



# The Transformation Continues

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**Schlumberger**

# Safe Harbor

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# Transformation – Industry Challenges



## Technology

Extending technical performance with game-changing technology



## Reliability

Learning from other industries and adopting new ways of working



## Efficiency

Optimizing the support platform and leveraging scale



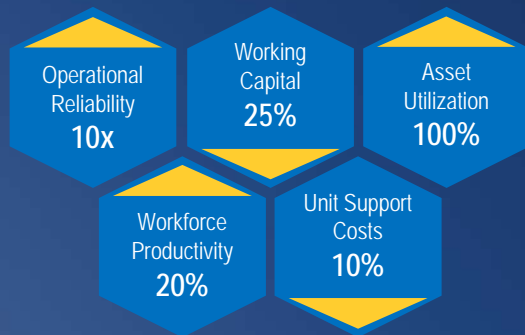
## Integration

Aligning technical and commercial interests across the E&P value chain

- The E&P industry is facing greater technical and commercial challenges.
- It is seeking new ways of working to reduce costs and create more project value.

# Transforming the E&P Industry

## Intrinsic Performance



## Technology Systems



## Business Models



- Intrinsic Performance – Internal efficiency and reliability of how we work
- Technology Systems – Ability to innovate, integrate and digitally enable total systems
- Business Models – Closer collaboration and aligned commercial models

# Intrinsic Performance – Challenging How We Do Things

- In-depth reflection on operational processes
- Best practices from other industries
- Upgrade the management system and IT
- Optimize the organization and roles
- Evolve the company culture

## Schlumberger Transformation Goals



Our goal is to deliver a step change in *technology*, *reliability*, *efficiency* and *integration* to support our customers in overcoming industry challenges

# Technology – Innovation and System Integration

## Drilling Group

- Integrated Drilling Services
- Drilling & Measurements
- M-I SWACO
- Bits & Drilling Tools
- Land Rigs



## Production Group

- Production Management
- Integrated Production Services
- Well Services
- Completions
- Artificial Lift
- Lift Solutions

## Cameron Group

- OneSubsea
- Drilling Systems
- Surface Systems
- Valves & Measurement

## Characterization Group

- Integrated Services Management
- Wireline
- Well Testing
- Seismic Services
- Software

# Business Models – Collaboration and Commercial Alignment



# Integrated Services Management Model – Sail and Drill

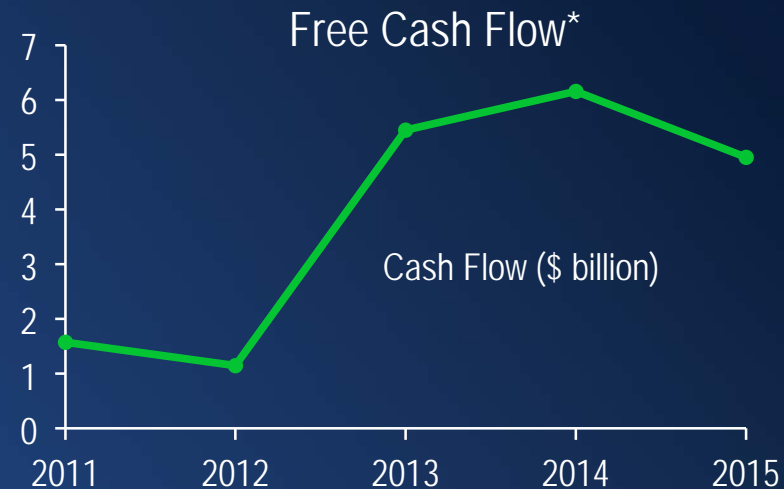
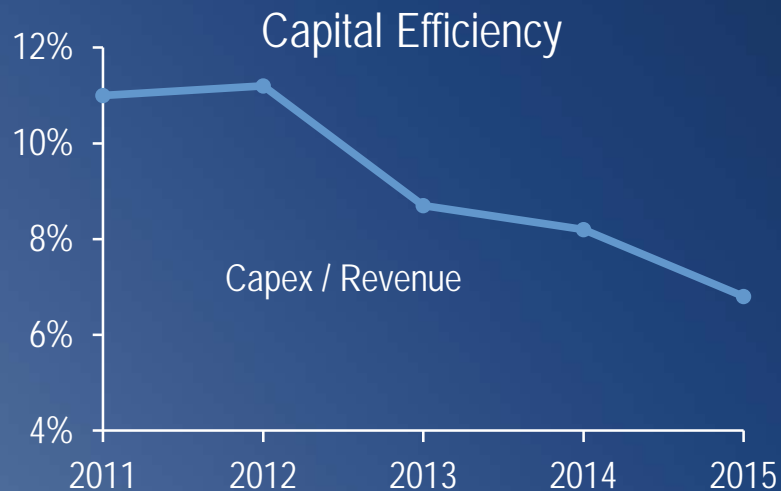


- 5 wells drilled for Shell in 3 countries (Benin, Turkey and Gabon)
- Total 16,120 m drilled
- Complicated logistics successfully managed

- ISM model included collocation, integration and aligned objectives
- ISM played a key role in providing support during unplanned events
- World-class performance with continuous improvement throughout project



# Intrinsic Performance – Delivering Results



# Reliability Centered Maintenance

## MWD TelePacer\*



- Tiered maintenance less invasive
- Automated pre-job test
- Diagnostic capabilities added

75% improvement in MTBF

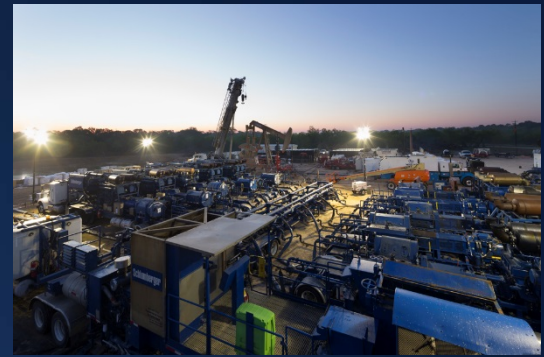
## Logging units



- Focus on Asset lifecycle integrity
- Calculator for Fluid End M&S
- Design changes to improve reliability

43% reduction in NPT  
55% reduction in Service time

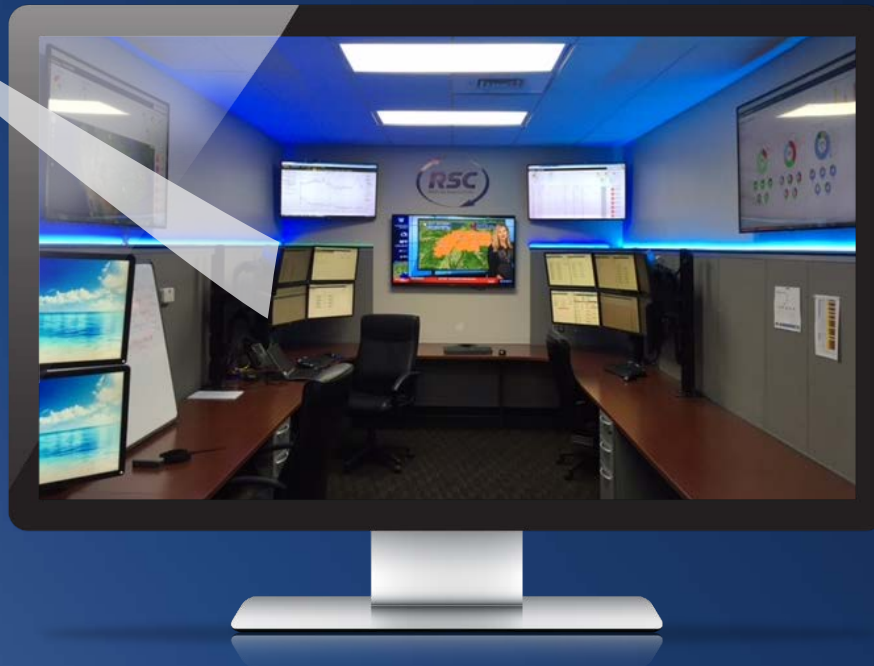
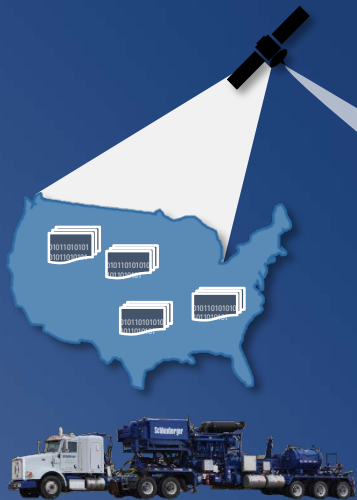
## Blenders & Fracturing pumps



- Focus on Asset lifecycle integrity
- Engine data transmitted through GSM
- Engine cooling system reliability improved

64% reduction in blender NPT

# Regional Support Centers

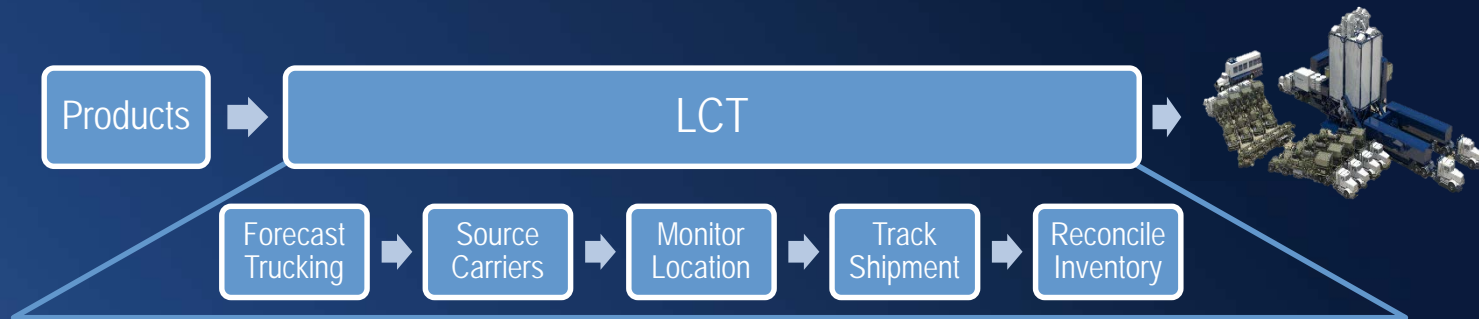


1,289 field  
notifications sent

1,179 incidents  
avoided

\$7.7 million in M&S  
savings

# Logistics Control Towers

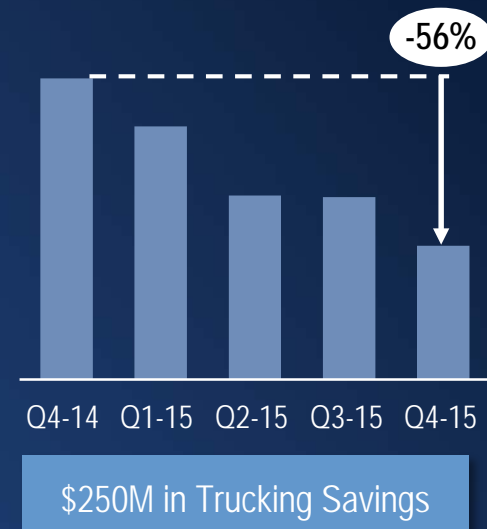


## Transport & Mobile Shipment Tracking



- Real-time delivery tracking
- Automated product transfers
- Detention & late shipment notification

## North America Land Transport & Mobilization (\$/Ton)





# Management System – Process Reliability in IDS

## APPROACH

### Do the Right Thing



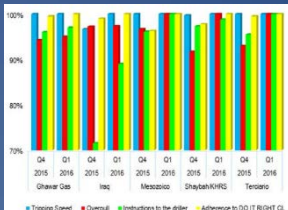
- Competency assessments aligned to Schlumberger Competency Framework
- Incentive plans to drive improvement; differentiate with customers

### Do It Right



- Product Line standard operating procedures reviewed and re-launched
- DO IT RIGHT Standard Work Instructions
- Standard Work Instructions delivered digitally to the user

### Do It Better



- Supported by Behavior Engineering Methodology to identify behaviors that cause NPT
- Drilling Technology Integration Centers support non-critical path tasks for well-site leaders

## IMPACT

- ↓ NPT 70% (2011 to 2015)
- ↓ Failures in IDS projects
- ↓ Operational risks
- ↑ Teamwork

IDS NPTr: 10x20 Target vs. Actual



# Remote Operations



Remote Operations Center - Russia

- 74% of jobs as of Q1 2016
- Average crew size decreased by 6% in 2015
- 20% more jobs covered with the same staff
- Excellent service quality delivered

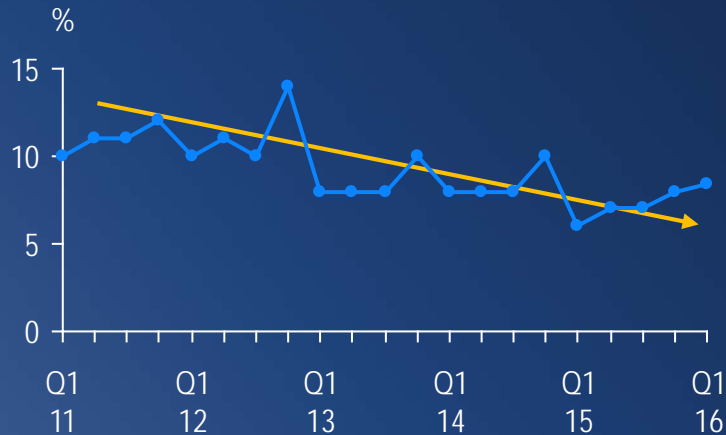


Remote Operations Center - China

- NPT reduction
- 50% reduction in drilling time
- Geomechanics workflows via Remote Ops Center
- Best-in-class well drilled for IOC in Sichuan

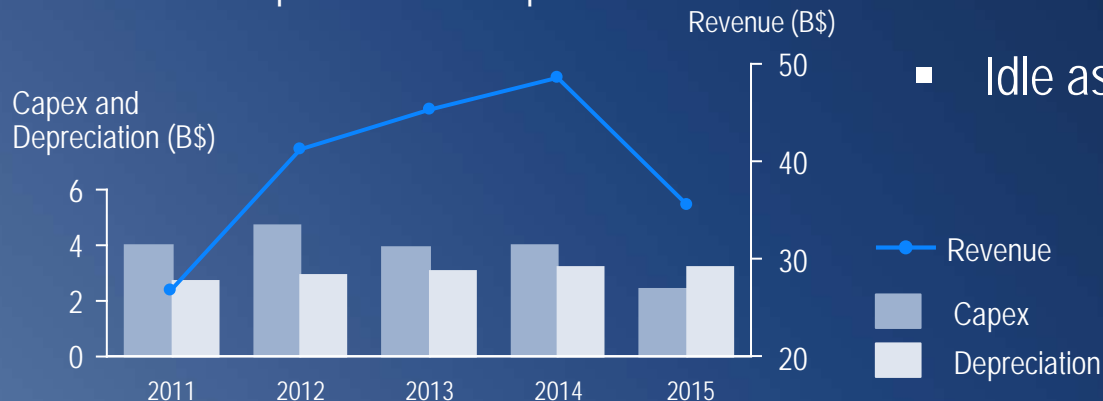
# Improving Capital Efficiency Through Asset Utilization

## CAPEX as a Percentage of Revenue



- Assets historically underutilized
- Increasing utilization lowers capital investment as a percentage of revenue
- Lower capex brings lower depreciation

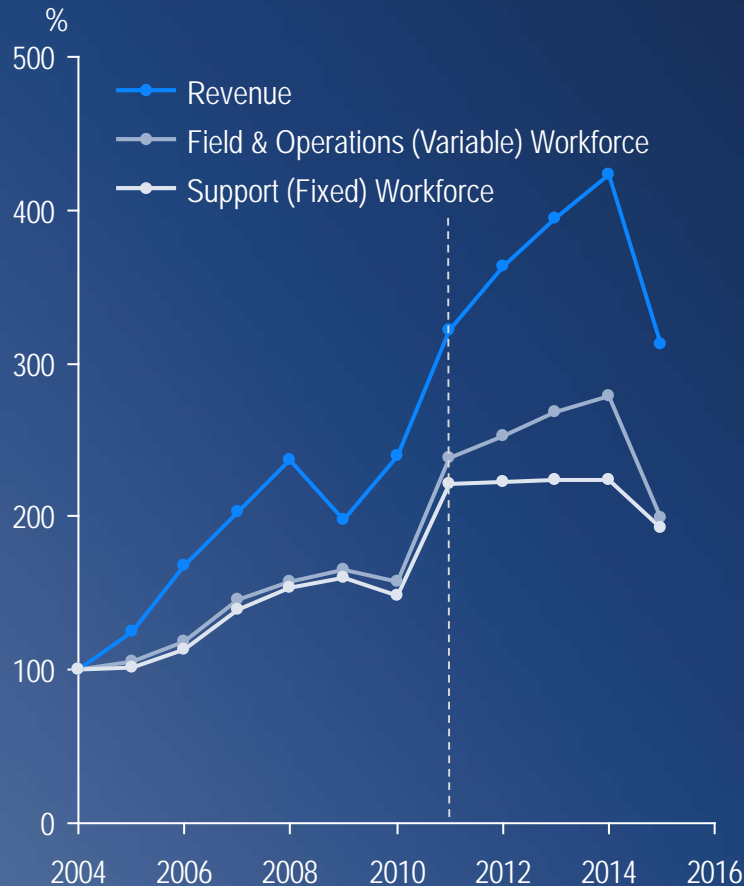
## Depreciation vs Capex



- Idle assets managed centrally

# Reducing Unit Support Cost

Revenue and Workforce trend relative to 2004



- Creation of shared services organization streamlined internal processes
- Support workforce decreased in size in years of growth post-Smith acquisition
- Early reaction to downturn reduced both fixed and support workforce rapidly



# Managing Working Capital

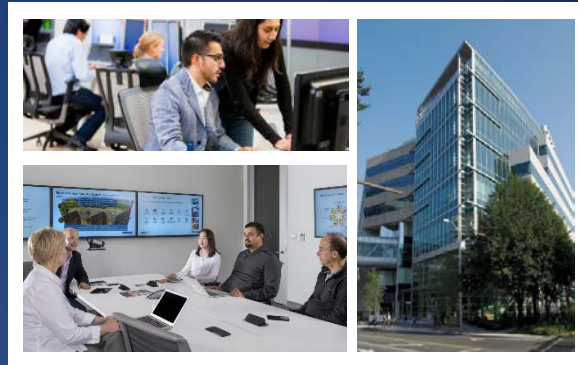
Working Capital as a Percentage of Revenue



- Receivable challenges internationally
- Centralized maintenance reduces inventory
- Just-in-time inventory via Distribution Centers

# Future State – Product and Service Delivery

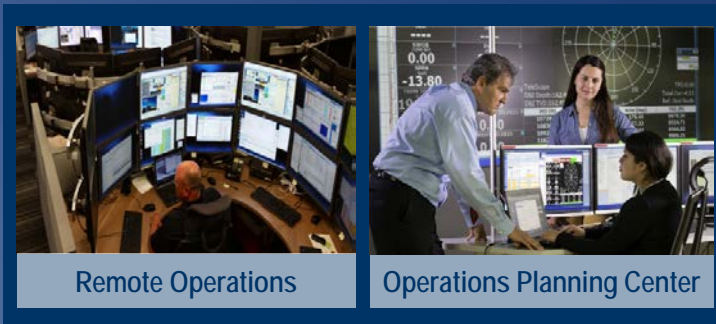
Customer Centers



Wellsite



Integrated Operations Hubs



Centers for Reliability and Efficiency



 Real-Time Operations

 Mobility

 Analytics

 Security

 Automation

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# Conclusions

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- The case for industry transformation is stronger than ever
- Focused on intrinsic performance since the start of this decade
- Delivering material results with expectations for further upside
- Pursuing collaborative business models and engaging with customers in transformation initiatives
- Extending our leadership through technology and total system integration





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