instructions or attend the meeting in person, your Smith common stock will be counted for the purpose of determining whether there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the

meeting. Broker non-votes are included in the calculation of the number of shares considered to be present at the Smith annual meeting.

As of July 14, 2010, there were 248,576,204 shares of Smith common stock outstanding and expected to be entitled to vote at the Smith annual meeting. Accordingly, it is expected that the presence, in person or by proxy, of holders of approximately 124,288,103 shares of Smith common stock will be required in order to establish a quorum.

**Required Vote**

Adoption of the merger agreement requires the affirmative vote of a majority of the aggregate voting power of the shares of Smith common stock outstanding as of the record date and entitled to vote at the Smith annual meeting.

Election of the directors requires the affirmative vote of a majority of the votes cast either for or against the election of such director at the Smith annual meeting. An abstention does not count as a vote cast for these purposes. If a nominee is not elected, he must promptly tender his resignation to the Smith board of directors, which will determine, based on a recommendation from the nominating and corporate governance committee of the Smith board of directors, whether to accept or reject the resignation. In the event of a vacancy on the Smith board of directors, a majority of the remaining directors will appoint a successor or decrease the size of the Smith board of directors.

Approval of Smith s 1989 Long-Term Incentive Compensation Plan requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal, provided that at least a majority of the outstanding shares of Smith common stock vote on such proposal.

Ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the 2010 fiscal year requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal.

Approval of the adjournment of the Smith annual meeting requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal.

**Treatment of Abstentions, Not Voting and Incomplete Proxies**

For the merger proposal, an abstention or a failure to vote will have the same effect as a vote **AGAINST** such proposal.

For the election of directors, assuming a quorum is present, an abstention or a failure to vote will have no effect on the outcome of the election.

For the incentive plan proposal, assuming a quorum is present and at least a majority of the outstanding shares of Smith common stock vote on such proposal, a failure to vote will have no effect on the outcome of the vote for the proposal, while an abstention will have the same effect as a vote **AGAINST** such proposal.

For the ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accounting firm for the 2010 fiscal year, assuming a quorum is present, a failure to vote will have no effect on the outcome of the vote for the proposal, while an abstention will have the same effect as a vote **AGAINST** such proposal.

For the approval of the adjournment of the Smith annual meeting, if necessary, assuming a quorum is present, a failure to vote will have no effect on the outcome of the vote for the proposal, while an abstention will have the same effect as a vote **AGAINST** such proposal. If a proxy is received without indication as to how to vote on any particular proposal, the shares of Smith common stock represented by such proxy will be voted as recommended by the Smith board of directors with respect to that proposal.

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**Voting of Proxies by Holders of Record**

Giving a proxy means that a Smith stockholder authorizes the persons named in the enclosed proxy card to vote its shares at the Smith annual meeting in the manner it directs. A Smith stockholder may vote by proxy or in person at the Smith annual meeting. If you hold your shares of Smith common stock in your name as a stockholder of record, to submit a proxy, you as a Smith stockholder may use one of the following methods:

- **Submit a proxy by internet**, by accessing the website specified on the proxy card and following the instructions on the proxy card;
- **Submit a proxy by telephone**, by dialing the toll-free number specified on the proxy card and following the instructions on the proxy card; or
- **Submit a proxy by mail**, by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

A signed proxy also confers discretionary authority to vote with respect to any matter presented at the Smith annual meeting, except as set forth in the proxy and except for matters proposed by a stockholder who notifies Smith not later than the close of business on July 26, 2010. At the date hereof, management has no knowledge of any business that will be presented for consideration at the Smith annual meeting and which would be required to be set forth in this proxy statement/prospectus or the related proxy card other than the matters set forth in the Smith Notice of Annual Meeting of Stockholders. If any other matter is properly presented at the Smith annual meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Every Smith stockholder s vote is important. Accordingly, each Smith stockholder should sign, date and return the enclosed proxy card, or submit a proxy via the internet or by telephone, whether or not it plans to attend the Smith annual meeting in person. Proxies must be received by August 23, 2010.**

**Shares Held in Street Name**

If you are a Smith stockholder and your shares are held in street name in a stock brokerage account or by a bank or nominee, you must provide the record holder of your shares with instructions on how to vote the shares. Please follow the voting instructions provided by the bank or broker. You may not vote shares held in street name by returning a proxy card directly to Smith or by voting in person at the Smith annual meeting unless you provide a legal proxy, which you must obtain from your bank or broker. Further, brokers who hold shares of Smith common stock on behalf of their customers may not give a proxy to Smith to vote those shares with respect to the merger proposal, the Smith incentive plan proposal or the election of directors without specific instructions from their customers, as brokers do not have discretionary voting power on such matters.

Therefore, if you are a Smith stockholder and you do not instruct your broker or other nominee on how to vote your shares:

- Your broker or other nominee may not vote your shares on the merger proposal, for which broker non-votes will have the same effect as a vote **AGAINST** such proposal.
- Your broker or other nominee may not vote your shares for the election of directors, for which broker non-votes will have no effect on the outcome of the election.
- Your broker or other nominee may not vote your shares on the incentive plan proposal, for which broker non-votes will have the same effect as a vote **AGAINST** such proposal.

Your broker or other nominee may vote your shares on the other Smith annual meeting matters.

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**Revocability of Proxies and Changes to a Smith Stockholder s Vote**

As a Smith stockholder, you have the power to change your vote at any time before your shares are voted at the Smith annual meeting by:

- submitting notice in writing to Smith s Corporate Secretary at Smith International, Inc., 1310 Rankin Road, Houston, Texas 77073 that you are revoking your proxy (which, if you hold your shares in street name, you must do in accordance with instructions from your bank or broker);
- executing and delivering a later-dated proxy card or submitting a later-dated proxy by telephone or on the internet; or
- voting in person at the Smith annual meeting.

If you are a Smith stockholder of record, revocation of your proxy or voting instructions through the internet, by telephone or by mail must be received by 11:59 p.m., Eastern time, on August 23, 2010, although you may also revoke your proxy by attending the Smith annual meeting and voting in person. **However, if your shares are held in street name by a bank or broker, you may revoke your instructions only by informing the bank or broker in accordance with any procedures it has established.**

**Participants in Smith s Benefit Plans**

Participants in the Smith International, Inc. 401(k) Retirement Plan, Wilson 401(k) Retirement Plan, M-I Retirement Plan or M-I L.L.C. Greybull Retirement Plan have received voting instruction cards in lieu of a proxy card. Only the trustees of these plans, in their capacity as directed trustees, can vote the plan shares at the Smith annual meeting.

**Solicitation of Proxies**

The solicitation of proxies from Smith stockholders is made on behalf of the Smith board of directors. Smith and Schlumberger will each bear their own costs and expenses, including with respect to printing and mailing this proxy statement/prospectus and payment of fees to the SEC. Smith will pay the costs of soliciting and obtaining proxies from Smith stockholders, including the cost of reimbursing brokers, banks and other financial institutions for forwarding proxy materials to their customers. Proxies may be solicited, without extra compensation, by Smith officers and employees by mail, telephone, fax, personal interviews or other methods of communication. Smith has engaged the firm of MacKenzie Partners, Inc. to assist Smith in the distribution and solicitation of proxies from Smith stockholders and will pay MacKenzie Partners, Inc. an estimated fee of $25,000, as well as out-of-pocket expenses for its services.

## PROPOSALS

### Proposal 1: Adoption of the Merger Agreement

Smith is asking its stockholders to vote on the proposal to adopt the merger agreement. For a detailed discussion of the terms and conditions of the merger, see The Merger Agreement. As discussed in the section entitled The Merger Smith s Reasons for the Merger; Recommendation of the Smith Board of Directors, after careful consideration, the Smith board of directors, by a unanimous vote of all directors, determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Smith and its stockholders, and approved the merger agreement and the transactions contemplated thereby.

Adoption of the merger agreement requires the affirmative vote of holders of a majority of the voting power of the outstanding shares of Smith common stock. For purposes of this vote, an abstention or a failure to vote or to instruct a broker or nominee to vote will have the same effect as a vote **AGAINST** the proposal.

We will vote your shares as you specify on your proxy card. If you properly execute and return your proxy card (in paper form, electronically via the internet or by telephone), but do not specify how you want your shares voted, we will vote them **FOR** the adoption of the merger agreement.

**The Smith board of directors unanimously recommends that Smith stockholders vote FOR the adoption of the merger agreement.**

### Proposal 2: Election of Directors

At the Smith annual meeting, stockholders will elect three persons as Class III directors to hold office until the 2013 annual meeting of Smith stockholders, or until they are succeeded by other qualified directors who have been appointed or elected. The nominees are James R. Gibbs, Duane C. Radtke and John Yearwood. It is not expected that the members of the Smith board of directors will continue to serve on the board of Smith or of the combined company following the completion of the merger.

Directors must be elected by a majority of the votes cast at the meeting either for or against the election of such director. We will vote your shares as you specify on your proxy card. If you properly execute and return your proxy card (in paper form, electronically via the internet or by telephone), but do not specify how you want your shares voted, we will vote them **FOR** the election of all of the nominees listed above.

Each of the nominees is a current member of the Smith board of directors and has consented to serve if elected. Although management does not contemplate the possibility, in the event any nominee is not a candidate or is unable to serve as a director at the time of the election, the proxies will vote for any nominee who is designated by the present Smith board of directors to fill the vacancy.

**The Smith board of directors recommends a vote FOR each of the director nominees named above.**

Please see Election of Directors of Smith for a brief biography of all directors, including the director nominees.

### Proposal 3: Approval of the 1989 Long-Term Incentive Compensation Plan, as Amended and Restated

At the Smith annual meeting, you will be asked to approve an amendment and restatement to the Smith International, Inc. 1989 Long-Term Incentive Compensation Plan (the plan ), which incorporates previous amendments, increases by 5,000,000 the number of shares of Smith common stock reserved for the plan and makes other minor changes identified herein. On July 15, 2010, the last reported closing price of Smith s common stock on the New York Stock Exchange Composite Tape was $40.29.

The affirmative vote of a majority of the shares represented at the Smith annual meeting and entitled to vote will be required to approve the plan, provided that the total votes cast on the proposal represent at least a majority of the outstanding shares of Smith common stock.

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**Proposal 4: Ratification of the Appointment of Deloitte & Touche LLP as Smith s Independent Registered Public Accounting Firm**

The Audit Committee of the Smith board of directors has selected Deloitte & Touche LLP as its independent registered public accounting firm to audit the books and records of Smith for its fiscal year ending December 31, 2010. The services of Deloitte & Touche LLP will include the audit of the effectiveness of internal controls over financial reporting. Smith has been advised by Deloitte & Touche LLP that the firm has no relationship with Smith or its subsidiaries other than that arising from the firm s engagement as independent registered public accountants and, in limited circumstances, tax advisors. Deloitte & Touche LLP has audited Smith s financial statements since April 15, 2002.

Ratification of the appointment of Deloitte & Touche LLP as Smith s independent registered public accountants requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal. For purposes of this vote, an abstention will have the same effect as a vote **AGAINST** the proposal.

**The Smith board of directors recommends a vote FOR the continued engagement of Deloitte & Touche LLP as independent registered public accounting firm to audit Smith s books and records for the fiscal year ending December 31, 2010.**

**Proposal 5: Approval of the Adjournment of the Smith Annual Meeting, if Necessary**

Smith is asking its stockholders to vote on a proposal to approve the adjournment of the Smith annual meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the annual meeting.

Adjournment of the Smith annual meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on such proposal. For purposes of this vote, an abstention will have the same effect as a vote **AGAINST** the proposal.

**The Smith board of directors recommends that the stockholders vote FOR approval to adjourn the Smith annual meeting, if necessary.**

**Other Business**

The Smith board of directors does not intend to present any other business for action at the meeting, and Smith has not been advised of any other business intended to be presented by others.

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## THE MERGER

### Background of the Merger

Smith and Schlumberger periodically review and assess their industry and strategic alternatives available to enhance shareholder value. As leading companies in their respective lines of business, Smith and Schlumberger are generally familiar with each other s business. Smith and Schlumberger have, from time to time, discussed and engaged in both commercial and strategic transactions with each other, and meet regularly at board meetings of and otherwise with respect to the operation of M-I SWACO, a joint venture between Smith and Schlumberger since 1999, of which Smith is a 60 percent owner and Schlumberger is a 40 percent owner. The terms of the M-I SWACO joint venture include a buy/sell provision pursuant to which either Smith or Schlumberger can offer to sell to the other its entire ownership interest in M-I SWACO in exchange for a cash purchase price per percentage interest specified by the offering party. If the initiating party s offer to sell is not accepted, such party is obligated to purchase the other party s interest at the same valuation per percentage interest. In addition, the terms of the M-I SWACO joint venture agreements require a party which is undergoing a change of control to offer to sell to the other its entire ownership interest in M-I SWACO in exchange for a cash purchase price per percentage interest specified by the offering party, and the non-offering party may either accept such offer, require the offering party to purchase the non-offering party s interest at the same valuation per percentage interest or retain its ownership interest.

In late 2005, Schlumberger approached Smith and suggested that the parties discuss a potential business combination. In connection with these discussions, Smith and Schlumberger entered into a confidentiality agreement dated November 7, 2005, in which Smith and Schlumberger each agreed to a standstill provision providing that it would not, for a period of two years, acquire or seek, offer or propose to acquire any securities of the other party or undertake certain other transactions to control or influence the other party. Following the exchange of high-level due diligence information and preliminary discussions, Schlumberger proposed a business combination with consideration per share of Smith common stock consisting of 0.6824 shares of Schlumberger common stock (as adjusted for a 2006 split of the Schlumberger common stock) and $8.00 in cash. Schlumberger s offer equated to a total enterprise value of approximately $9.8 billion, including $8.5 billion for the shares of Smith common stock, based on the number of outstanding shares as of the then-most recently available filings and including all of Smith s debt and cash (including all of the debt and cash in Smith s M-I SWACO joint venture and CE Franklin Ltd. subsidiary) and the book value of the noncontrolling interests in M-I SWACO and CE Franklin Ltd. The Smith board concluded that, in light of Smith s prospects at the time and the trading multiples of each company s shares relative to their historical levels, the financial terms of the proposed transaction were not acceptable, and discussions terminated in late November 2005.

On January 13, 2006, Mr. Doug Rock, then-Chairman of the Board, Chief Executive Officer, President and Chief Operating Officer of Smith, Mr. Loren Carroll, a Smith director, Mr. Andrew Gould, Chairman and Chief Executive Officer of Schlumberger, and Mr. Simon Ayat, currently Executive Vice President and Chief Financial Officer of Schlumberger, met to discuss a potential business combination. However, Smith and Schlumberger were unable to reach an agreement on price, and discussions were terminated prior to the parties commencing substantive discussions on other terms.

During the second and third quarter of 2007, Schlumberger and Smith engaged in discussions regarding the creation of a new joint venture that would have involved Smith s drill bits business. Among other possibilities, the parties discussed reducing Schlumberger s interest in M-I SWACO in connection with this new joint venture. Ultimately, the parties were unable to agree on the relative values of Smith Technologies and M-I SWACO and discussions terminated.

In early February 2008, Mr. Ayat approached Mr. John Yearwood, who was then a director of Smith and who had been employed by Schlumberger for more than 27 years, most recently serving as Senior Advisor to the Chief Executive Officer of Schlumberger from March 2006 until May 2008, regarding a potential business

combination of Smith and Schlumberger. On February 8, 2008, Smith and Schlumberger entered into a new confidentiality agreement, which again provided for a standstill period extending for two years from the date of the agreement. Prior to any material discussions regarding a business combination, Schlumberger decided to pursue other business opportunities and advised Smith that it would not make a proposal to Smith.

In late January 2009, Mr. Simon Ayat, Executive Vice President and Chief Financial Officer of Schlumberger, called Mr. Yearwood, who had since been named Chief Executive Officer, President and Chief Operating Officer of Smith, and suggested that they discuss the possibility of a business combination. Mr. Ayat did not present any specific proposal. Mr. Yearwood indicated that he would discuss the matter with the Smith board.

At meetings in early February 2009, the Smith board, together with UBS Securities LLC, its financial advisor, and Wachtell, Lipton, Rosen & Katz, its legal advisor, considered the possibility of entering into business combination discussions with Schlumberger, but determined not to do so in view of Smith s need to refinance debt which had impending maturities and the dislocation in the credit markets. The Smith board, while generally acknowledging the strategic logic of the combination, believed that the timing for a negotiation of a business combination with Schlumberger was inopportune. The Smith board believed that it was not practicable for Smith at the time to attempt to conduct discussions concerning a business combination while simultaneously seeking to publicly or privately sell its debt securities. Accordingly, Mr. Yearwood met with Mr. Gould and informed him that Smith was not interested in discussing a business combination at that time.

Smith completed a public offering of $1 billion of senior notes in March 2009 to refinance certain of its impending debt maturities. Following this refinancing, Mr. Ayat again suggested to Mr. Yearwood that they discuss a business combination. On April 14, 2009, Smith and Schlumberger entered into a new confidentiality agreement, which again provided for a two-year standstill period, as well as an agreement that neither party would exercise its rights under the M-I SWACO buy/sell provisions for a period of 90 days after termination of negotiations between the parties. Following execution of the confidentiality agreement, Smith furnished due diligence information to Schlumberger and the parties conducted due diligence of Smith, which included meetings between members of Smith and Schlumberger management. Mr. Gould and Mr. Yearwood also had several discussions regarding the potential terms of a business combination.

On May 12, 2009, Schlumberger sent a letter to Smith proposing a business combination with consideration equivalent to 0.70 shares of Schlumberger common stock per share of Smith common stock, consisting of 85% in Schlumberger common stock and 15% in cash in a transaction intended to be taxable to Smith stockholders, which equated to a total enterprise value of approximately $12.4 billion, including $8.6 billion for the shares of Smith common stock, calculated on the same basis as described above.

In late May and early June 2009, the Smith board met, along with its financial and legal advisors, to consider the Schlumberger proposal, including the financial terms of the proposal, the likelihood that the transaction could be successfully completed, and potential responses to the proposal. The Smith board considered alternatives to a business combination transaction, including exercising the M-I SWACO buy/sell provisions and continuing its existing business with the buy/sell provisions remaining in place, but did not believe these alternatives compared favorably from a financial and strategic perspective to the transaction proposed by Schlumberger. The Smith board also considered approaching other potential counterparties with respect to a business combination as an alternative to a strategic transaction with Schlumberger, but believed that strategic benefits similar to those offered by the Schlumberger proposal were not readily obtainable from other parties, and believed that several of the other potentially interested parties either lacked the financial resources to make a financially more attractive offer and/or would have significant risks relating to antitrust approvals for any such business combination. Further, despite its view that a competing bid was highly unlikely, the Smith board concluded that any merger agreement should include provisions which would permit an interested party to offer a superior transaction and enable the Smith board to terminate the Schlumberger transaction upon payment of a relatively modest breakup fee in order to proceed with any such superior transaction. Following these

discussions, Mr. Yearwood sent a letter to Mr. Gould on June 4, 2009 suggesting that Schlumberger increase the amount of the consideration to the equivalent of 0.775 shares of Schlumberger common stock per share of Smith common stock, which equated to a total enterprise value of approximately $13.8 billion, including $9.9 billion for the shares of Smith common stock, calculated on the same basis as described above. Mr. Yearwood also recommended, among other matters, that Schlumberger commit to take any actions necessary to obtain regulatory approvals and to pay a ticking fee if the transaction were not consummated by the end of 2009, and that Smith have the right to terminate the transaction to accept a superior proposal on payment of a break-up fee of 2.5% of Smith s pre-signing equity value, in which case the M-I SWACO buy/sell provisions would be suspended for two years.

On June 9, 2009, Mr. Ayat responded to Mr. Yearwood that Schlumberger was not prepared to increase the consideration or modify the provisions regarding regulatory approval, the ticking fee and the suspension of the M-I SWACO buy/sell provisions and he reiterated Schlumberger s prior proposal.

The Smith board met on June 10 and 11, 2009, along with its financial and legal advisors, to discuss the Schlumberger response, including the valuation of Smith and the allocation of risks that antitrust approvals would not be obtained. Among the methods that the Smith board considered for allocating regulatory risks were to require greater commitments by Schlumberger to make divestitures, require Schlumberger to pay a fee if the transaction were terminated for failure to obtain regulatory approvals or require Schlumberger to increase the consideration paid to Smith stockholders if the closing of the transaction were delayed. Following these discussions, the Smith board determined that it was prepared to consider a business combination with Schlumberger on revised terms, including consideration equivalent to 0.72 shares of Schlumberger common stock per share of Smith common stock in which Smith stockholders would receive 85% Schlumberger common stock and 15% cash in a fully taxable transaction, which equated to a total enterprise value of approximately $13.7 billion, including approximately $9.8 billion for the shares of Smith common stock, calculated on the same basis as described above. On June 11, 2009, Mr. Yearwood sent to Mr. Gould a letter proposing this level of consideration as well as a requirement for Schlumberger to accept regulatory requirements to divest certain assets; a reverse termination fee of $600 million payable by Schlumberger if regulatory approvals were not obtained; a one-year suspension of the M-I SWACO buy/sell provisions upon such termination; a delayed ticking fee; and a Smith right to terminate the transaction to accept a superior proposal on payment of a break-up fee of 1% of Smith s signing date equity value.

Later in the day on June 11, 2009, Mr. Gould sent to Mr. Yearwood a letter presenting what Mr. Gould characterized as Schlumberger s best and final offer, expiring at the close of business on June 12, 2009. This proposal accepted Smith s proposed consideration but increased the break-up fee payable by Smith to 3% of Smith s signing date equity value and rejected the related suspension of the M-I SWACO buy/sell provisions which Smith had proposed, limited Schlumberger s divestiture obligations to assets (other than W-H and Wilson assets) generating up to $250 million in revenues, reduced the reverse termination fee payable by Schlumberger to 3% of Smith s signing date equity value, and eliminated the ticking fee.

At a meeting on June 12, 2009, the Smith board, along with its financial and legal advisors, met to discuss Schlumberger s proposal. The Smith board reviewed each of the points in the Schlumberger letter in detail with management and its advisors. At the conclusion of its deliberations, the Smith board determined to proceed with the negotiation of a definitive merger agreement on the basis of the Schlumberger proposal. Mr. Yearwood informed Mr. Gould of the Smith board s willingness to proceed on this basis. Later that evening, Schlumberger s legal advisor, Baker Botts L.L.P., delivered a draft merger agreement to Wachtell, Lipton. Over the next week, Wachtell, Lipton, Baker Botts and members of Smith s and Schlumberger s respective management teams negotiated the terms of the merger agreement and related documentation, while Schlumberger, Smith, and their respective advisors continued their due diligence efforts.

On June 20, 2009, Mr. Gould informed Mr. Yearwood that the Schlumberger board was concerned about Smith s anticipated financial results for the second quarter of 2009 as furnished to Schlumberger on the previous day. Mr. Gould suggested that merger agreement negotiations be suspended while due diligence efforts

continued. Mr. Yearwood responded that it would not be appropriate to continue due diligence efforts if the parties were not actively pursuing a business combination, and Mr. Gould stated that Schlumberger would suspend further work on the business combination pending the expiry of at least three trading days following the announcement of Smith s second-quarter earnings.

On August 6, 2009, after Smith s July 28, 2009 earnings announcement, Mr. Gould called Mr. Yearwood to propose reengaging on the same terms as presented in the June 11, 2009 letter (including that consideration would be 85% in Schlumberger common stock and 15% in cash in a fully taxable transaction), except that consideration would be equal to a 35% premium over the average implied exchange ratio based on the closing prices of Schlumberger and Smith common stock from July 6, 2009 through the signing of the definitive merger agreement. Based on such prices through August 6, 2009, this proposal implied consideration equivalent to approximately 0.6206 shares of Schlumberger common stock per share of Smith common stock, which equated to a total enterprise value of approximately $10.9 billion, including $7.3 billion for the shares of Smith common stock, calculated on the same basis as described above.

At a meeting on August 7, 2009, the Smith board, along with its financial and legal advisors, reviewed Schlumberger s revised proposal and internal and external developments in the Smith business since June 2009. The Smith board decided to reject Schlumberger s proposal, and Mr. Yearwood sent to Mr. Gould a letter to that effect. By letters sent on September 2 and 3, 2009, Schlumberger and Smith officially terminated negotiations.

On November 23, 2009, Mr. Gould and Mr. Yearwood met in response to Mr. Gould s request to review the summer 2009 discussions and Smith s positions on issues other than valuation. During this meeting Mr. Yearwood informed Mr. Gould that, based on Schlumberger s modifications to its proposal following the Smith July 28, 2009 earnings announcement and the Smith board s rejection of that proposal, he believed that in any renewed discussions with Schlumberger, the Smith board would focus on value and certainty of closing. Following this meeting, Mr. Richard E. Chandler, Jr., Senior Vice President, General Counsel and Corporate Secretary of Smith, and Mr. Alex Juden, Secretary and General Counsel of Schlumberger, discussed regulatory approvals, the time and potential concessions that would be required to obtain such approvals and other issues related to closing certainty if discussions were to resume with Schlumberger.

In late January, in light of Mr. Yearwood s prior statements about the board s focus, Mr. Gould requested that he be permitted to make a proposal directly to the Smith board. In response to the request, Mr. Rock, Chairman of the Board of Smith, and Mr. James Gibbs, Lead Director of Smith, met with Mr. Gould to discuss a potential business combination. At this meeting, Mr. Gould expressed his view that Schlumberger was interested in renewing prior discussions with a view to quickly completing a business combination with Smith, but if an agreement was not reached as a result of these discussions, that Schlumberger would proceed with other possible transactions. Mr. Gould suggested meeting through the weekend of February 13, 2010 until midday on Thursday, February 18, 2010 to permit the presentation and discussion of a business combination proposal.

At a meeting on February 3, 2010, the Smith board was informed of the upcoming meeting with Mr. Gould and determined that in order to facilitate direct discussions between the Smith board and Schlumberger, it would be appropriate to establish a negotiation committee composed of Messrs. Rock, Carroll and Yearwood as the three members of the Smith board with the greatest knowledge regarding Smith. On February 13, 2010, Messrs. Gould and Ayat met with Messrs. Rock, Carroll and Yearwood as well as Mr. William Restrepo, Smith s Chief Financial Officer, to discuss the terms of a potential transaction. Mr. Gould proposed a transaction intended to be tax-free for U.S. federal income tax purposes for Smith stockholders, with consideration entirely in the form of Schlumberger common stock with a value equal to a 35% premium over the average closing price of Smith stock for the 10 trading days preceding the date of the definitive merger agreement, and otherwise on the same terms set forth in Schlumberger s June 11, 2009 letter. For the 10 trading days preceding February 13, 2010, this was equivalent to consideration of approximately 0.6595 shares of Schlumberger common stock per share of Smith common stock, which equated to a total enterprise value of approximately $13.1 billion, including $10.5 billion for the shares of Smith common stock, calculated on the same basis as described above. The Smith

representatives indicated that the proposed level of consideration was insufficient, and following negotiation, the Schlumberger representatives and Smith representatives reached agreement on a proposed valuation formula with a 40% premium over the 10-day trading period, which as of that day was equivalent to consideration of approximately 0.6839 shares of Schlumberger common stock per share of Smith common stock, which equated to a total enterprise value of approximately $13.5 billion, including $10.9 billion for the shares of Smith common stock, calculated on the same basis as described above. Messrs. Gould, Yearwood, Rock and Carroll then left the meeting, which was joined by Mr. Peter Pintar, Smith s Vice President Corporate Strategy and Development and Mr. Simon Farrant, Schlumberger s Portfolio Manager, Mr. Krishna Shivram, Schlumberger s Manager, Mergers & Acquisitions, and Messrs. Chandler and Juden, whereupon the parties confirmed various commercial and financial aspects of the proposed transaction in light of the agreements reached earlier in the meeting, and discussed next steps. On February 14, 2010, Messrs. Gould, Ayat, Shivram, Farrant and Juden met with Messrs. Yearwood, Restrepo, Pintar and Chandler to continue to confirm various aspects of the proposed transaction that had been discussed the previous day.

The Smith board met on February 14, 2010, along with its financial and legal advisors, to review the Schlumberger proposal. Following this discussion, the Smith board authorized Smith management and advisors to continue the negotiations with Schlumberger, including negotiation of the terms of a merger agreement. Later that evening Baker Botts delivered a draft merger agreement to Wachtell, Lipton based on the draft agreement that had been discussed in June 2009, and Smith and Schlumberger recommenced due diligence efforts.

The Smith board met again on February 16, 2010, along with its financial and legal advisors, to discuss the Schlumberger proposal in detail, including the financial aspects of the proposal, and further information from the ongoing negotiations and due diligence. The Smith board discussed the advisability of the proposed transaction, including among other things the valuation implied by the proposal, Smith s business prospects and strategy, and the strategic benefits of a combination with Schlumberger. The Smith board also discussed whether other parties were likely to be able to enter into alternative business combinations on terms more favorable to Smith stockholders and concluded that other parties were not likely to be able to do so. The Smith board considered the consequences of a premature disclosure that could endanger the Schlumberger negotiations. The Smith board also considered that the terms of the draft merger agreement allowed the Smith board to change or withdraw its recommendation or terminate the merger agreement in favor of a superior proposal. The Smith board determined to continue with negotiations. Over the next several days, Smith and Schlumberger continued their due diligence efforts, including management interviews of both Smith and Schlumberger officers, while Wachtell, Lipton and Baker Botts negotiated the terms of a merger agreement.

On February 18, 2010, the Schlumberger board met to consider the terms of the proposed transaction. Goldman, Sachs & Co., Schlumberger s financial advisor, reviewed with the Schlumberger board its preliminary financial analysis of the exchange ratio provided for in the proposed merger. Following discussion, the Schlumberger board unanimously approved the proposed merger agreement, the proposed merger, and the other agreements and transactions contemplated by the proposed merger agreement, subject to the receipt by the finance committee of the Schlumberger board of Goldman Sachs s final financial analysis of the exchange ratio provided for in the proposed merger, and the finance committee s not recommending that the Schlumberger board s approval be revised or withdrawn.

After the close of trading on February 18, 2010, media reports regarding the proposed transaction began to circulate, causing significant shifts in the trading prices of both Smith and Schlumberger common stock on February 19, 2010. The Smith board met later that day, along with its financial and legal advisors, to receive an update as to these reports and the effect on the proposed merger consideration. The Smith board authorized Mr. Yearwood to negotiate with Schlumberger adjustments to the calculation of the exchange ratio in response to these events. Mr. Yearwood and Mr. Ayat spoke later that day and agreed, in light of the media reports which had affected the trading prices of the Smith and Schlumberger common stock, to modify the proposed valuation formula by replacing the actual trading prices on February 19, 2010 with a second occurrence of the February 18, 2010 trading prices, which resulted in an exchange ratio of 0.6966 shares of Schlumberger common stock per

share of Smith common stock and which equated to a total enterprise value of approximately $14.0 billion, including $11.4 billion for the shares of Smith common stock, based on the closing price of Smith and Schlumberger common stock on February 18, 2010, calculated on the same basis as described above, and which reflected a 40.6% premium to the average implied historical exchange ratio between the shares of common stock of the two companies for the 10 trading day period ended February 18, 2010 and a 37.7% premium to the same ratio for the 10 trading day period ended February 19, 2010. The terms of the proposed merger agreement, including the proposed exchange ratio of 0.6966 shares of Schlumberger common stock per share of Smith common stock, were finalized and submitted to the Smith board and the Schlumberger board for their consideration.

On February 20, 2010, the Smith board met, along with its financial and legal advisors, to consider the terms of the proposed transaction, which had been negotiated. UBS reviewed with the Smith board its financial analysis of the exchange ratio provided for in the proposed merger. Wachtell, Lipton reviewed the legal terms of the proposed merger agreement, including the provisions relating to the allocation of regulatory risks. UBS delivered to the Smith board an oral opinion, which was confirmed by delivery of a written opinion dated February 20, 2010, attached hereto as Annex B, to the effect that, as of that date and subject to the factors and assumptions set forth in such opinion, the 0.6966 exchange ratio provided for in the proposed merger was fair, from a financial point of view, to Smith s stockholders, other than Schlumberger and its affiliates, as more fully described below under the caption Opinion of Smith s Financial Advisor. Following discussion, the board unanimously determined that the proposed merger agreement, the proposed merger, and the other agreements and transactions contemplated by the proposed merger agreement are fair to and in the best interests of Smith and its stockholders, and approved and adopted and declared to be advisable the proposed merger agreement and the transactions contemplated by the proposed merger agreement, including the proposed merger.

On February 21, 2010, the finance committee of the Schlumberger board met to consider the terms of the proposed transaction. Goldman Sachs reviewed with the finance committee its financial analysis of the exchange ratio provided for in the proposed merger. Following discussion, pursuant to the authority delegated to the committee by the Schlumberger board, the finance committee unanimously determined to proceed with the transaction.

Later in the day on February 21, 2010, the merger agreement was executed by Smith, Schlumberger and Turnberry Merger Sub Inc., and Smith and Schlumberger issued a joint press release announcing the merger agreement.

**Smith s Reasons for the Merger; Recommendation of the Smith Board of Directors**

In reaching its decision to approve the merger and the merger agreement and recommend adoption of the merger agreement by Smith stockholders, the Smith board of directors consulted with Smith senior management, as well as with Smith s legal and financial advisors, and considered a number of factors, including the following material factors:

- The fact that the implied value of the proposed exchange ratio, based on the closing price of Schlumberger common stock on February 18, 2010 (the last trading day before various news outlets began reporting on a possible transaction involving Smith and Schlumberger), represented a 37.5% premium to the closing price of Smith common stock on such date and a 40.6% premium to the average implied historical exchange ratio between the shares of common stock of the two companies for the 10 trading day period ended February 18, 2010.

- The fact that Smith stockholders immediately prior to the merger would own approximately 12.8% of the equity interests of Schlumberger immediately following the completion of the merger, which would give former Smith stockholders the opportunity to participate in future earnings and growth of Schlumberger and future appreciation in the value of Schlumberger s common stock following the merger should they determine to retain the Schlumberger common stock they would receive in the merger.

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The fact that the combined company would be a global leader in oil and natural gas supply and services, operating in a wide variety of areas such as drilling fluid systems, drill bits, wireline, directional drilling, tubular products, down-hole tools, coiled tubing, and waste management services, which it believed would benefit Smith and the combined company.

The fact that the combined company would be able to offer an integrated suite of products and services to its customers, including in areas outside of the fluid systems, solids-control and separation equipment, waste-management services, drill bits, downhole tools and services and supply chain management businesses which Smith currently operates, and would have enhanced capability to design and implement technological advances in equipment and operations.

The Smith board s belief that a business combination with Schlumberger offered strategic benefits as described above that would not be easily realized with other counterparties.

The fact that Smith did not receive any proposals from any party other than Schlumberger regarding a business combination with Smith at any time during the consideration of the various Schlumberger proposals.

The Smith board of directors knowledge of Smith s business, operations, financial condition, earnings and prospects and of Schlumberger s business, operations, financial condition, earnings and prospects, taking into account the results of Smith s due diligence review of Schlumberger.

The prevailing macroeconomic conditions, and the economic environment of the industries in which Smith and Schlumberger operate, including Schlumberger s strong performance in the recent challenging operating environment, which it viewed as supporting the rationale for seeking a strategic transaction that should create a global oil and natural gas supply and services company better positioned to respond to volatile macroeconomic and industry conditions than Smith on a standalone basis.

The fact that the financial profile of a combined Smith and Schlumberger would be more attractive than that of Smith as a standalone company, with a more diversified revenue base, both with respect to product/service offering and geography, and a greater free cash flow as well as the synergies anticipated to be achievable in connection with the merger.

The strong strategic fit with Schlumberger, particularly with respect to integrated design of drilling assemblies, including drill bits and drilling fluids, distribution and supply-chain services, and product development programs, and increasing demand by exploration and development companies for a single source of oilfield supplies and services.

The longstanding relationship with Schlumberger through joint ownership and operation of M-I SWACO, as well as the terms of the M-I SWACO joint venture permitting either Smith or Schlumberger to initiate a purchase or sale of the parties interests in M-I SWACO, which terms create challenges for companies other than Schlumberger which may seek to engage in a business combination with Smith unless Schlumberger supports such transaction, as well as risks that Schlumberger could select a time for the exercise of the M-I SWACO buy/sell provisions which could prove to be inopportune to Smith.

The financial analyses and presentation of UBS, and its related written opinion, dated February 20, 2010, to the effect that, as of that date and based upon and subject to the factors and assumptions set forth in its opinion (a copy of which is attached to this proxy statement/prospectus as Annex B), the exchange ratio was fair, from a financial point of view, to the holders of shares of Smith common stock, other than Schlumberger and its affiliates. See Opinion of Smith s Financial Advisor and Financial Projections.

The level of the commitments by the parties to obtain applicable regulatory approvals, which in the view of the Smith board of directors after considering the advice of counsel, made it highly likely that the merger, once announced, would be completed.

The expectation that the merger will qualify as a reorganization for U.S. federal income tax purposes and that, as a result, the exchange by Smith stockholders of their shares of Smith common stock for shares of Schlumberger common stock in the merger generally will be tax-free to Smith stockholders.

The fact that the merger agreement allows the Smith board of directors to change or withdraw its recommendation regarding the merger proposal if a superior transaction proposal is received from a third party or in response to certain material developments or changes in circumstances, if in either case the Smith board of directors determines that a failure to change its recommendation would result in a breach of its fiduciary duties under applicable law, subject to the payment of a termination fee upon termination under certain circumstances.

The fact that the merger agreement requires payment of a termination fee by Schlumberger upon termination of the merger agreement under certain circumstances. See The Merger Agreement Termination, Amendment and Waiver.

The fact that the combined company would have a highly experienced management team with extensive industry experience in most significant facets of the oil and natural gas supply and services industry, which experience and leadership were considered beneficial to Smith and the combined company.

The Smith board of directors also considered potential risks and potentially negative factors concerning the merger in connection with its deliberations of the proposed transaction, including:

The possibility that the merger may not be completed, or that completion may be unduly delayed, for reasons beyond the control of Smith and Schlumberger.

The risk that regulatory agencies may not approve the merger or may impose terms and conditions on their approvals that would either materially impair the business operations of the combined company or adversely impact the ability of the combined company to realize the synergies that are projected to occur in connection with the merger.

The risks inherent in combining and integrating two companies, including that the companies may not be successfully integrated or that the synergies anticipated to be achievable from combining the two companies may not be realized.

The fact that the exchange ratio included in the merger agreement provides for a fixed number of shares of Schlumberger common stock, the possibility that Smith stockholders could be adversely affected by a decrease in the trading price of Schlumberger common stock before the closing of the merger, and the fact that the merger agreement does not provide Smith with a termination right based on the trading price of Schlumberger common stock or other similar protection.

The potential for diversion of management and employee attention and for increased employee attrition during the substantial period prior to the completion of the merger, and the potential effect of the merger on Smith s business and relations with customers and suppliers.

The potential impact of the restrictions imposed by the merger agreement on Smith s ability to take specified actions during the period prior to the completion of the merger (which may delay or prevent Smith from undertaking business opportunities that may arise pending completion of the merger).

The transaction costs to be incurred in connection with the merger.

The potential that the termination payment provisions of the merger agreement and the provisions of the M-I SWACO joint venture could have the effect of discouraging a bona fide alternative business combination proposal for Smith.

The possibility that the fee that Schlumberger would be required to pay under the merger agreement upon termination of the merger agreement under certain circumstances would be insufficient to compensate Smith for its costs incurred in connection with the merger agreement.

The interests of Smith executive officers and directors with respect to the merger apart from their interests as Smith stockholders, and the risk that these interests might influence their decision with respect to the merger (see Interests of Smith s Directors and Officers in the Merger ).

The Smith board of directors concluded that the potentially negative factors associated with the proposed merger were outweighed by the potential benefits that it expected the Smith stockholders would achieve as a result of the merger.

In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Smith board of directors did not find it useful and did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and to recommend that Smith stockholders vote for the merger proposal. In addition, individual members of the Smith board of directors may have given differing weights to different factors. The Smith board of directors conducted an overall analysis of the factors described above, including through discussions with, and questioning of, Smith management and outside legal and financial advisors regarding certain of the matters described above.

The Smith board of directors, by a unanimous vote of all directors, determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Smith and its stockholders, and approved the merger agreement and the transactions contemplated by the merger agreement.

The Smith board of directors unanimously recommends that Smith stockholders vote **FOR** the adoption of the merger agreement.

This explanation of Smith s reasons for the merger and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors described under Cautionary Statement Regarding Forward-Looking Statements.

**Schlumberger s Reasons for the Merger**

Schlumberger believes the merger will create sustainable long-term value for its stockholders. Key factors considered by Schlumberger include the following:

- Smith s operations complement and strengthen Schlumberger s strategy to provide its customers with engineered drilling systems that optimize all the components of the drillstring, allowing customers to drill more economically in demanding conditions;
- by increasing its interest in M-I SWACO from 40% to 100%, Schlumberger would increase its ability to design and deploy drillings fluids to, together with its bottom-hole assembly technologies, optimize the drilling system;
- Schlumberger believes that it can leverage Wilson s core supply chain management competencies to improve Schlumberger s existing supply chain and logistics systems;
- certain Smith products fill gaps in Schlumberger s current portfolio, enabling the combined company to offer a more complete offering to customers;
- the merger is anticipated to provide Schlumberger with additional opportunities through new product development programs enabled by Smith s assets and operations;
- the continued strength of the balance sheet of the combined company post-merger in order to maintain business flexibility; and
- Schlumberger s expectation that the merger would result in meaningful cost savings and operational synergies, estimated to include approximately $160 million in 2011 and approximately $320 million in 2012.

**Opinion of Smith s Financial Advisor**

On February 20, 2010, at a meeting of Smith s board of directors held to evaluate the proposed merger, UBS delivered to Smith s board of directors an oral opinion, which opinion was confirmed by delivery of a written opinion, dated February 20, 2010, to the effect that, as of that date and based on and subject to various

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assumptions, matters considered and limitations described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to holders of Smith common stock other than Schlumberger and its affiliates.

The full text of UBS opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. A copy of this opinion is attached as Annex B hereto and is incorporated into this proxy statement/prospectus by reference. **Holders of Smith common stock are encouraged to read UBS opinion carefully in its entirety. UBS opinion was provided for the benefit of Smith s board of directors in connection with, and for the purpose of, its evaluation of the exchange ratio from a financial point of view and does not address any other aspect of the merger. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available with respect to Smith or Smith s underlying business decision to effect the merger. The opinion does not constitute a recommendation to any stockholder as to how to vote or act with respect to the merger.** The following summary of UBS opinion is qualified in its entirety by reference to the full text of UBS opinion.

In arriving at its opinion, UBS, among other things:

- reviewed certain publicly available business and financial information relating to Smith and Schlumberger;
- reviewed certain internal financial information and other data relating to Smith s business and financial prospects that were not publicly available, including financial forecasts and estimates prepared by Smith s management that Smith s board of directors directed UBS to utilize for purposes of its analysis;
- reviewed certain financial information and other data relating to the business and financial prospects of Schlumberger that were publicly available, including Wall Street consensus financial forecasts and estimates as published by Institutional Brokers Estimate System ( IBES ) for 2010 ( Schlumberger Street Estimates ) that Smith s management directed UBS to utilize for purposes of its analysis;
- conducted discussions with members of the senior managements of Smith and Schlumberger concerning the businesses and financial prospects of Smith and Schlumberger;
- reviewed publicly available financial and stock market data with respect to certain other companies UBS believed to be generally relevant;
- compared the financial terms of the merger with the publicly available financial terms of certain other transactions UBS believed to be generally relevant;
- reviewed current and historical market prices of Smith common stock and Schlumberger common stock;
- reviewed a draft of the merger agreement; and
- conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of Smith s board of directors, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of its opinion. In addition, with the consent of Smith s board of directors, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Smith or Schlumberger, and was not furnished with any such evaluation or appraisal. With respect to the financial forecasts and estimates for Smith referred to above, UBS assumed, at the direction of Smith s board of directors, that such forecasts and estimates

were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Smith s management as to the future financial performance of Smith. UBS was not provided with any Schlumberger internal financial forecasts or estimates, nor with any forecasts or estimates regarding Schlumberger prepared by Smith, and therefore did not consider any such

information in connection with its analysis or its opinion. Based on UBS discussions with Smith s board of directors, UBS assumed, with the consent of Smith s board of directors, that the Schlumberger Street Estimates that UBS reviewed were a reasonable basis upon which to evaluate the future performance of Schlumberger for 2010 and UBS used such forecasts and estimates for purposes of its analysis and its opinion. UBS assumed, with the consent of Smith s board of directors, that the merger would qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. UBS opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of its opinion.

At the direction of Smith s board of directors, UBS was not asked to, and it did not, offer any opinion as to the terms, other than the exchange ratio to the extent expressly specified in UBS opinion, of the merger agreement or the form of the merger. In addition, UBS expressed no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the exchange ratio. UBS expressed no opinion as to what the value of Schlumberger common stock would be when issued pursuant to the merger or the price at which Smith common stock or Schlumberger common stock would trade at any time. In rendering its opinion, UBS assumed, with the consent of Smith s board of directors, that (i) the final executed form of the merger agreement would not differ in any material respect from the draft that UBS reviewed, (ii) Smith and Schlumberger would comply with all material terms of the merger agreement and (iii) the merger would be consummated in accordance with the terms of the merger agreement without any adverse waiver or amendment of any material term or condition of the merger agreement. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on Smith, Schlumberger or the merger. UBS was not authorized to solicit and did not solicit indications of interest in a transaction with Smith from any party. Except as described above, Smith imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion. The issuance of UBS opinion was approved by an authorized committee of UBS.

In connection with rendering its opinion to Smith s board of directors, UBS performed a variety of financial and comparative analyses which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by UBS in connection with its opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected companies analyses of Smith and Schlumberger and the selected transactions analysis summarized below, no company or transaction used as a comparison was identical to Smith, Schlumberger or the merger. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

UBS believes that its analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying UBS analyses and opinion. UBS did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole.

The estimates of the future performance of Smith and Schlumberger provided by Smith or derived from public sources in or underlying UBS analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which were beyond the control of Smith and Schlumberger. Estimates of the financial value of companies do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold or acquired.

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The exchange ratio was determined through negotiation between Smith and Schlumberger and the decision by Smith to enter into the merger agreement was solely that of Smith s board of directors. UBS opinion and financial analyses were only one of many factors considered by Smith s board of directors in its evaluation of the merger and should not be viewed as determinative of the views of Smith s board of directors or management with respect to the merger or the exchange ratio.

The following is a brief summary of the material financial analyses performed by UBS and reviewed with Smith s board of directors on February 20, 2010 in connection with its opinion relating to the proposed merger. **The financial analyses summarized below include information presented in tabular format. In order for UBS financial analyses to be fully understood, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of UBS financial analyses.** For purposes of certain analyses described below, the term implied per share value of the merger consideration refers to the implied per share value of the merger consideration based on the merger exchange ratio of 0.6966 and the closing price of Schlumberger common stock on February 19, 2010 of $63.90.

***Smith Financial Analyses***

Enterprise value and transaction value for Smith were calculated as the aggregate value of Smith s equity (based on, where indicated below, the unaffected market price or the implied per share value of the merger consideration) plus debt at book value and noncontrolling interests at book value, less cash and cash equivalents. Enterprise value and transaction value for Smith on a net basis were calculated as the aggregate value of Smith s equity (based on, where indicated below, the unaffected market price or the implied per share value of the merger consideration) plus debt at book value, less cash and cash equivalent, less 40% of the net debt of M-I SWACO and less 45.4% of the net debt of CE Franklin Ltd. Earnings before interest, taxes, depreciation and amortization ( EBITDA ) for Smith on a net basis was calculated as EBITDA, less 40% of the EBITDA of M-I SWACO and less 45.4% of the EBITDA of CE Franklin Ltd. Cash flow for Smith was calculated as net income before deducting the noncontrolling interests in such income plus depreciation and amortization, less distributions to minority holders of M-I SWACO and CE Franklin Ltd. Cash flow for Smith on a net basis was calculated as net income after deducting such noncontrolling interests plus depreciation and amortization.

*Selected Companies Analysis*

UBS compared selected financial and stock market data of Smith with corresponding data of the following six U.S. listed publicly traded large capitalization oilfield services companies with diversified product offerings (i.e., not focused primarily on contract drilling services):

Schlumberger

Halliburton Company

National Oilwell Varco, Inc.

Baker Hughes Incorporated

Weatherford International Ltd.

Cameron International Corporation

UBS reviewed, among other things, the enterprise values of the selected companies, calculated as equity market value based on closing stock prices on February 19, 2010 (except for that of Schlumberger, which was based on its unaffected closing price on February 18, 2010, the last trading day before various news outlets began reporting on a possible transaction involving Smith and Schlumberger), plus debt at book value, preferred stock at liquidation value and noncontrolling interests at book value, less cash and cash equivalents, as multiples of latest 12 months

( LTM ) EBITDA. Historical balance sheet data were based on the most recent publicly available information as of February 19, 2010. UBS also reviewed closing stock prices of the selected companies

on the dates referred to above as a multiple of (i) calendar years 2010 and 2011 estimated earnings per share ( EPS ) and (ii) calendar years 2010 and 2011 cash flow per share ( CFPS ). UBS then compared these multiples derived for the selected companies with corresponding multiples implied for Smith based both on the closing price of Smith common stock on February 18, 2010 and the implied per share value of the merger consideration. Financial data for the selected companies were based on IBES consensus estimates, public filings and other publicly available information. Estimated financial data for Smith were based on IBES consensus estimates and internal estimates of Smith s management, referred to as Smith Management Estimates. This analysis indicated the following implied high, mean, median and low multiples for the selected companies, as compared to corresponding multiples implied for Smith:

| | Price/EPS | | Price/CFPS | | Enterprise Value/ EBITDA | | |
|---|---|---|---|---|---|---|---|
| | 2010E | 2011E | 2010E | 2011E | LTM | 2010E | 2011E |
| High | 24.1x | 17.2x | 14.9x | 11.9x | 12.5x | 11.3x | 9.1x |
| Mean | 20.8x | 14.7x | 11.7x | 9.4x | 10.1x | 9.0x | 7.3x |
| Median | 22.5x | 14.9x | 11.9x | 9.4x | 10.6x | 8.9x | 7.2x |
| Low | 14.0x | 12.0x | 7.8x | 5.9x | 6.0x | 6.8x | 6.3x |
| IBES Consensus Estimates: | | | | | | | |
| Smith | 30.6x | 17.6x | 13.0x | 9.7x | 11.4x | 10.1x | 7.5x |
| Smith @ Offer | 40.8x | 23.5x | 17.4x | 13.0x | 14.4x | 12.7x | 9.5x |
| Smith Management Estimates: | | | | | | | |
| Smith | 35.9x | 17.7x | 12.7x | 9.2x | 11.4x | 9.8x | 7.1x |
| Smith @ Offer | 47.9x | 23.7x | 17.0x | 12.3x | 14.4x | 12.3x | 9.0x |
| Smith (Net) | 35.9x | 17.7x | 13.8x | 9.8x | 13.7x | 11.4x | 8.1x |
| Smith @ Offer (Net) | 47.9x | 23.7x | 18.5x | 13.1x | 17.8x | 14.7x | 10.5x |

*Selected Transactions Analysis*

UBS reviewed transaction values in the following fifteen selected transactions, comprising transactions in the prior twelve years (i) for which forward looking research analyst estimates were available at the time of the announcement of the transaction, (ii) involving target companies with product offerings not focused primarily on contract drilling and (iii) with transaction values in excess of $1 billion, with the sole exception of the NATCO Group Inc. acquisition by Cameron International Corporation, which was included despite having a transaction value below $1 billion because of its pertinence due to its having occurred within the previous twelve months:

| Announcement Date | Acquiror | Target |
|---|---|---|
| August 31, 2009 | Baker Hughes Incorporated | BJ Services Company |
| June 1, 2009 | Cameron International Corporation | NATCO Group Inc. |
| June 13, 2008 | Candover Investments plc | Expro International Group Ltd. |
| June 2, 2008 | Smith | W-H Energy Services, Inc. |
| December 19, 2007 | First Reserve Corporation | Abbot Group Limited |
| December 17, 2007 | National Oilwell Varco, Inc. | Grant Prideco, Inc. |
| February 5, 2007 | Universal Compression, Inc. | Hanover Compressor Company |
| September 5, 2006 | Compagnie Générale de Géophysique | Veritas DGC Inc. |
| June 6, 2005 | Weatherford International Ltd. | Precision Drilling Corporation |
| August 12, 2004 | National-Oilwell, Inc. | Varco International Incorporated |
| July 3, 2001 | Technip | Coflexip Stena Offshore Group S.A. |
| June 19, 1998 | Schlumberger | Camco International Inc. |
| May 11, 1998 | Baker Hughes Incorporated | Western Atlas Inc. |
| March 4, 1998 | EVI, Inc. | Weatherford Enterra, Inc. |
| February 26, 1998 | Halliburton Company | Dresser Industries, Inc. |

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UBS reviewed, among other things, transaction values in the selected transactions, calculated as the purchase price paid for the target company s equity, plus debt at book value, preferred stock at liquidation value and noncontrolling interests at book value, less cash and cash equivalents, as multiples of estimated EBITDA for the fiscal year ending after the then current fiscal year at the time of announcement ( FY+1 ). Historical balance sheet data were based on the most recent publicly available information at the time of announcement of the relevant transaction. UBS also reviewed the purchase price paid for the target company s equity in the selected transactions as multiples of, to the extent publicly available, FY+1 estimated cash flow and FY+1 estimated net income. Estimated financial data for the targets listed in the Selected Transactions Analysis were based on IBES consensus estimates as of the time of announcement of the applicable transaction. UBS then compared these multiples derived for the selected transactions with corresponding multiples implied for Smith based on the implied per share value of the merger consideration. Multiples for the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Estimated financial data for Smith were based on internal estimates of Smith s management. This analysis indicated the following implied high, median, mean and low multiples for the selected transactions, as compared to corresponding multiples implied for Smith:

| | Equity Value/ | | Transaction Value/ |
|---|---|---|---|
| | FY +1 Cash Flow | FY +1 Net Income | FY +1 EBITDA |
| High | 23.1x | 42.5x | 14.5x |
| Mean | 12.5x | 25.8x | 9.8x |
| Median | 11.7x | 23.6x | 8.8x |
| Low | 7.2x | 13.4x | 6.1x |
| IBES Consensus Estimates: | | | |
| Smith | 13.0x | 30.6x | 10.1x |
| Smith @ Offer | 17.4x | 40.8x | 12.7x |
| Smith Management Estimates: | | | |
| Smith | 12.7x | 35.9x | 9.8x |
| Smith @ Offer | 17.0x | 47.9x | 12.3x |
| Smith (Net) | 13.8x | 35.9x | 11.4x |
| Smith @ Offer (Net) | 18.5x | 47.9x | 14.7x |

*Discounted Cash Flow Analysis*

UBS performed a discounted cash flow analysis of Smith using financial forecasts and estimates prepared by Smith s management. UBS calculated a range of implied present values (as of December 31, 2009) of the standalone unlevered, after-tax free cash flows that Smith was forecasted to generate from 2010 through 2013 using discount rates ranging from 10.5% to 12.5%, based on an estimated range of Smith s weighted average cost of capital. UBS also calculated a range of implied terminal values for Smith by applying a range of EBITDA terminal value multiples of 7.0x to 9.0x to Smith s mid-cycle EBITDA, as estimated by Smith s management that Smith s board of directors directed UBS to use for purposes of its analysis. UBS selected the range of terminal value multiples following a review of Smith s historical LTM EBITDA trading multiple over a period that included multiple oil price cycles. The implied terminal values were then discounted to present value using discount rates ranging from 10.5% to 12.5%. The discounted cash flow analysis resulted in a range of implied present values of approximately $27.50 to $37.50 per outstanding share of Smith common stock, as compared to the implied per share value of the merger consideration of $44.51.

***Schlumberger Financial Analysis***

*Selected Companies Analysis*

UBS compared selected financial and stock market data of Schlumberger with corresponding data of the selected companies referred to above under Smith Financial Analyses Selected Companies Analysis ; with the difference that Smith was included as a selected company instead of Schlumberger.

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UBS reviewed, among other things, the enterprise values of the selected companies (based on closing stock prices on February 19, 2010, except for that of Smith, which was based on its unaffected closing price on February 18, 2010, the last trading day before various news outlets began reporting on a possible transaction involving Smith and Schlumberger) as multiples of LTM EBITDA, calendar year 2010 and calendar year 2011 estimated EBITDA. UBS also reviewed closing stock prices of the selected companies on the dates referred to above as a multiple of (i) calendar year 2010 and 2011 estimated EPS and (ii) calendar year 2010 and 2011 CFPS. UBS then compared these multiples derived for the selected companies with corresponding multiples implied for Schlumberger based on the closing price of Schlumberger common stock on February 18, 2010. **Financial data for the selected companies and Schlumberger were based on IBES consensus estimates, public filings and other publicly available information. This analysis indicated the following implied high, mean, median and low multiples for the selected companies, as compared to corresponding multiples implied for Schlumberger:**

| | Price/EPS | | Price/CFPS | | EV/ EBITDA | | |
|---|---|---|---|---|---|---|---|
| | 2010E | 2011E | 2010E | 2011E | LTM | 2010E | 2011E |
| High | 30.6x | 17.6x | 14.9x | 11.9x | 12.0x | 10.1x | 7.6x |
| Mean | 22.1x | 14.8x | 11.6x | 9.2x | 10.0x | 8.8x | 7.0x |
| Median | 22.6x | 14.9x | 11.9x | 9.4x | 10.6x | 8.9x | 7.2x |
| Low | 14.0x | 12.0x | 7.8x | 5.9x | 6.0x | 6.8x | 6.3x |
| IBES Consensus Estimates: | | | | | | | |
| Schlumberger | 22.6x | 17.2x | 13.7x | 11.4x | 12.5x | 11.3x | 9.1x |

***Contribution Analysis***

UBS reviewed the respective estimated contributions to the merger on the combined company s estimated pro forma EBITDA, cash flow, and net income for fiscal year 2010. Estimated financial data for Schlumberger were based on Schlumberger Street Estimates. Estimated financial data for Smith were based on internal estimates of Smith s management.

The analysis indicated the following relative contributions of Smith and Schlumberger to the combined company s pro forma estimated 2010 EBITDA, as compared to the enterprise values of each company, based on both the unaffected stock prices and on the implied per share value of the merger consideration:

| | Relative Contributions |
|---|---|
| 2010E EBITDA | |
| Smith | 14% |
| Schlumberger | 86% |
| **Enterprise Value at Unaffected Prices** | |
| Smith | 12% |
| Schlumberger | 88% |
| **Enterprise Value at Exchange Ratio** | |
| Smith | 15% |
| Schlumberger | 85% |

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UBS also reviewed the respective estimated contributions of Smith and Schlumberger to the combined company s pro forma estimated 2010 net income and cash flow, as compared to the equity values of each company, based on both the unaffected stock prices and on the exchange ratio. This analysis indicated the following relative contributions of Smith and Schlumberger:

| | Relative Contributions |
|---|---|
| 2010E Net Income | |
| Smith | 6% |
| Schlumberger | 94% |
| **2010E Cash Flow** | |
| Smith | 10% |
| Schlumberger | 90% |
| **Pro Forma Ownership at Unaffected Prices** | |
| Smith | 10% |
| Schlumberger | 90% |
| **Pro Forma Ownership at Exchange Ratio** | |
| Smith | 13% |
| Schlumberger | 87% |

***Miscellaneous***

Under the terms of UBS engagement, Smith agreed to pay UBS for its financial advisory services in connection with the merger an aggregate fee currently estimated to be approximately $29.3 million, a portion of which was payable in connection with the delivery of UBS opinion and approximately $26.8 million of which is contingent upon consummation of the merger. In addition, Smith agreed to reimburse UBS for its reasonable expenses, including fees, disbursements and other charges of counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement. In the past, UBS and its affiliates have provided investment banking services to Smith unrelated to the proposed merger, for which UBS and its affiliates received compensation. Specifically, during the past two years UBS acted as co-manager in Smith s offering of Smith common stock in 2009. In the ordinary course of business, UBS and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of Smith and Schlumberger, and, accordingly, may at any time hold a long or short position in such securities. Smith selected UBS as its financial advisor in connection with the merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions and because of UBS familiarity with Smith, Schlumberger and their respective businesses. UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

**Financial Projections**

Smith does not, as a matter of course, publicly disclose forecasts as to future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, in connection with discussions concerning the merger, Smith provided Schlumberger and its financial advisors with certain non-public unaudited prospective financial information based on estimates by Smith management. These estimates were prepared with respect to prospective financial information in connection with due diligence, and were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial data, published guidelines of the SEC regarding forward-looking statements or GAAP. A summary of this information is presented below.

While the financial forecasts were prepared in good faith, no assurance can be made regarding future events. The financial forecasts rely on a number of estimates and assumptions, including the following:

Global rig counts were estimated to increase to 2,552 in 2010, 2,650 in 2011, 2,849 in 2012 and 3,032 in 2013;

The global market was assumed to recover modestly in 2010, with a more robust recovery thereafter, as reflected in global GDP growth estimated to be 1.8% in 2010, 3.6% in 2011, 4.2% in 2012 and 4.1% in 2013;

Margins for earnings before income and taxes were assumed to recover steadily over the forecast period, returning to historical levels after 2012, and were specifically estimated to be 8.8% in 2010, 12.0% in 2011, 14.5% in 2012 and 16.5% in 2013; and

Capital expenditures per revenue dollar and effective tax rate were assumed to remain fairly consistent over the forecast period.

These and the other estimates and assumptions underlying the financial forecasts involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among other things, the inherent uncertainty of the business and economic conditions affecting the industries in which Smith and Schlumberger operate, and the risks and uncertainties described under Risk Factors and Cautionary Statement Regarding Forward-Looking Statements, all of which are difficult to predict and many of which are outside the control of Smith and Schlumberger and will be beyond the control of the combined company. There can be no assurance that the underlying assumptions will prove to be accurate or that the projected results will be realized, and actual results likely will differ, and may differ materially, from those reflected in the financial forecasts, whether or not the merger is completed. The inclusion in this proxy statement/prospectus of the unaudited prospective financial information below should not be regarded as an indication that Smith, Schlumberger, or their respective boards of directors considered, or now considers, these projections and forecasts to be a reliable predictor of future results. The financial forecasts are not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement/prospectus are cautioned not to place undue reliance on this information. None of the financial forecasts reflects any impact of the merger.

All of the financial forecasts summarized in this section were prepared by the management of Smith. Deloitte & Touche LLP (Smith s independent registered public accounting firm) has not examined, compiled or otherwise performed any procedures with respect to the prospective financial information contained in these financial forecasts and, accordingly, Deloitte & Touche LLP has not expressed any opinion or given any other form of assurance with respect thereto and they assume no responsibility for the prospective financial information. The Deloitte & Touche LLP reports either incorporated by reference or included in this proxy statement/prospectus relate to the historical financial information of Smith. Such reports do not extend to the financial forecasts and should not be read to do so.

By including in this proxy statement/prospectus a summary of certain financial forecasts, neither Smith nor any of its representatives has made or makes any representation to any person regarding the ultimate performance of Smith or Schlumberger compared to the information contained in the financial forecasts. The financial forecasts summarized in this section were prepared during the periods described above and have not been updated to reflect any changes since February 2010 or the actual 2009 results of operation of Smith, as set forth herein under Selected Historical Financial Data of Smith. Neither Smith, Schlumberger, nor, after completion of the merger, the combined company undertakes any obligation, except as required by law, to update or otherwise revise the financial forecasts or financial information to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions.

The summary of the financial forecasts is not included in this proxy statement/prospectus in order to induce any stockholder to vote in favor of the merger proposal or any of the other proposals to be voted on at the Smith annual meeting.

The following tables present select unaudited prospective financial data for the fiscal years ending 2010 through 2013 prepared by Smith s management.

| | Fiscal Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2010E | 2011E | 2012E | 2013E |
| | (in millions) | | | |
| EBITDA (gross) (1)(2) | $ 1,128 | $ 1,541 | $ 1,982 | $ 2,432 |
| EBITDA (net) (1)(3) | 843 | 1,185 | 1,562 | 1,945 |
| Unlevered Free Cash Flow | 386 | 412 | 552 | 776 |
| Revenue | 8,599 | 9,673 | 10,976 | 12,313 |

(1) Earnings before interest, income taxes, depreciation and amortization ( EBITDA ) is a non-GAAP financial measure and should not be considered as an alternative to operating income or net income as a measure of operating performance or cash flows or as a measure of liquidity. EBITDA does not include the impact of any (i) synergies or (ii) costs related to the merger.

(2) Includes EBITDA associated with noncontrolling interests.

(3) Excludes EBITDA associated with noncontrolling interests.

**Interests of Smith s Directors and Officers in the Merger**

In considering the recommendation of the Smith board of directors that you vote to adopt the merger agreement, you should be aware that some of Smith s executive officers and directors have financial interests in the merger that are different from, or in addition to, those of Smith s stockholders generally. The independent members of Smith s board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the stockholders that the merger agreement be adopted. References in this section to Smith s executive officers are to the following individuals: Malcolm W. Anderson, Richard E. Chandler, Jr., Bryan L. Dudman, John J. Kennedy, Norman A. Mckay, Peter J. Pintar, William Restrepo, Christopher I.S. Rivers, Doug Rock (who resigned as an employee of Smith effective May 12, 2010), Brian E. Taylor, Lee A. Turner, Geraldine D. Wilde and John Yearwood.

*Change of Control*. For purposes of all of the Smith agreements and plans described below, completion of the merger will constitute a change of control of Smith.

*Equity Compensation Awards*. The terms of Smith s equity compensation plans and the applicable award agreements provide that, for awards granted prior to the date of the merger agreement, on the day prior to a change of control, all restrictions and conditions on any outstanding restricted stock units lapse, and all performance-based awards become fully vested and deemed earned in full at the specified 100% target amount. Based on Smith equity compensation holdings as of July 14, 2010, and assuming a closing date of November 15, 2010, (1) the number of time-based restricted stock units in respect of Smith common stock held by each of Messrs. Rock, Yearwood, Restrepo, Rivers, Mckay and Dudman, the seven other Smith executive officers (as a group), and the six Smith non-employee directors (as a group), that would vest in connection with completion of the merger is 0, 0, 23,385, 12,453, 74,122, 12,453, 44,093 and 39,671, respectively, and (2) the number of performance-based restricted stock units in respect of Smith common stock held by each of Messrs. Rock, Yearwood, Restrepo, Rivers, Mckay, and Dudman, the seven other Smith executive officers (as a group), and the six Smith non-employee directors (as a group), that would vest in connection with completion of the merger is 0, 265,204, 27,989, 93,705, 61,555, 99,191, 161,738 and 0, respectively. In connection with Mr. Rock s retirement on May 12, 2010 as an employee of Smith, the vesting of 24,324 restricted stock units held by him accelerated.

The merger agreement provides that, upon completion of the merger, (i) each then-outstanding Smith stock option will be converted into a Schlumberger stock option and (ii) each then-outstanding Smith restricted stock unit and performance-based restricted stock unit granted prior to the date of the merger agreement will be

cancelled and converted into the right to receive the merger consideration. With respect to performance-based restricted stock unit awards, the total number of shares of Smith common stock subject to the award will be calculated based on the deemed attainment of performance goals at 100% of the target performance level. The treatment of outstanding Smith stock options and the cash settlement of other equity awards in the merger, including treatment of awards granted subsequent to the date of the merger agreement, are discussed in greater detail under The Merger Treatment of Equity Awards.

*Change of Control Employment Agreements*. Smith is party to change of control employment agreements with each of Messrs. Yearwood, Anderson, Chandler, Kennedy, Restrepo, Mckay, Dudman, Pintar and Rivers. The agreements provide for change of control severance benefits in the event of certain qualifying terminations of employment in connection with or following a change of control.

Under the agreements, if Smith terminates the applicable executive s employment without cause (as defined in the agreements) or the executive terminates employment for good reason (as defined in the agreements and summarized below) at any time during the three-year period commencing upon a change of control or within the 12-month period prior to a change of control but in anticipation thereof, the executive will be eligible to receive the following payments and benefits:

- a lump sum cash payment equal to:
  - the sum of (1) the executive s annual base salary through the termination date (to the extent not already paid), (2) an annual bonus amount equal to the product of (a) the higher of (x) the highest annual bonus paid to the executive in the last three full fiscal years prior to the date of change of control and (y) the annual bonus paid for the most recently completed fiscal year during the post-change of control employment period (the Highest Annual Bonus ) and (b) a fraction, the numerator of which is the number of days in the applicable fiscal year through the termination date, and the denominator of which is 365, and (3) any accrued and unpaid vacation pay;
  - an amount equal to the product of (1) the Termination Multiple (three times for a termination during the first year following a change of control, two times for a termination during the second year following a change of control and one times for a termination during the third year following a change of control), and (2) the sum of (x) the executive s annual base salary and (y) the Highest Annual Bonus; and
  - a payment equal to the excess of (1) the actuarial equivalent of the Supplemental Executive Retirement Plan ( SERP ) benefit that the executive would have received had the executive s employment continued for a number of years after the termination date equal to the Termination Multiple over (2) the actuarial equivalent of the executive s actual SERP benefit;
- continued coverage under Smith healthcare and life insurance plans for a number of years equal to the Termination Multiple or such longer period as may be provided by the terms of the appropriate Smith plan; and
- outplacement benefits.

For purposes of the change of control employment agreements, good reason is defined generally to include (1) certain diminutions in position, authority, duties, responsibilities, compensation, benefits, (2) certain relocations or (3) any failure by Smith to have a successor assume the agreements. Additionally, a termination by the executive for any reason during the 30-day period immediately following the first anniversary of the change of control will constitute termination for good reason for purposes of the agreements.

*Retention Program*. Under the terms of the merger agreement and subsequent agreements between Smith and Schlumberger, Smith is permitted to establish a retention program with a retention pool in an aggregate amount up to $74.3 million. Smith has allocated a portion of this aggregate amount to persons who are executive officers of Smith or who are party to change of control employment agreements. These allocations

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total $14.1 million in the aggregate if the merger is consummated in 2010 and $3.75 million in the aggregate if the merger is consummated in 2011. See The Merger Certain Additional Agreements Employee Matters. The individual allocations to executive officers are reflected in the table set forth in Summary of Estimated Value of Equity Awards, Retention Payments and Severance Benefits. The allocated amounts will be payable at the closing if the applicable employee is employed by Smith or its subsidiaries at such time. In addition, Smith recently allocated approximately $18 million in retention payments to certain employees who are not executive officers, and may make additional allocations.

*Summary of Estimated Value of Equity Awards, Retention Payments and Severance Benefits*. The chart below sets forth the number of outstanding equity awards that will vest upon consummation of the merger for Smith s executive officers and directors, as well as the estimated aggregate value of such awards. The chart also includes the amount of cash retention payments, the estimated amount of cash severance payments and the estimated value of other severance benefits that the executive officers would receive. Except with respect to the column titled Cash Retention Payments Assuming Consummation of Merger in 2011, the chart assumes that the merger is completed on November 15, 2010 and each executive officer experiences a severance-qualifying termination immediately thereafter.

| | Restricted Stock Units | Estimated Value of Restricted Stock Units(1) | Cash Retention Payments Assuming Consummation of Merger in 2010 | Cash Retention Payments Assuming Consummation of Merger in 2011 | Estimated Cash Severance Payments(2) | Estimated Value of Other Severance Benefits(3) |
|---|---|---|---|---|---|---|
| Doug Rock | 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| John Yearwood | 265,204 | 10,879,404 | 5,250,000 | 2,550,000 | 4,221,765 | 102,386 |
| William Restrepo | 51,374 | 2,107,504 | 2,000,000 | 1,050,000 | 1,615,283 | 102,386 |
| Christopher I.S. Rivers | 106,158 | 4,354,896 | 0 | 0 | 3,889,741 | 102,386 |
| Norman A. Mckay | 135,677 | 5,565,847 | 250,000 | 150,000 | 2,955,763 | 102,386 |
| Bryan L. Dudman | 111,644 | 4,579,947 | 2,500,000 | 0 | 4,254,165 | 102,386 |
| Other executive officers, as a group | 205,831 | 8,443,759 | 4,100,000 | 0 | 11,889,503 | 409,543 |
| Other non-employee directors, as a group | 39,671 | 1,627,414 | 0 | 0 | 0 | 0 |

(1) Based on the closing price of Schlumberger common stock as of July 14, 2010.

(2) Cash severance payments include prorated annual bonus, lump-sum cash severance payment, and the SERP equalization payment.

(3) Other severance benefits include welfare benefit continuation and outplacement benefits.

*Employment Agreement with Doug Rock*. Effective January 1, 2009, Smith entered into an employment agreement with Mr. Rock, which superseded a prior employment agreement and a prior change of control agreement and provides that Mr. Rock will serve as a Special Executive Advisor to the chief executive officer of Smith. The 2009 employment agreement provided for the payment of certain severance benefits in the event of termination of Mr. Rock s employment by Smith without cause (as defined in his agreement) or upon a change of control (in which case his employment terminates automatically). However, because Mr. Rock resigned from employment on May 12, 2010, Mr. Rock will not receive any change of control related benefits in connection with this transaction.

*Deferred Compensation Plans*. Smith currently maintains the Post-2004 Supplemental Executive Retirement Plan (the Post-2004 SERP ), the Supplemental Executive Retirement Plan (the SERP ) and non-qualified deferred compensation plans for, the benefit of officers and certain other eligible Smith employees. Under the terms of the plan, upon the date of an employee s separation from service, his or her account balance generally becomes distributable in the form of payment as elected by the participant. If such separation from service occurs within the 12-month period following a change of control, all distributions are automatically made in a lump sum within 30 days of the separation from service. The SERP and Post-2004 SERP benefits are paid from a rabbi trust. Upon the occurrence of a change of control, these trusts become irrevocable and must be fully funded.

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*Relationship of Smith s Directors and Officers with Schlumberger.* There are no agreements or arrangements between Schlumberger and any of the current directors of Smith or any of the executive officers of Smith who were involved in the merger negotiations regarding continued employment or service following the merger. Mr. Yearwood owned shares of Schlumberger common stock with an approximate market value of $2.27 million as of July 14, 2010.

**No Appraisal Rights**

Relevant state law may, under certain circumstances, give stockholders of a corporation appraisal or dissenters rights in connection with a proposed merger. However, Smith stockholders will not have such rights in connection with the merger.

Under Section 262 of the Delaware General Corporation Law, appraisal rights are not available for shares of stock if (1) such shares were, at the record date fixed to determine the stockholders entitled to receive notice of and to vote on the agreement of merger, either (a) listed on a national securities exchange, such as the NYSE, or (b) held of record by more than 2,000 holders, and (2) the holders of such shares will receive shares of stock of another corporation that are listed on a national securities exchange. Because Smith common stock will be listed on the NYSE on the applicable record date and will, upon the completion of the merger, be converted into the right to receive Schlumberger common stock, which will also be listed on the NYSE, Smith stockholders will not have appraisal rights in connection with the merger. The foregoing discussion is not a complete statement of law pertaining to appraisal rights under Delaware law and is qualified in its entirety by reference to Delaware law.

**Listing of Schlumberger Stock and Delisting and Deregistration of Smith Stock**

Schlumberger will apply to have the shares of its common stock to be issued in the merger approved for listing on the NYSE, where Schlumberger common stock is currently traded. If the merger is completed, Smith shares will no longer be listed on the NYSE, and will be deregistered under the Exchange Act.

**Restrictions on Sales of Shares of Schlumberger Common Stock Received in the Merger**

Shares of Schlumberger common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act or the Exchange Act, except for shares of Schlumberger common stock issued to any Smith stockholder who may be deemed to be an affiliate of Schlumberger after the completion of the merger. This proxy statement/prospectus does not cover resales of Schlumberger common stock received by any person upon the completion of the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any resale.

**Accounting Treatment**

The merger will be accounted for as an acquisition of a business. Schlumberger will record net tangible and identifiable intangible assets acquired and liabilities assumed from Smith at their respective fair values at the date of the completion of the merger. Any excess of the purchase price, which will equal the market value at the date of the completion of the merger, of the Schlumberger common stock issued as consideration for the merger over the net fair value of such assets and liabilities will be recorded as goodwill.

The financial condition and results of operations of Schlumberger after completion of the merger will reflect Smith s balances and results after completion of the transaction but will not be restated retroactively to reflect the historical financial condition or results of operations of Smith. The earnings of Schlumberger following the completion of the merger will reflect acquisition accounting adjustments, including the effect of changes in the carrying value for assets and liabilities on depreciation and amortization expense. Goodwill will not be amortized but will be tested for impairment at least annually, and all assets including goodwill will be tested for impairment when certain indicators are present. If, in the future, Schlumberger determines that tangible or intangible assets (including goodwill) are impaired, Schlumberger would record an impairment charge at that time.

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**Material U.S. Federal Income Tax Consequences**

The following is a discussion of the material U.S. federal income tax consequences to U.S. holders and non-U.S. holders (each as defined below) of Smith common stock (1) of the merger and (2) related to the ownership and disposition of Schlumberger common stock received in the merger. This discussion is based on the Internal Revenue Code of 1986, as amended, which is referred to as the Code, existing and proposed Treasury regulations promulgated thereunder, judicial decisions, published rulings, administrative pronouncements and all other applicable authorities, all as in effect on the date of this proxy statement/prospectus and all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy and conclusions set forth in this document. This discussion does not address any aspects of state, local or non-U.S. laws or federal laws other than those pertaining to U.S. federal income taxation, is not a complete analysis or description of all of the possible tax consequences of the merger or of the ownership or disposition of shares of Schlumberger common stock and does not address all tax considerations that may be relevant to a holder in light of the holder s particular circumstances. In addition, this discussion does not address the tax consequences of the ownership and disposition of Schlumberger common stock arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010. In particular, this discussion addresses only holders that hold their shares of Smith common stock and will hold their shares of Schlumberger common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment) and does not address all aspects of U.S. federal income taxation that may be relevant to holders subject to special treatment under U.S. federal income tax law, including, for example, the following:

- a holder of Smith shares who, at any time within the five-year period ending on the date of the merger has owned, actually and/or constructively, 5% or more of the stock of Smith;
- any person who, immediately after the merger, owns, actually and/or constructively, at least 5% of either the total voting power or the total value of the stock of Schlumberger or who, at any time after the merger, owns, actually and/or constructively, 10% or more of the total combined voting power of all classes of stock entitled to vote of Schlumberger;
- a bank or other financial institution;
- a tax-exempt entity;
- an insurance company;
- a person holding shares as part of a straddle, hedge, constructive sale, integrated transaction, or conversion transaction ;
- a person holding shares through a partnership or other pass-through entity;
- a U.S. expatriate;
- a person who is liable for the alternative minimum tax;
- a broker-dealer or trader in securities or currencies;
- a U.S. holder whose functional currency is not the U.S. dollar;

- a regulated investment company;
- a real estate investment trust;
- a trader in securities who has elected the mark-to-market method of accounting for its securities; and
- a holder who received Smith common stock through the exercise of employee stock options, through a tax qualified retirement plan, or otherwise as compensation.

For purposes of this discussion, a U.S. holder is any beneficial owner of Smith common stock or, after the completion of the merger, Schlumberger common stock that, for U.S. federal income tax purposes, is:

- an individual citizen or resident alien of the United States;

- a corporation or other entity taxable as a corporation organized under the laws of the United States or any state thereof or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A non-U.S. holder of Smith common stock or, after the completion of the merger, Schlumberger common stock, is a holder, other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes, that is not a U.S. holder. For purposes of this discussion, holder or shareholder means either a U.S. holder or a non-U.S. holder or both, as the context may require.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Smith common stock or Schlumberger common stock, the tax treatment of a partner in that partnership generally will depend on the status of the partner and the activities of the partnership. Holders of Smith common stock or Schlumberger common stock that are partnerships or partners in these partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them of the merger and the ownership and disposition of Schlumberger common stock.

ALL HOLDERS OF SMITH COMMON STOCK ARE ENCOURAGED TO CONSULT A TAX ADVISOR REGARDING THE PARTICULAR FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE MERGER AND THE OWNERSHIP AND DISPOSITION OF SCHLUMBERGER COMMON STOCK RECEIVED IN THE MERGER.

***Conditions to Closing***

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to the completion of the merger that Schlumberger receive a written opinion from its counsel, Baker Botts L.L.P., and that Smith receive a written opinion from its counsel, Wachtell, Lipton, Rosen & Katz, in form and substance reasonably satisfactory to Schlumberger and Smith, respectively, dated as of the date of completion of the merger, to the effect that (1) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and (2) each transfer of Smith stock to Schlumberger by a stockholder of Smith pursuant to the merger (other than a stockholder of Smith that is a five percent transferee shareholder of Schlumberger, as defined in Treasury regulations promulgated under Section 367(a) of the Code) will not be subject to Section 367(a)(1) of the Code.

The opinions of counsel will be based on representations and assumptions set forth or referred to in the opinions. If any such representation or assumption is inaccurate, the tax consequences of the merger to holders of Smith common stock could differ materially from those described below. An opinion of counsel represents counsel s best legal judgment and is not binding on the United States Internal Revenue Service, which is referred to as the IRS, or any court.

No ruling will be requested from the IRS on any aspect of the merger. Accordingly, there can be no assurance that the IRS will not disagree with or successfully challenge any of the conclusions described in the following discussion.

***The Merger***

The following is a discussion of the material U.S. federal income tax consequences of the merger to U.S. holders and non-U.S. holders of Smith common stock. Assuming that (1) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and (2) the transfer of Smith stock to

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Schlumberger by a stockholder of Smith pursuant to the merger will not be subject to Section 367(a)(1) of the Code, the material U.S. federal income tax consequences of the merger to such holder of Smith common stock are, in general, as follows.

*U.S. Holders*

In general, a U.S. holder will not recognize gain or loss upon the exchange of shares of Smith common stock for shares of Schlumberger common stock in the merger, except with respect to cash received in lieu of a fractional share of Schlumberger common stock, as discussed below. The aggregate basis of the shares of Schlumberger common stock received in exchange for shares of Smith common stock in the merger (including any fractional share of Schlumberger common stock deemed received and exchanged for cash) will be equal to the basis of the shares of Smith common stock exchanged. The holding period of the shares of Schlumberger common stock received in exchange for shares of Smith common stock in the merger (including any fractional share of Schlumberger common stock deemed received and exchanged for cash) will include the holding period of the shares of Smith common stock exchanged. Shareholders who hold shares of Smith common stock with differing bases or holding periods should consult their tax advisors as to the determination of the bases and holding periods of the shares of Schlumberger common stock received in the merger.

A U.S. holder who receives cash in lieu of a fractional share of Schlumberger common stock generally will recognize capital gain or loss in an amount equal to the difference between the cash received and the tax basis allocated to such fractional share of Schlumberger common stock. Such capital gain or loss will be long-term capital gain or loss if, as of the date of the merger, the U.S. holder s holding period for the fractional share of Schlumberger common stock (including the holding period for the Smith common stock surrendered therefor) exceeds one year.

***A U.S. holder who is a five percent transferee shareholder of Schlumberger, as defined in Treasury regulations promulgated under Section 367(a) of the Code (i.e., a U.S. holder that owns, actually and/or constructively, at least 5% of the total voting power or the total value of the stock of Schlumberger immediately after the merger), will qualify for non-recognition of gain, as described above, only if the U.S. holder files with the IRS a gain recognition agreement, as defined in such Treasury regulations. Other considerations not here described may apply to such a holder. Any such U.S. holder should consult his tax advisor concerning the decision to file a gain recognition agreement, the procedures to be followed in connection with that filing, and other applicable considerations.***

*Non-U.S. Holders*

In general, a non-U.S. holder will not recognize gain or loss upon the exchange of shares of Smith common stock for shares of Schlumberger common stock in the merger, except with respect to cash received in lieu of a fractional share of Schlumberger common stock. The amount of a non-U.S. holder s gain or loss from the receipt of cash in lieu of a fractional share of Schlumberger common stock will be determined in the same manner as that of a U.S. holder. However, a non-U.S. holder generally will not be subject to U.S. federal income tax on any such gain unless (1) the gain is effectively connected with a U.S. trade or business of the non-U.S. holder (and, if an income tax treaty applies, is attributable to a U.S. permanent establishment), or (2) the holder is an individual who has been present in the United States for 183 days or more during the taxable year of the disposition and certain other conditions are satisfied.

*Information Reporting and Backup Withholding*

Payments of cash made to a U.S. holder or non-U.S. holder of shares of Smith common stock in connection with the merger, under certain circumstances, may be subject to information reporting and backup withholding (currently, at a rate of 28%), unless such holder provides proof of an applicable exemption or furnishes its

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taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not additional tax and may be allowed as a refund or credit against the holder s U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

***Ownership and Disposition of Shares of Schlumberger Common Stock Received in the Merger***

The following is a discussion of the material U.S. federal income tax consequences of the ownership and disposition by U.S. holders and non-U.S. holders of Schlumberger common stock received in the merger.

***U.S. Holders***

*Distributions*

Subject to the discussion below relating to the potential application of the passive foreign investment company, or PFIC, rules, distributions, if any, made with respect to shares of Schlumberger common stock will constitute dividends for U.S. federal income tax purposes to the extent of Schlumberger s current or accumulated earnings and profits as determined for U.S. federal income tax purposes. The gross amount of dividends that a U.S. holder receives generally will be subject to U.S. federal income taxation as dividend income and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations. Subject to exceptions for short-term or hedged positions and certain other exceptions, dividends received before January 1, 2011 by U.S. holders who are individuals and certain other non-corporate U.S. holders generally will be subject to U.S. federal income taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid by Schlumberger on the Schlumberger common stock will be treated as qualified dividends as long as the Schlumberger common stock is listed on the New York Stock Exchange and Schlumberger was not, at any relevant time prior to the year in which the dividend is paid, and is not in the year in which the dividend is paid, a PFIC. As described below, Schlumberger believes that it has not been a PFIC in any prior year, will not be a PFIC for the taxable year in which the merger occurs, and will not become a PFIC in the future. U.S. holders of Schlumberger common stock should consult their own tax advisors regarding the availability to them of the reduced dividend tax rate in light of their particular circumstances.

To the extent that a distribution exceeds Schlumberger s current or accumulated earnings and profits as determined for U.S. federal income tax purposes, such distribution will be treated as a nontaxable return of capital to the extent of the U.S. holder s tax basis in the shares (with a corresponding reduction in such tax basis), and thereafter will be treated as capital gain. Such capital gain will be long-term capital gain if the U.S. holder s holding period for the Schlumberger common stock exceeds one year. Shareholders who hold shares of Smith common stock with differing bases or holding periods should consult their tax advisors as to the application of these rules to shares of Schlumberger common stock received in the merger.

*Sale or Other Disposition of Schlumberger Common Stock*

Subject to the discussion below relating to the potential application of the PFIC rules, upon a sale or other disposition of Schlumberger common stock, U.S. holders generally will recognize capital gain or loss in an amount equal to the difference, if any, between the amount realized on the disposition and the U.S. holder s tax basis. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder s holding period for the Schlumberger shares exceeds one year. Long-term capital gain recognized by U.S. holders who are individuals and certain other non-corporate U.S. holders is generally eligible for reduced rates of U.S. federal income taxation. There are limitations on the deductibility of capital losses.

*Passive Foreign Investment Company Considerations*

In general, a foreign corporation, such as Schlumberger, will be classified as a PFIC for any taxable year in which either (1) 75% or more of its gross income is passive income (such as, for example, dividends, interest,

rents, royalties or gains from the disposition of investment assets) or (2) at least 50% of the average value of its assets consists of assets that produce, or that are held for the production of, passive income. For purposes of applying the tests in the preceding sentence, the foreign corporation is deemed to own its proportionate share of the assets of and to receive directly its proportionate share of the income of any other corporation in which the foreign corporation owns, directly or indirectly, at least 25% by value of the stock.

Classification of a foreign corporation as a PFIC can have various adverse consequences to the shareholders of the corporation who are United States persons, as defined in the Code. These include taxation of gain on a sale or other disposition of the stock of the corporation and taxation of distributions (including distributions that would otherwise be treated as qualified dividends ) at the maximum ordinary income rates and the imposition of an interest charge on such gain and distributions.

Schlumberger believes that it has not been a PFIC in any prior taxable year, will not be a PFIC in the taxable year in which the merger occurs, and will not become a PFIC in the future. Because the tests for determining PFIC status are applied annually, and it is difficult to accurately predict future income and assets relevant to this determination, there can be no assurance that Schlumberger will not become a PFIC. U.S. holders of Schlumberger shares should consult their own tax advisors about the PFIC rules, including the availability of certain shareholder elections.

***Non-U.S. Holders***

In general, a non-U.S. holder of Schlumberger common stock will not be subject to U.S. federal income or, subject to the discussion below under the heading Information Reporting and Backup Withholding, withholding tax on any dividends received on Schlumberger common stock or any gain recognized on a sale or other disposition of Schlumberger common stock (including, any distribution to the extent it exceeds the adjusted basis in the non-U.S. holder s shares of Schlumberger common stock) unless:

- such dividend or gain is effectively connected with the conduct by the holder of a trade or business within the United States (and, if an income tax treaty applies, is attributable to a U.S. permanent establishment); or

- in the case of gain only, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied.

***Information Reporting and Backup Withholding***

Dividends paid with respect to shares of Schlumberger common stock and proceeds from a sale or other disposition of shares of Schlumberger common stock received in the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding (currently, at a rate of 28%) unless such holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules.

Any amounts withheld under the backup withholding rules are not additional tax and may be allowed as a refund or a credit against the holder s U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

**Regulatory Approvals Required for the Merger**

***Antitrust Approvals***

The merger is subject to review by the Antitrust Division of the U.S. Department of Justice, which is referred to as the Antitrust Division, under the HSR Act. Under the HSR Act, Schlumberger and Smith are required to make premerger notification filings and to await the expiration or early termination of the statutory waiting period (and

any extension of the waiting period) prior to completing the merger. On March 3, 2010, Schlumberger and Smith each filed a Premerger Notification and Report Form with the Antitrust Division and the Federal Trade Commission, which is referred to as the FTC. By agreement between the two agencies, the Antitrust Division is conducting the review. Prior to the expiration of the initial 30-day waiting period, on April 2, 2010, Schlumberger and Smith each received a request for additional information and documentary material, often referred to as a second request, from the Antitrust Division. Issuance of the second request extends the statutory waiting period until 30 days after such time as each of Schlumberger and Smith has certified substantial compliance with the second request, unless the Antitrust Division provides written notice that the transaction may close prior to that time. On July 16, 2010, Schlumberger and Smith each certified substantial compliance with the second request.

The merger is also subject to antitrust review by government authorities in several foreign jurisdictions in which the companies have a sufficient market presence to require filings. As of the date of this proxy statement/ prospectus, the parties have made certain antitrust filings in the European Commission pursuant to the EC Merger Regulation, and in other jurisdictions.

Under the terms of the merger agreement, Schlumberger has the right, but not the obligation, to oppose by refusing to consent, through litigation or otherwise, any divestitures, hold-separate restrictions or other restrictions demanded by an antitrust regulator. Schlumberger is required to agree to take all actions demanded by an antitrust regulator in order to resolve any objections to the merger (including divestitures, hold-separate restrictions or other restrictions) if doing so would not exceed a specified threshold, which is referred to as the detriment limit. Please see The Merger Agreement Certain Additional Agreements Filings on page 74 for more information about the detriment limit. If the merger has not occurred on or before the termination date due to the failure to obtain regulatory clearances, or if an order, decree or ruling permanently prohibits the merger, the merger agreement may be terminated (subject in some circumstance to payment of a termination fee, as described in The Merger Agreement Termination, Amendment and Waiver on page 78).

There can be no assurance that the merger will not be challenged on antitrust or competition grounds or, if a challenge is made, what the outcome would be. The Antitrust Division, the FTC, any U.S. state and other applicable U.S. or non-U.S. regulatory bodies may challenge the merger on antitrust or competition grounds at any time, including after the expiration or termination of the waiting period under the HSR Act or other applicable process, as they may deem necessary or desirable or in the public interest. Accordingly, at any time before or after the completion of the merger, any such party could take action under the antitrust laws, including, without limitation, by seeking to enjoin the effective time of the merger or permitting completion subject to regulatory concessions or conditions. Private parties may also seek to take legal action under antitrust or competition laws under certain circumstances.

***Other Regulatory Procedures***

The merger may be subject to certain regulatory requirements of other municipal, state and federal, domestic or foreign, governmental agencies and authorities, including those relating to the offer and sale of securities. Schlumberger and Smith are currently working to evaluate and comply in all material respects with these requirements, as appropriate, and do not currently anticipate that they will hinder, delay or restrict completion of the merger.

**Litigation Relating to the Merger**

Subsequent to the announcement of the merger, five putative class action lawsuits were commenced on behalf of stockholders of Smith against Smith and its directors, and in certain cases against Schlumberger and one of its affiliates, challenging the merger. Four of the lawsuits were filed in the District Court of Harris County, Texas, and have been consolidated into a single action in the 164th District Court of Harris County, Texas (the Texas Action ), and one lawsuit is pending in the Delaware Court of Chancery (the Delaware Action, and collectively

with the Texas Action, the Actions ). The parties in the Texas Action and Delaware Action have agreed to an expedited discovery schedule and to the coordination of pleadings and discovery in advance of any preliminary injunction hearing, which will be heard only in the Texas Action. On April 19, 2010, the court in the Delaware Action approved the parties agreement concerning the coordination of the Texas and Delaware Actions and agreed to otherwise stay the Delaware proceedings through any preliminary injunction hearing in Texas. Plaintiffs in the Texas and Delaware Actions have served a consolidated amended petition for breach of fiduciary duty and a verified amended class action complaint, respectively. The amended pleadings are substantively similar and allege that Smith s directors breached their fiduciary duties by, among other things, causing Smith to enter into the merger agreement at an allegedly inadequate and unfair price, agreeing to transaction terms that improperly inhibit alternative transactions and failing to provide material information to Smith s stockholders in the preliminary proxy statement filed in connection with the merger. Specifically, the pleadings allege that the preliminary proxy statement omits material information relating to, among other things: the analyses performed by, and the information relied upon by, UBS; any strategic alternatives to the merger considered by UBS; UBS s involvement in the negotiations between Smith and Schlumberger; the fee to be paid to UBS in connection with the merger; and any negotiations or plans concerning the employment of Smith management after consummation of the merger. The pleadings also allege that Smith and Schlumberger aided and abetted the directors breaches of fiduciary duties. The pleadings seek, among other things, an injunction barring defendants from consummating the proposed transaction, declaratory relief and attorneys fees.

On May 28, 2010, a purported Smith stockholder filed an individual lawsuit in the United States District Court for the Southern District of Texas, Houston Division, against Smith and its directors, alleging that Smith had disseminated a false and materially misleading preliminary proxy statement in connection with the merger in violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and the rules promulgated thereunder. The lawsuit alleges that the preliminary proxy statement omits and/or misrepresents material information relating to, among other things: negotiations, if any, with other potential acquirers of Smith; any market check conducted by Smith in connection with the merger; any strategic alternatives considered by Smith s directors in connection with the merger; whether the merger consideration includes any compensation for the synergies to be achieved in the merger; the financial information and forecasts provided by Smith s directors to UBS in connection with its fairness opinion; the discounted cash flow, comparable transaction and selected companies analyses performed by UBS; and business ties between any of Smith s directors and Schlumberger. The complaint seeks, among other things, injunctive relief, compensatory damages and reasonable costs and expenses incurred in the action, including counsel fees and expert fees.

Smith and Schlumberger believe that the lawsuits in which they are named are without merit and intend to defend the lawsuits vigorously.

## THE MERGER AGREEMENT

*The following summary describes the material provisions of the merger agreement. The provisions of the merger agreement are complicated and not easily summarized. This summary may not contain all of the information about the merger agreement that is important to you. The merger agreement is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus, and you are encouraged to read it carefully in its entirety for a more complete understanding of the merger agreement.*

### Representations, Warranties and Covenants in the Merger Agreement Are Not Intended to Function or Be Relied on as Public Disclosures

In reviewing the merger agreement, please remember that it is included to provide you with information regarding its terms and is not intended to provide any other factual information about Schlumberger or Smith. The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

- may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate,
- have been qualified by certain disclosures that were made to the other party in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement, and
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors.

Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement/prospectus, may have changed since the date of the merger agreement, and subsequent developments or new information qualifying a representation or warranty may have been included in or incorporated by reference into this proxy statement/prospectus.

For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone or relied upon as characterizations of the actual state of facts or condition of Schlumberger, Smith or any of their respective subsidiaries or affiliates. Instead, such provisions or descriptions should be read only in conjunction with the other information provided elsewhere in this document or incorporated by reference into this proxy statement/prospectus.

### Structure of the Merger

The merger agreement contemplates a merger whereby Merger Sub will be merged with and into Smith, with Smith continuing as the surviving corporation. Upon completion of the merger, Smith will be a wholly owned subsidiary of Schlumberger and Smith common stock will no longer be publicly traded. Upon effectiveness of the merger, each Smith stockholder will have the right to receive the merger consideration as described below under  Merger Consideration.

### Effective Time; Closing

The merger will become effective on the date a certificate of merger is filed with the Delaware Secretary of State, or at such later time as Schlumberger and Smith designate in the certificate of merger. The merger agreement provides that, unless agreed otherwise, the closing of the merger will take place on the first business day or, if Schlumberger so elects, on the third business day, after all the conditions to the closing of the merger are fulfilled or waived in accordance with the agreement.

**Merger Consideration**

The merger agreement provides that at the effective time of the merger, Smith stockholders will receive, for each share of Smith common stock that they own, 0.6966 shares of Schlumberger common stock and the cash payable in lieu of any fractional shares as described under Fractional Shares. In this discussion, the number of shares of Schlumberger common stock to be received for each share of Smith common stock is referred to as the exchange ratio and the Schlumberger common stock issuable based on the exchange ratio and the cash payable in lieu of any fractional shares is referred to as the merger consideration.

**Fractional Shares**

No fractional shares of Schlumberger common stock will be issued to any holder of Smith common stock upon completion of the merger. For each fractional share that would otherwise be issued, Schlumberger will pay cash (without interest) in an amount equal to the fractional share multiplied by the closing price for a share of Schlumberger common stock on the NYSE Composite Transactions Tape on the business day immediately preceding the closing date.

**Treatment of Equity Awards**

At the effective time of the merger, all outstanding options to purchase shares of Smith common stock will be converted into options to purchase shares of Schlumberger common stock with the duration and terms of such converted options to remain the same as the original Smith option. The number of shares of Schlumberger common stock subject to each option will be determined by multiplying the number of shares of Smith common stock subject to the original Smith option by the exchange ratio, rounded down to the nearest whole share. The option exercise price per share of Schlumberger common stock will be equal to the option exercise price per share of Smith common stock under the original Smith option divided by the exchange ratio rounded up to the nearest whole cent. All converted Schlumberger options, other than those issued in respect of Smith options awarded after February 21, 2010, will be fully vested and exercisable.

At the effective time of the merger, each outstanding award of restricted stock units granted by Smith under any of its plans on or prior to February 21, 2010, will be converted into the right to receive the merger consideration based on the total number of shares of Smith common stock subject to the outstanding award. To the extent the outstanding award is for performance-based restricted stock units, the number of shares subject to the outstanding award will be calculated based on the deemed attainment of performance goals at 100% of the target performance level. Any award of restricted stock units made by Smith after February 21, 2010 will be converted into an award of Schlumberger restricted stock units in an amount equal to the product of the number of shares of Smith stock subject to the original Smith award and the exchange ratio, with any fractional units rounded to the nearest whole unit.

Equity awards granted in the ordinary course of business after February 21, 2010 may provide for accelerated vesting on a severance-qualifying termination following the effective time of the merger, but no accelerated vesting will occur for such awards made to 10 executives party to change-in-control agreements unless the executive remains employed until May 31, 2011. Upon a severance-qualifying termination of such an executive following May 31, 2011, an award held by the executive may provide for accelerated vesting with respect to the installment next scheduled to vest following such termination.

**Exchange of Shares; Stock Transfer Books**

The conversion of Smith common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. Schlumberger will deposit with a commercial bank or trust company, as the exchange agent for the merger, the number of shares of Schlumberger common stock to be issued pursuant to the merger agreement.

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Promptly after the effective time of the merger, Schlumberger will cause the exchange agent to send to each holder of record of Smith common stock at the effective time of the merger a letter of transmittal and instructions for effecting the exchange of Smith common stock for the merger consideration the holder is entitled to receive under the merger agreement. Upon surrender of the certificates or book-entry shares for cancellation along with the executed letter of transmittal and other documents, a Smith stockholder will receive some or all of the following: (1) one or more shares of Schlumberger common stock; (2) cash in lieu of fractional shares of Schlumberger common stock; and (3) any unpaid dividends and distributions declared and paid in respect of Schlumberger common stock after completion of the merger.

Six months after the effective time of the merger, the exchange agent will return any shares of Schlumberger common stock remaining in the exchange fund and any cash that remains unclaimed. Holders of Smith common stock who have not exchanged their certificates representing such stock prior to that time may thereafter look only to Schlumberger to exchange their stock certificates or to pay amounts to which they are entitled pursuant to the merger agreement. None of Schlumberger, Smith, Merger Sub, the surviving corporation or the exchange agent will be liable to any holder of Smith common stock certificates for any merger consideration delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

**Withholding Taxes**

Schlumberger, the surviving corporation and the exchange agent will be entitled to deduct and withhold from consideration payable to any Smith stockholder the amounts that may be required to be withheld under any applicable tax law. Amounts withheld and paid over to a governmental entity will be treated for all purposes of the merger as having been paid to the stockholders from whom they were withheld.

**Representations and Warranties**

The merger agreement contains representations and warranties made by each of the parties regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. Smith, on the one hand, and Schlumberger and Merger Sub, on the other hand, have made representations and warranties in the merger agreement with respect to the following subject matters:

- existence, good standing and qualification to conduct business;
- requisite power and authorization to enter into and carry out the obligations of the merger agreement and the enforceability of the merger agreement;
- capitalization;
- compliance with applicable laws and permits;
- absence of any conflict or violation of organizational documents, third party agreements or laws as a result of the merger or the merger agreement;
- filings and reports with the SEC and financial information;
- absence of undisclosed liabilities;
- absence of litigation;

absence of a material adverse effect or, with respect to Smith, other specified changes or events;

internal accounting controls and disclosure controls and procedures;

absence of decrees or injunctions;

ownership of the other party s capital stock;

compliance with export controls;

compliance with Foreign Corrupt Practices Act and other anticorruption and antibribery laws; and

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the tax treatment of the merger.

Smith has made additional representations and warranties to Schlumberger in the merger agreement with respect to the following subject matters:

tax matters;

employee benefit plans;

labor matters;

title to properties and absence of liens;

environmental matters;

intellectual property;

insurance;

fees payable to brokers, finders or investment banks in connection with the merger;

required stockholder approval in connection with the merger;

material contracts;

inapplicability of Smith s stockholder rights agreement; and

inapplicability of anti-takeover laws or certain provisions in Smith s certificate of incorporation.

Schlumberger and Merger Sub have made additional representations and warranties to Smith in the merger agreement with respect to the following subject matters:

the accuracy of information provided for inclusion in this proxy statement/prospectus;

no Schlumberger stockholder approval required in connection with the merger; and

the status of Merger Sub.

Certain representations and warranties of Schlumberger and Smith are qualified as to materiality or as to material adverse effect, which when used with respect to Schlumberger or Smith means, as the case may be, a material adverse effect on or material adverse change in the business, assets, liabilities, financial condition or results of operations of such party and its subsidiaries, taken as a whole, other than any effect or change relating to or resulting from:

- changes or conditions affecting the economy or financial markets in general;
- changes or conditions in the industries in which the party operates;
- the announcement or the existence of, or compliance with, or taking any action required or permitted by the merger agreement or the transactions contemplated by the merger agreement or any stockholder litigation against Smith and/or its directors or officers relating to the transactions contemplated by the merger agreement;
- taking any action by such party at the written request of Schlumberger or Merger Sub, in the case of Smith, or of Smith, in the case of Schlumberger or Merger Sub; or
- any weather-related or other force majeure event or outbreak or escalation of hostilities or acts of war or terrorism.

**Conduct of Business Pending the Effective Time**

Unless Schlumberger otherwise consents in writing (which consent may not be unreasonably withheld, conditioned or delayed), or as contemplated by the merger agreement or required by law, Smith has agreed that, prior to the effective time of the merger, it will:

- conduct its business in the ordinary course;

- use reasonable best efforts to preserve its business organization intact;
- maintain existing relationships and goodwill with governmental entities, customers, suppliers, distributors, creditors, lessors, employees and business associates; and
- keep available the services of present employees and agents.

In addition, the merger agreement places specific restrictions on the ability of Smith and its subsidiaries to, among other things:

- adopt any change in, or waive any provision of, their organizational documents or Smith s stockholder rights agreement;
- merge or consolidate Smith or any of its subsidiaries with any other person, except transactions among wholly owned subsidiaries of Smith that are not obligors or guarantors of third-party indebtedness or in connection with a permitted acquisition;
- issue, sell or pledge any shares of capital stock, options, warrants, convertible securities or any other equity interest, except pursuant to stock options and current employee benefit plans;
- except to the extent required under a benefit plan existing on February 21, 2010 or as required by law:
  - increase the compensation or fringe benefits of any directors, executive officers or employees, except in the ordinary course of business to employees who are not party to change of control agreements (this limitation does not apply to ordinary course operation of the annual bonus and equity award program);
  - grant any severance or termination pay, other than nominal severance to terminated employees and except in ordinary course of business consistent with past practice;
  - make new equity awards to any director, officer or employee, except in the ordinary course of business consistent with past practice;
  - enter into or amend any employment, consulting, change-in-control or severance agreement with any director, executive officer or employee, except as contemplated by the merger agreement or in the ordinary course of business (except with respect to employees party to a change-in-control agreement or their direct reports);
  - establish or materially amend any benefit plan, except as contemplated by the merger agreement;
  - make any contribution to a benefit plan, except as required by law or in the ordinary course of business consistent with past practice;
  - make payments on performance-based awards in excess of the performance actually achieved, or amend or waive performance or vesting criteria or accelerate vesting, except as required under the applicable plan or contemplated by the merger agreement;

terminate any employee with a change-in-control agreement, other than for cause, or take any actions with respect to salary, compensation, benefits or other terms and conditions of employment that would result in the employee having good reason to terminate employment and collect severance payments and benefits pursuant to the employee s change-in-control agreement; or

execute or amend a collective bargaining agreement expect in the ordinary course of business;

declare or pay any dividend or other distributions, except for certain intercompany distributions, pro rata dividends from the M-I SWACO joint venture, regular quarterly dividends on shares of Smith common stock not exceeding $0.12 per share per quarter, required dividends or dividends paid by certain Smith subsidiaries;

redeem or purchase any of Smith s or its subsidiaries stock, except for transactions pursuant to benefit plans and cashless exercises thereunder, and intercompany transactions;

sell, encumber or dispose of any assets or properties having a value in excess of $10 million for one asset, and $50 million in the aggregate in 2010 and $25 million in the aggregate in 2011, except for sales of surplus or obsolete equipment, inventory sales and intercompany transactions;

acquire any business, entity or division (1) for consideration in excess of $30 million for one acquisition or $100 million in the aggregate in 2010 and $30 million in the aggregate in 2011, or (2) where an antitrust or competition filing is required;

enter into a joint venture, partnership or similar arrangement or make a loan or other investment in any other person in excess of $20 million individually, or $50 million in the aggregate in 2010 and $15 million in the aggregate in 2011;

sell, transfer, license or modify any rights to any material intellectual property, or distribute, license or co-promote products or services;

change accounting policies or procedures, except as required by changes in GAAP or applicable law;

except as required by applicable law, take specified actions with respect to tax matters if any such action would have an adverse effect on Smith and its subsidiaries that is material;

settle or waive any claim, litigation or controversy for amounts in excess of $5 million individually, or $25 million in the aggregate in 2010 and $12.5 million in the aggregate in 2011;

incur any indebtedness except (1) for borrowings under Smith s existing credit facilities, (2) other debt not in excess of $50 million in the aggregate in 2010 and $25 million in the aggregate in 2011 and (3) intercompany debt in the ordinary course of business;

repurchase or repay any debt, except in the ordinary course of business, for mortgage indebtedness in accordance with its terms and for intercompany debt in the ordinary course of business;

mortgage or encumber any material asset or property;

make any unbudgeted capital expenditures exceeding $25 million in the aggregate in 2010 and $12.5 million in the aggregate in 2011;

enter into, materially amend or terminate material contracts, except in the ordinary course of business;

enter into, renew or extend any agreements restricting the ability to compete in any line of business or geographic area;

adopt or implement a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

adjust, reclassify, combine, split or subdivide, or redeem, purchase or otherwise acquire, directly or indirectly, any of Smith s capital stock or purchase any of Schlumberger s capital stock;

release any person from, waive any right under, fail to enforce any provision of, or grant any consent or make any election under, any confidentiality, standstill or similar agreement or take any action to exempt any person other than Merger Sub and its affiliates from the restrictions on business combinations contained in the Delaware General Corporation Law or the effects set forth in Smith s shareholder rights plan;

take any action that would, or would reasonably be expected to, result in the failure of certain conditions to the merger or prevent, materially delay or materially impede the merger;

take any action that would reasonably be expected to delay materially or adversely affect the ability to obtain any consent, authorization, order or approval of any governmental entity or the expiration of any waiting period under antitrust laws; or

agree or commit to do any of the foregoing.

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Unless Smith otherwise consents in writing (which consent may not be unreasonably withheld, conditioned or delayed), or as contemplated by the merger agreement or required by law, prior to the effective time of the merger, the merger agreement places specific restrictions on the ability of Schlumberger, its subsidiaries and Merger Sub to, among other things:

- adopt any change in, or waive any provision of, their organizational documents;
- acquire any equity or assets where an antitrust filing would be required and would reasonably be expected to prevent or materially delay the acquisition of Smith;
- adjust, reclassify, split, combine, subdivide or redeem any shares of Schlumberger capital stock or adopt or implement a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization, except as would not disproportionately adversely affect a holder of Smith common stock relative to a holder of Schlumberger common stock or delay or impede the merger;
- declare or pay any dividend or other distribution except for quarterly dividends with declaration, record and payment dates reasonably consistent with Schlumberger s past practice; or
- take any action that would, or would reasonably be expected to, result in the failure of any condition to the transaction, or prevent, materially delay or materially impede the merger;
- take any action that would reasonably be expected to delay materially or adversely affect the ability to obtain any consent, authorization, order or approval of any governmental entity or the expiration of any waiting period under antitrust laws; or
- agree or commit to do any of the foregoing.

**Certain Additional Agreements**

*Stockholders Meeting.* Unless the merger agreement is earlier terminated, the Smith board of directors must submit the merger agreement for approval at the Smith stockholders meeting, even if it changes its recommendation with regard to the merger agreement.

*No Solicitation; Recommendation.* Smith and its subsidiaries will not, and Smith and its subsidiaries will direct their respective officers, directors, employees, investment bankers, consultants, attorneys, accountants, advisors, agents and other representatives not to, directly or indirectly:

- solicit, initiate, knowingly encourage or knowingly facilitate any inquiry or the making, submission or announcement of any acquisition proposal (as defined below);
- participate, engage in or continue discussions or negotiations with, or furnish any non-public information relating to Smith or any of its subsidiaries or afford access to the properties, books or records of Smith or any of its subsidiaries to, any person that has made an acquisition proposal or to any person considering an acquisition proposal;

approve or recommend, or propose to approve or recommend, or enter into any letter of intent, agreement in principle, merger agreement or other agreement relating to an acquisition proposal; or

propose publicly or agree to do anything described in the preceding three bullets.

In the event Smith receives an acquisition proposal, or any request for nonpublic information relating to Smith or for access to its properties, books or records by any person that has made or, to the knowledge of Smith, would reasonably be expected to make, an acquisition proposal, Smith will promptly (and in no event later than 24 hours after receipt of any acquisition proposal or request) notify Schlumberger of the identity of the person making the request and of its material terms and keep Schlumberger informed of the status and material terms of the acquisition proposal or request. From the date of the merger agreement until the date of this proxy statement/prospectus, Smith has not received any acquisition proposal or request for nonpublic information by a person that would reasonably be expected to make an acquisition proposal.

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The term acquisition proposal means any bona fide written offer or proposal for, or any bona fide written indication of interest in, any (1) direct or indirect acquisition or purchase of any business or assets of Smith or any of its subsidiaries that, individually or in the aggregate, constitutes 20% or more of the net revenues, net income or assets of Smith and its subsidiaries, taken as a whole, (2) direct or indirect acquisition or purchase of 20% or more of any class of equity securities of Smith, (3) tender offer or exchange offer that, if consummated, would result in any person beneficially owning 20% or more of any class of equity securities of Smith, (4) merger, consolidation, business combination, joint venture, partnership, recapitalization, liquidation, dissolution or similar transaction involving Smith or any of its subsidiaries whose business constitutes 20% or more of the net revenue, net income or assets of Smith and its subsidiaries, taken as a whole, or (5) the declaration or payment of an extraordinary dividend (whether in cash or in property) by Smith, other than the transactions contemplated by the merger agreement.

Prior to obtaining stockholder approval of the merger, however, Smith or its representatives may (1) furnish information and access, but only in response to a written request, to any person making an acquisition proposal that was not solicited, initiated, knowingly encouraged or knowingly facilitated by Smith or any of its subsidiaries, affiliates or representatives on or after February 21, 2010 and (2) participate in discussions and negotiate with such person concerning an unsolicited acquisition proposal, in each case if:

- Smith has not materially breached the non-solicitation provisions of the merger agreement with respect to the acquisition proposal;
- the Smith board of directors concludes in good faith (after receipt of advice of a financial advisor of nationally recognized reputation) that such proposal is reasonably likely to result in a superior proposal (as defined below); and
- Smith receives from such person an executed confidentiality agreement the material provisions of which are materially no less favorable to Smith and no less restrictive to such person as those contained in the confidentiality agreement between Smith and Schlumberger.

In addition, the Smith board of directors may not effect a recommendation change (as defined below) unless the change occurs before stockholder approval of the merger and only if:

- the Smith board of directors determines in good faith (after consultation with its outside legal counsel) that failure to make a recommendation change would be inconsistent with the directors fiduciary duties to Smith stockholders under applicable law; and
- before taking any such action, Smith gives Schlumberger three business days written notice.

The term superior proposal means any bona fide written acquisition proposal for or in respect of at least a majority of the outstanding shares of Smith common stock or all or substantially all of Smith s and its subsidiaries assets (1) on terms that the Smith board of directors determines in its good faith judgment (after consultation with a financial advisor of nationally recognized reputation) are more favorable to Smith and its stockholders than the merger and (2) that constitutes a transaction that is reasonably likely to be consummated on the terms so proposed, taking into account all legal, financial, regulatory and other aspects of such proposal.

A recommendation change would occur if the Smith board of directors fails to make, withdraws, modifies or qualifies, or proposes publicly to withhold, withdraw, modify or qualify, in any manner adverse to Schlumberger or its affiliates, the merger or approval of the merger agreement, or approves, endorses, or recommends, or publicly proposes to approve, endorse or recommend, an acquisition proposal.

*Coordination of Dividends.* Smith will coordinate with Schlumberger to designate the record dates for Smith s quarterly dividends to coincide with the record dates for Schlumberger s quarterly dividends.

*Rights Agreement.* Prior to the effective time of the merger, the Smith board of directors will take any action necessary to prevent the merger and the merger agreement from causing the rights granted under Smith s

stockholder rights agreement from becoming exercisable. Smith may extend the expiration of its stockholder rights agreement, or replace the plan prior to its expiration, and will do so upon Schlumberger s request. On June 8, 2010, Smith amended its stockholder rights agreement at Schlumberger s request to extend the expiration date of the rights to May 31, 2011.

*Indemnification.* After the effective time of the merger, Schlumberger and the surviving corporation will (1) indemnify each director, officer or employee of Smith or its subsidiaries against all expenses and liability reasonably incurred as a result of such person s service to Smith or its subsidiaries, to the fullest extent permitted by law, and (2) advance expenses incurred to the same extent.

Prior to the effective time of the merger, Smith may purchase a tail directors and officers liability insurance policy for at least six years after the effective time of the merger. If Smith does not purchase such a policy, then for a period of six years after the effective time of the merger, the surviving corporation will maintain directors and officers liability insurance policies with terms substantially no less advantageous to the indemnified parties than Smith s existing policies. The surviving corporation will not be required to spend more than 300% of what Smith currently spends to maintain current insurance coverage.

*Filings.* Each of Schlumberger and Smith has agreed to:

- make its respective required filings under the HSR Act, the EC Merger Regulation and any other competition laws;

- use its reasonable best efforts to cooperate with the other party to determine which filings, consents, approvals, permits and authorizations are required to be made or obtained from any governmental entity prior to the effective time of the merger, and to timely make such filings;

- promptly notify the other party of any communication concerning the merger agreement or the merger from any governmental entity and to consult with and permit the other party to review in advance any proposed communication concerning the merger agreement or the merger to any governmental entity;

- not agree to participate in any meeting or substantive discussion with any governmental entity related to any filings or investigation concerning the merger agreement or the merger unless it consults with the other party in advance and, unless prohibited by the governmental entity, invites the other party to attend;

- furnish to the other party draft copies prior to submission of all correspondence, filings and communications that it intends to submit to any governmental entity;

- furnish to the other party such necessary information and reasonable assistance as such other party may reasonably request in connection with its preparation of necessary filings, registrations or submissions of information to any governmental entity; and

- deliver to the other party s outside counsel complete copies of all documents furnished to any governmental entity as part of any filing.

The parties have also agreed that Schlumberger will be entitled to direct the antitrust defense of the transaction contemplated by the merger agreement or litigation by or negotiations with any governmental entity.

Under the terms of the merger agreement, Schlumberger has the right, but not the obligation, to oppose by refusing to consent, through litigation or otherwise any divestitures, hold-separate restrictions or other restrictions demanded by an antitrust regulator. Schlumberger is required to agree to take all actions demanded by an antitrust regulator in order to resolve any objections to the merger (including divestitures, hold-separate restrictions or other restrictions) if doing so would not exceed a specified threshold, which is referred to as the detriment limit. The detriment limit would be exceeded if the required divestitures or hold-separate restrictions affect assets other than (1) the W-H Energy Services business and corresponding Schlumberger operations and (2) other assets accounting for Schlumberger or Smith revenues of not more than $190 million

in 2009, excluding from such calculation any W-H Energy Services operations and Smith s Wilson business unit. In calculating revenue of Schlumberger or Smith for purposes of the detriment limit, the lower of Schlumberger s or Smith s

revenues from the overlapping assets, business or product line will be used, regardless of which overlapping assets, business or product line Schlumberger actually divests or holds separate. If the merger has not occurred on or before the termination date due to the failure to obtain regulatory clearances, or if an order, decree or ruling permanently prohibits the merger, the merger agreement may be terminated (subject in some circumstances to payment of a termination fee). Please see The Merger Agreement Termination, Amendment and Waiver for more information on the termination date and termination fee.

*Employee Matters.* After the effective time of the merger, Schlumberger and its subsidiaries will honor all Smith benefit plans and compensation arrangements in accordance with their terms as in effect immediately prior to the effective time of the merger. For a period of one year after the effective time of the merger, Schlumberger will provide to each current and former employee of Smith and its subsidiaries:

- compensation and benefits that are no less favorable, in the aggregate, than the compensation and benefits provided to each such employee immediately prior to the effective time of the merger, excluding for purposes of comparison any equity-based compensation (so long as Schlumberger provides equity compensation substantially comparable to similarly situated employees of Schlumberger);

- severance benefits to terminated employees in accordance with the applicable severance plans and arrangements of Smith in effect immediately prior to the effective time of the merger with full service credit for years of service with Smith and its subsidiaries; and

- for those Smith employees who are eligible for retiree welfare benefits immediately prior to the effective time of the merger, retiree welfare benefits that are no less favorable than those provided pursuant to the arrangements of Smith in effect immediately prior to the effective time of the merger.

For purposes of vesting, eligibility to participate and benefit accrual (other than for purposes of benefit accrual under any defined benefit pension plan, severance plan or eligibility under a retiree welfare plan sponsored by Schlumberger or its subsidiaries) under the employee benefit plans of Schlumberger, Smith employees will be credited with their years of service with Smith prior to the effective time of the merger to the same extent the Smith employee was entitled to such credited service prior to the effective time of the merger under the corresponding Smith plans. Following the first anniversary of the effective time of the merger, Smith employees will be treated as new hires as of the effective time of the merger in any retiree medical arrangement made available to them by Schlumberger. Over the four-year period commencing on the first anniversary of the effective time of the merger, the severance benefits of Smith employees will transition to the Schlumberger severance plan. Specifically, between the first and third anniversary of the effective time of the merger, Smith employees will be eligible for severance based on the sum of the amounts payable under the Smith severance plan (with respect to service prior to the effective time of the merger) and the Schlumberger severance plan (with respect to service on or after the effective the of the merger). From and after the third anniversary of the effective time of the merger, Smith employees will be transitioned over a two-year period to severance based on full past service credit under a Schlumberger severance plan, with full past service credit in place as of the fifth anniversary of the effective time of the merger.

Smith employees will be eligible to participate in the surviving corporation s medical, dental, pharmaceutical and/or vision plans without any waiting period or pre-existing condition exclusions, except to the extent such waiting period or exclusion applied in the applicable Smith plan. Smith employees will receive credit for amounts paid under the Smith medical plans in the year in which the merger occurs for satisfying deductibles, coinsurance and maximum out of pocket requirements under the surviving corporation s plans.

During the period prior to the effective date of the merger, Smith may set and pay performance-based short-term incentive bonuses in the ordinary course of business consistent with past practice. If a short-term incentive bonus participant incurs a severance-qualifying termination prior to the end of the performance period, such participant shall receive a pro-rata bonus to be paid at the same time the bonus for the performance period is generally paid.

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Schlumberger agreed to consider in good faith, and to consult with Smith in good faith in respect of, design alternatives with respect to equitable treatment under (x) the retiree medical programs of Schlumberger of Smith employees who have turned 40 prior to the effective time of the merger, and (y) the defined benefit pension plans of Schlumberger of Smith employees who were previously employed by Schlumberger participated in such plans.

Schlumberger and Smith acknowledge that a change in control will occur for purposes of Smith s benefit plans at the time of the merger.

Under the merger agreement, Smith may establish a retention program with a retention pool of up to $50 million for Smith employees who are not executive officers. The parties have since agreed to increase the maximum size of this pool to approximately $58.3 million. Retention bonuses will be allocated by Smith s CEO in consultation with Schlumberger s CEO. Half of each employee s award generally will be payable at the effective time of the merger, and half will be payable on the first anniversary of such date. Forfeited retention awards may be reallocated to other employees. In addition, Smith may establish a retention program for Smith executive officers or employees with change of control agreements with a retention pool of up to $16 million. Any such retention bonuses will be allocated by Smith s lead independent director in consultation with Schlumberger s CEO. All amounts payable under the executive officer pool will be payable at the effective time of the merger.

*Reorganization.* Schlumberger and Smith have agreed not to take any action that would (1) prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code or (2) cause the stockholders to recognize gain pursuant to Section 367(a) of the Internal Revenue Code.

*Reasonable Best Efforts*. Schlumberger and Smith have agreed to use their reasonable best efforts to take all actions and to assist and cooperate to promptly consummate the merger, including the obtaining of authorizations, clearances, consents and approvals from governmental entities or third parties, the defending of lawsuits challenging the merger, the delivery of officer s certificates to tax counsel to support any tax opinion, and the execution and delivery of additional instruments necessary to consummate the merger.

*Listing Application*. Schlumberger will use its reasonable best efforts to cause the shares of Schlumberger common stock to be issued in the merger and to be reserved for issuance upon exercise of options on Smith common stock to be approved for listing on the NYSE, subject to official notice of issuance, prior to the effective time of the merger.

*Inspection*. Until the effective time of the merger, each party to the transaction has agreed to allow designated officers, attorneys, accountants and other representatives of the other party access to the records and files, correspondence, audits and properties, as well as to all information relating to commitments, contracts, titles and financial position, or otherwise pertaining to its business and affairs.

*Publicity*. Schlumberger and Smith have agreed to consult with each other before issuing any press release or public statement with respect to the merger. In addition, neither Schlumberger nor Smith will issue any press release or otherwise make any public statement or disclosure concerning the other party or the other party s business, financial condition or results of operations without the consent of the other party.

*Stockholder Litigation*. Smith has agreed to give Schlumberger the opportunity to participate in the defense or settlement of any stockholder litigation against Smith and/or its directors or officers relating to the transactions contemplated by the merger agreement. Smith has further agreed that it will not settle or offer to settle any litigation against Smith or any of its directors or officers by any stockholder of Smith relating to the merger without the prior written consent of Schlumberger (not to be unreasonably withheld, conditioned or delayed).

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**Conditions to the Merger**

The respective obligations of each party to effect the merger will be subject to the fulfillment of the following conditions on or prior to the closing date:

the adoption of the merger agreement by Smith s stockholders;

(1) the termination or expiration of any waiting period under the HSR Act and (2) the issuance by the European Commission of a decision under the EC Merger Regulation declaring the merger compatible with the common market;

the expiration, lapse or termination of all applicable waiting or other time periods under antitrust laws in other specified jurisdictions, except as would not reasonably be expected to have a material adverse effect;

the absence of any judgment, injunction, order or decree of any governmental authority in the United States, the European Union or other specified jurisdictions prohibiting or enjoining the consummation of the merger;

the effectiveness of the registration statement of which this proxy statement/prospectus is a part, and the absence of any stop order or proceeding seeking a stop order relating to such effectiveness; and

the approval for listing on the NYSE of the Schlumberger common stock to be issued pursuant to the merger.

*Additional Conditions to the Obligations of Smith.* Unless waived by Smith, the obligation of Smith to effect the merger is subject to the satisfaction on or prior to the closing date of the following additional conditions:

performance in all material respects by each of Schlumberger and Merger Sub of its respective covenants and agreements required to be performed by it under the merger agreement at or prior to the closing date;

certain representations and warranties of Schlumberger and Merger Sub contained in the merger agreement that are qualified as to a material adverse effect being true and correct as of the date of the merger agreement and as of the closing date;

other representations and warranties of Schlumberger and Merger Sub contained in the merger agreement that are not qualified as to a material adverse effect being true and correct as of the date of the merger agreement and as of the closing date, except where the failure of any such representations and warranties to be so true and correct would not, individually or in the aggregate, have a material adverse effect;

receipt by Smith of a certificate signed on behalf of Schlumberger by an executive officer to the effect that the conditions specified in the preceding three bullets have been satisfied; and

receipt of an opinion by Smith from its counsel, in form and substance reasonably satisfactory to Smith, dated as of the closing date, to the effect that for federal income tax purposes (1) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (2) each transfer of Smith stock to Schlumberger by a stockholder of Smith pursuant to the merger

(other than certain 5% shareholders of Schlumberger) will not be subject to Section 367(a)(1) of the Internal Revenue Code.

*Additional Conditions to the Obligations of Schlumberger.* Unless waived by Schlumberger, the obligations of Schlumberger and Merger Sub to effect the merger are subject to the satisfaction on or prior to the closing date of the following additional conditions:

performance in all material respects by Smith of all of its covenants and agreements required to be performed by it under the merger agreement at or prior to the closing date;

certain representations and warranties of Smith contained in the merger agreement that are qualified as to a material adverse effect being true and correct as of the date of the merger agreement and as of the closing date;

other representations and warranties of Smith contained in the merger agreement that are not qualified as to a material adverse effect being true and correct as of the date of the merger agreement and as of the closing date, except where the failure of any such representations and warranties to be so true and correct would not, individually or in the aggregate, have a material adverse effect;

receipt by Schlumberger of a certificate signed on behalf of Smith by an executive officer to the effect that the conditions specified in the preceding three bullets have been satisfied; and

the receipt of an opinion by Schlumberger from its counsel, in form and substance reasonably satisfactory to Schlumberger, dated as of the closing date, to the effect that for federal income tax purposes (1) the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (2) each transfer of Smith stock to Schlumberger by a stockholder of Smith pursuant to the merger (other than certain 5% shareholders of Schlumberger) will not be subject to Section 367(a)(1) of the Internal Revenue Code.

**Termination, Amendment and Waiver**

*Termination.* The merger agreement may be terminated at any time prior to the effective time of the merger, notwithstanding the adoption of the merger agreement by Smith s stockholders:

by mutual written agreement of Schlumberger and Smith;

by either Schlumberger or Smith if:

the merger has not occurred on or before the termination date, February 21, 2011, which termination date may, if certain other conditions are satisfied and at the option of either Schlumberger or Smith, be extended to a date not later than May 31, 2011; however, neither party may terminate the merger agreement under this provision if that party s breach of any provision of the merger agreement has been the cause of, or resulted in, the failure of the merger to occur on or before the termination date;

the Smith stockholders do not adopt the merger agreement at the annual meeting or any adjournment or postponement of the annual meeting; or

a court of competent jurisdiction in the United States, the European Union or other specified jurisdictions has issued a final, nonappealable order, decree or ruling permanently restraining, enjoining or otherwise prohibiting the merger;

by Smith if:

Schlumberger is in breach of the merger agreement such that the conditions set forth in the merger agreement would not be satisfied and such breach is not curable prior to the termination date; provided, that Smith will have no right to terminate the merger agreement under this provision if Smith is then similarly in breach of the merger agreement; or

Smith has received an acquisition proposal that Smith s board of directors determines in good faith to be a superior proposal and reasonably likely to be consummated and, after giving Schlumberger at least three business days notice of its intent to terminate the agreement (and at least two business days notice following any change to the financial terms of such proposal), resolves to accept such proposal and pay the termination fee described below; or

by Schlumberger if:

- Smith is in breach of the merger agreement such that the conditions set forth in the merger agreement would not be satisfied and such breach is not curable prior to the termination date; *provided*, that Schlumberger will have no right to terminate the merger agreement under this provision if Schlumberger is then similarly in breach of the merger agreement; or

- the Smith board of directors fails to recommend the merger to Smith stockholders or withdraws, modifies or qualifies (or publicly proposes to do any of the foregoing) its recommendation.

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*Fees and Expenses.* The merger agreement provides for the payment of termination fees by one party to the other if the agreement is terminated in specified circumstances.

Smith will be obligated to pay Schlumberger a $340 million termination fee (net of any expense reimbursement as described below) if:

- either party terminates the merger agreement because Smith s stockholder approval is not obtained and:
  - prior to such time there is a publicly announced or disclosed acquisition proposal by another bidder that has not been withdrawn; and
  - within one year after the date of termination, Smith enters into a definitive agreement with respect to, or consummates, an acquisition proposal;
- Smith terminates the merger agreement prior to obtaining the approval of Smith s stockholders in order to enter into an agreement providing for a superior proposal; or
- the Smith board of directors fails to recommend its approval of the merger or withdraws, modifies or qualifies (or publicly proposes to do any of the foregoing) its recommendation.

Schlumberger will be obligated to pay Smith a $615 million termination fee if the merger agreement is terminated by Smith or Schlumberger as a result of an order, decree, ruling or other action prohibiting the merger under certain antitrust or competition laws or because the merger has not been consummated on or before the termination date, and all other conditions to the merger (except for those that, by their nature, cannot be satisfied until closing) have been satisfied or waived as of the date of such termination.

The merger agreement provides that all expenses incurred by the parties will be borne by the party that has incurred such expenses; however, Smith will be required to reimburse Schlumberger for its expenses of up to $10 million if:

- the agreement is terminated because Smith s stockholders do not adopt the merger agreement at the annual meeting or any adjournment or postponement of the annual meeting, and no termination fee is yet payable by Smith, and
- the merger agreement is terminated by Schlumberger because Smith has willfully and materially breached the agreement.

If the merger agreement is terminated by Smith because Schlumberger has willfully and materially breached the merger agreement, then Schlumberger will reimburse Smith for its expenses of up to $10 million.

*Amendment.* The merger agreement may be amended in writing at any time by action of the parties respective boards of directors. However, if the merger agreement has been approved by Smith s stockholders, then no amendment can be made that by law requires the further approval of stockholders without receipt of such further approval.

*Waiver.* At any time prior to the effective time of the merger, each of Schlumberger and Smith may:

- extend the time for the performance of any obligations of the other party;
- waive any inaccuracies in the representations and warranties of the other party; and

waive compliance with any agreement or condition for the benefit of that party.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The unaudited pro forma condensed combined statements of income for the three months ended March 31, 2010 and for the year ended December 31, 2009 combines the historical consolidated statements of income of Schlumberger and Smith, giving effect to the merger as if it had occurred on January 1, 2009. The unaudited pro forma condensed combined balance sheet as of March 31, 2010 combines the historical consolidated balance sheets of Schlumberger and Smith, giving effect to the merger as if it had occurred on March 31, 2010. The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statement of income, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with the:

- Separate historical financial statements of Schlumberger as of and for the year ended December 31, 2009 and the related notes included in Schlumberger s Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by reference into this proxy statement/prospectus;

- Separate historical financial statements of Smith as of and for the year ended December 31, 2009 and the related notes included in Smith s Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by reference into this proxy statement/prospectus;

- Separate historical financial statements of Schlumberger as of and for the three months ended March 31, 2010 and the related notes included in Schlumberger s Quarterly Report on Form 10-Q for the period ended March 31, 2010, which is incorporated by reference in this proxy statement/prospectus; and

- Separate historical financial statements of Smith as of and for the three months ended March 31, 2010 and the related notes included in Smith s Quarterly Report on Form 10-Q for the period ended March 31, 2010, which is incorporated by reference in this proxy statement/prospectus.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company s financial position or results of operations actually would have been had the merger been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting under U.S. generally accepted accounting principles, and the regulations of the SEC. All material transactions between Schlumberger and Smith during the periods presented in the unaudited pro forma condensed combined financial statement have been eliminated. Schlumberger has been treated as the acquirer in the merger for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing this unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final acquisition accounting will occur, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company s future results of operations and financial position.

The unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger, the costs to integrate the operations of Schlumberger and Smith, or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

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**SCHLUMBERGER LIMITED AND SUBSIDIARIES**

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

**As of March 31, 2010**

**(In millions)**

| | Schlumberger | Smith | Pro Forma Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets | | | | | |
| Cash and short-term investments | $ 4,203 | $ 548 | | | $ 4,751 |
| Receivables, net | 5,972 | 1,918 | $ (50) | (A) | 7,840 |
| Inventories | 1,851 | 1,824 | 290 | (B) | 3,965 |
| Deferred taxes | 154 | 72 | | | 226 |
| Other current assets | 885 | 144 | | | 1,029 |
| | 13,065 | 4,506 | 240 | | 17,811 |
| Fixed Income Investments, held to maturity | 708 | | | | 708 |
| Investments in Affiliated Companies | 2,360 | 87 | (1,446) | (C) | 1,001 |
| Fixed Assets, net | 9,545 | 1,922 | 150 | (D) | 11,617 |
| Multiclient Seismic Data | 333 | | | | 333 |
| Goodwill | 5,397 | 3,075 | (3,075) | (E) | 11,108 |
| | | | 5,711 | (F) | |
| Intangible Assets | 840 | 593 | (593) | (G) | 6,465 |
| | | | 5,625 | (H) | |
| Deferred Taxes | 301 | | | | 301 |
| Other Assets | 334 | 220 | | | 554 |
| | $ 32,883 | $ 10,403 | $ 6,612 | | $ 49,898 |
| **LIABILITIES AND EQUITY** | | | | | |
| Accounts payable and accrued liabilities | $ 4,705 | $ 989 | $ (50) | (A) | $ 5,724 |
| | | | 80 | (I) | |
| Estimated liability for taxes on income | 865 | 90 | | | 955 |
| Dividend payable | 250 | 30 | | | 280 |
| Convertible debentures | 299 | | | | 299 |
| Short-term borrowings and current portion of long-term debt | 635 | 486 | | | 1,121 |
| | 6,754 | 1,595 | 30 | | 8,379 |
| Long-term Debt | 4,052 | 1,317 | 322 | (J) | 5,691 |
| Postretirement Benefits | 1,623 | | | | 1,623 |
| Deferred Tax Liabilities | | 506 | (289) | (K) | 2,265 |
| | | | 2,010 | (L) | |
| | | | 38 | (M) | |
| Other Liabilities | 915 | 152 | | | 1,067 |
| | 13,344 | 3,570 | 2,111 | | 19,025 |
| Equity | | | | | |
| Common stock | 4,841 | 2,987 | (2,987) | (N) | 14,743 |
| | | | 9,902 | (O) | |

| | | | | | |
|---|---|---|---|---|---|
| Treasury stock | (5,221) | (484) | 484 | (N) | (5,221) |
| Retained earnings | 22,440 | 2,907 | (2,907) | (N) | 23,715 |
| | | | (80) | (I) | |
| | | | 1,355 | | |