



Ladies and gentlemen good afternoon—it's a great pleasure to welcome you to Schlumberger Doll Research in Cambridge, Massachusetts for the 2011 Schlumberger Investor Conference. Many of you will remember that the first investor conference after I became CEO was in Schlumberger Doll Research in Ridgefield, Connecticut. That facility has now been closed and the people and research effort transferred here.

The quality of the science we are able to perform, the access to people, and to the world-class universities in this area have added new and exciting dimensions to our research efforts. Ram Shenoy, director of research for Schlumberger will elaborate further after I have finished.

I have 40 minutes to set the scene.

First, I will review how events unfolded following our 2008 conference.

I will then review the macro environment for oil and gas, how this has evolved, and how it is evolving. I will show you that most of the themes from our 2008 conference remain valid while opportunities have arisen from new technology or changed circumstances.

I will also describe how Schlumberger is increasingly uniquely positioned to address industry needs through our size, technology offering, geographical presence, infrastructure, workforce, together with our industry-leading efforts to improve operational performance.

Finally, I will outline some of our ambitions for the next five years. Tomorrow morning, Paal Kibsgaard will elaborate on a number of them.

However, before I begin I need to update you on events affecting the current quarter. As we warned in the Q4 conference call, WesternGeco cannot repeat the multiclient performance of the fourth quarter in Q1, with a consequent reduction in profitability. Also, the weather in a number of places and the political events in North Africa have had an effect on activity. Lastly, the current situation in Libya is very disturbing, and at the current time all our efforts are concentrated on trying to repatriate our employees.

How 2008 Predictions Unfolded

- Having warned of the danger of demand destruction, we also warned of reduced overall demand, contending the supply problem would remain. Correct for oil.
- We identified several trends for natural gas including the need for drilling intensity, attention on US success in unconventional, a worldwide need to grow supply, and an increase in LNG-related activity. We did not see the extent to which the US would grow supply.
- We did not foresee Macondo and the halt on US Gulf of Mexico deepwater activity.
- We concluded that absent a much greater drop in demand than we had seen at the time, activity would remain stronger for longer and that it was unrealistic to expect 5 years of increasing spending to compensate for 20 years of underinvestment.



Our 2008 Conference was held at the beginning of the collapse in financial markets. We warned at that time that it was difficult to judge whether demand destruction would be permanent or a temporary phenomenon that would reverse once price pressure moderated following the spike in oil prices in July 2008. We also warned that economic recession would reduce overall demand but that this was unlikely to fall to zero in the emerging economies.

We contended that even in a much reduced demand scenario, the supply problem would essentially remain the same and that a really steep drop in demand would be necessary to impact activity. What occurred was not too different, at least as far as oil was concerned. The developed world did see a substantial drop in demand while the emerging economies did not see negative demand growth. Exploration and production expenditure declined, but really only in exploration activity, in the US land market for a short period of time, and in Russia due to financial constraints. Mexico presented its own particular set of issues. In all other markets, activity decline was limited but just enough to create some spare capacity and lower service pricing.

In 2008 we identified several clear trends for natural gas. First that drilling intensity would need to remain high to sustain unconventional production in the US, and that the US success in developing this resource would not go unnoticed in the rest of the world; second that many countries would concentrate activity on growing gas supply to meet increasing domestic demand; and third that the development of LNG was accelerating.

The economic recession produced a drop in gas demand of similar percentage to that for oil. However, gas prices suffered more as the effects of the recession were compounded by rapidly rising supply. We did not foresee the extent to which the US would develop its unconventional gas production to the point where talk of domestic supplies getting much closer to demand levels and even some export capacity is now current.

There were of course other events we did not see, and in particular the Macondo tragedy and the subsequent halt of all Gulf of Mexico deepwater activity pending clarification of new

regulations and standards. We also put no timing on the likelihood of a return to activity in Iraq.

Our conclusion in 2008 was that absent a much greater drop in demand than we had seen at that point, we considered that oil and gas activity would remain stronger for longer. We contended that it was unrealistic to think that 5 years of increased spending in an inflationary environment could compensate for 20 years of underinvestment in an ageing production base.

2010 Realities

- An astonishing rebound in oil demand with the 2010 increase being the second highest in 30 years. Spare capacity not enough to absorb a rapid increase in demand. Oil prices beginning to reflect a fear of supply shortage.
- US natural gas prices remain subdued with high storage levels and supply perceived to be abundant. The demand increase in 2010 was the highest year-on-year since 2007.
- The 2010 IEA World Energy Outlook projects fossil fuels to remain dominant by 2035.
- \$450 billion estimated to be required in upstream investment every year for the next 25.

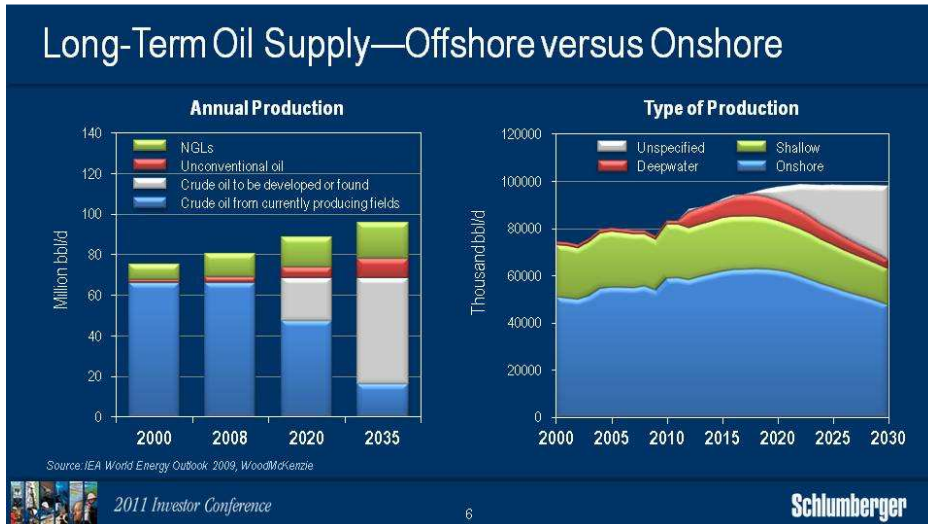
What has been astonishing has been the recent rebound in oil demand. The increase of 2.8 million barrels per day in 2010 was the second highest in 30 years. Demand was not only strong in the emerging economies, but also in the US clearly demonstrating that demand destruction was not permanent. The average demand increase in 2011 from the three principal forecasting agencies is for a further 1.4 million barrels per day. While spare capacity, almost exclusively concentrated in the Middle East OPEC countries is significantly higher than in 2006, it is not enough to absorb a rapid increase in demand and the rate at which new supply is added will decrease in the coming year as most of the large non-OPEC projects sanctioned between 2004 and 2008 are now on-stream. Oil prices have recently begun to reflect a fear of supply shortage and increased attention to geopolitical events that could disrupt supply.

US natural gas prices remain subdued with high levels of storage and the perception that supply is abundant and can be quickly increased. Following a 1.8% decrease in demand in 2009, the EIA recently estimated a 5.4% increase in 2010 followed by a flat 2011 at 66.2 billion cubic feet per day. The 2010 increase is the largest year-on-year growth since 2007.

Longer term, the 2010 IEA World Energy Outlook projects fossil fuels to remain dominant by 2035 even if low carbon policies are implemented. They also predict natural gas to show the largest increase in absolute terms by that time.

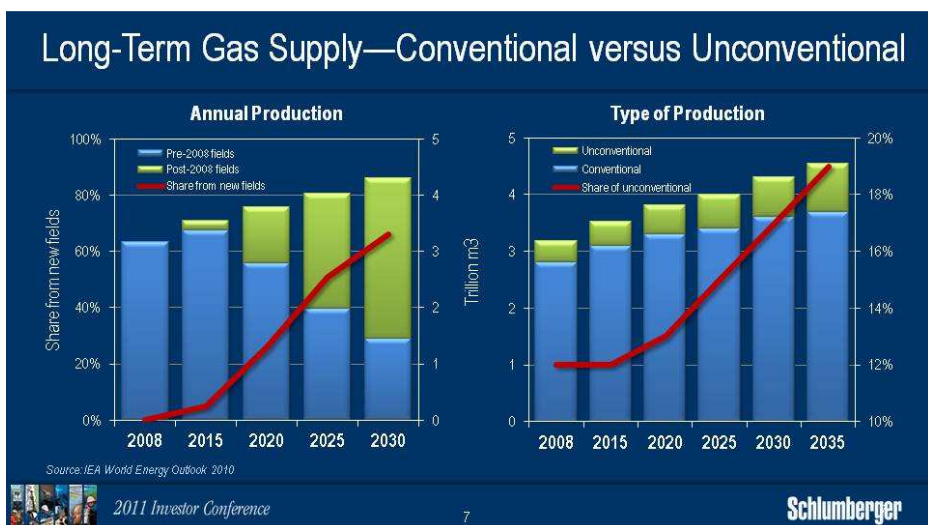
To enable such growth in oil and gas supply, investment of some 450 billion dollars is estimated to be needed every year in upstream activity for the next 25 years. With the age of

easy oil over, and the consequent higher costs of new supply, the challenges of matching supply and demand are not likely to decrease.



To illustrate the size of the task ahead, you only have to look at future oil production forecasts. The IEA estimates that approximately half of the conventional oil production needed by the end of this decade has yet to be developed or discovered. By 2035 that figure may have increased to more than 70%.

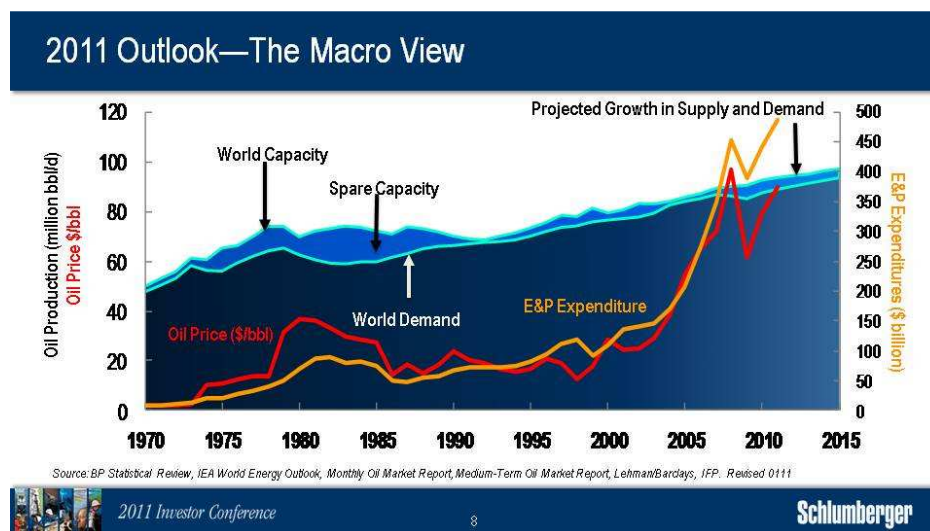
Offshore activities—and deepwater operations in particular—merit particular attention. In the last ten years, more than half of all new oil and gas reserves discovered worldwide have been offshore. As a result, offshore oil production could be supplying approximately one third of the world’s needs by late in the next decade. And within that same period, deepwater production will increase steadily to about one third of offshore supply, corresponding to approximately 10% of global oil supply.



The IEA also projects demand for gas increasing by 1.4 to 1.6% per year from 2008 to 2035, with the bulk of that increase coming from the non-OECD economies. Other recent forecasts are even more bullish, projecting higher annual growth rates of around 2.0% over the next 20 years.

Natural gas resources show similar trends to oil over the same time period with much of the gas needed by 2030 coming from fields put on production after 2008. Gas reserves, both conventional and unconventional, remain abundant and the IEA estimates these to have been 184 trillion cubic meters at the end of 2008.

My task today is to convince you that little has changed since our last conference and that absent a second leg to the recession and a further drop in demand “Stronger for Longer” will again be an appropriate investment thesis, particularly for oil. The industry will face an increasingly harder task of turning resources into reserves, and reserves into production.



It is instructive to look at the broad context of the last decade to try to understand why this task is becoming more difficult. Oil and gas has always been the subject of political and geopolitical interference with fear of supply disruption governing political action.

The last decade was marked by a huge fundamental shift in the security of supply argument which had been the preserve of the OECD nations for the last hundred years. During the decade security of supply became China's obsession, and the OECD nations discovered that China, and to some extent India, were now driving demand. The world saw this with the spectacular demand increase of 2004, and its effect on prices. By 2010, China's apparent oil consumption exceeded 10 million barrels per day, having doubled in ten years. This was the first, and undoubtedly the most important, shift of the past decade.

The second shift of the decade was undoubtedly the emergence of Russia as the world's single largest producer. Following the collapse of the Soviet Union, Russian production fell to as low as 6.1 million barrels per day. In the six years following 1999 it rose by more than three

million barrels per day, becoming the major reason why oil prices did not rise faster earlier in the decade.

This leads me to the supply response.

At the beginning of the decade when supply-demand balances started to tighten, the industry faced its first supply challenge in 25 years. The three pillars of the 1970s' supply response, Alaska, Mexico and the North Sea, were beginning decline. In 2000 they had produced 11.3 million barrels per day. By 2010 this had declined to 7 million. The thin margin of excess capacity coupled with rapid price increases led to an explosion in exploration and production capex from \$130 to \$500 billion between 2000 and 2008—a compound growth rate of over 18%.

All of this led to a period of frantic growth in activity. Both price and supply challenge had major effects on the industry structure and I'd like to examine some of these with their short- and long-term consequences.

The first, and by far the most important effect on the industry was the re-emergence of resource nationalism. This was not new. Venezuela has opened and closed many times. Iran and then some of the North Africa and Middle East countries have expelled their foreign partners in the past. Resource nationalism is not limited to foreign interests as the desire to capture a greater share of the petroleum rent takes many forms, and is very often in the form of taxation. However, the consequences of resource nationalism are the same in whatever form—creating uncertainties about the stability of investment regime and a restriction in capital flow that both slow any supply response.

In the 2000s resource nationalism was rife. Russia sought to capture a greater share of the rent. Venezuela closed again, and the Middle East did not open significantly. Mexico didn't open at all. Libya opened but imposed such strict terms it didn't maintain any attraction. Sanctions kept Iran and Sudan largely off limits. And after a spate of extraordinary discoveries, Brazil started to restrict access—not to investment but to the notion of foreign operators in the presalt domain.

The net result is that perhaps 75% of the world's known conventional oil reserves are closed to international private capital today, while 60% of production originates from non-NOC companies.

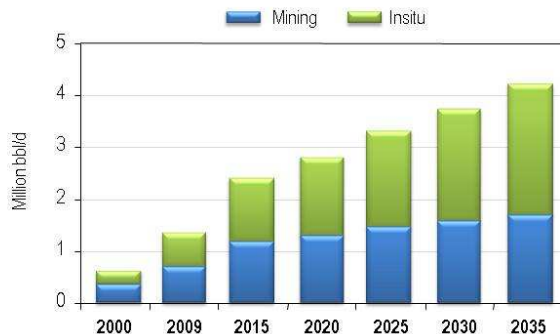


The consequence of this has been to give a whole new meaning to the words “major resource holder”. The range of national companies, both in structure and in competence is vast. Some are major offshore operators, such as Statoil or Petrobras, while others have mastered complex project management, such as Saudi Aramco. Such companies are sophisticated and ambitious technology users, capable of competing with the best. We are also seeing the emergence of international NOCs with an increasingly large international portfolio.

There is one other aspect of this debate that should not be ignored and that is the ability of some stakeholders to restrict access to some of the most promising remaining oil reserves. The example of the United States is obvious.

All these restrictions lead the industry, particularly the IOCs and independents, to opportunities offshore, in more remote and harsh environments, and to the heavier end of the hydrocarbon chain. In addition, the size of conventional oil accumulations is becoming smaller and therefore more difficult to produce economically. These sources of conventional oil production are increasingly complemented by unconventional oils.

Role of Unconventional Oil Expected to Expand Rapidly



Production from Canadian oil sands increases steadily from 1.3 mb/d in 2009 to 4.2 mb/d in 2035.

In situ production overtakes surface-mined production.

Source: IEA World Energy Outlook New Policies Scenario 2010



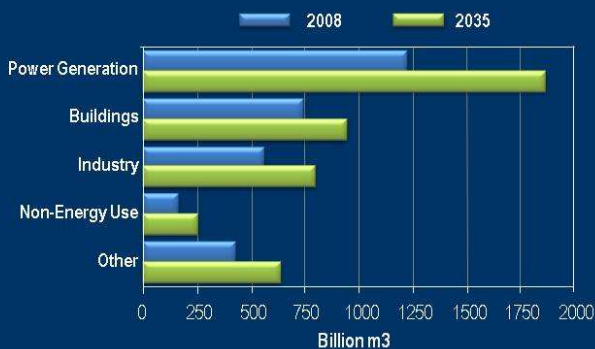
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Heavy or unconventional oil, including shale oil and conversions from coal or gas, or the refining of heavy crude are massive projects of long duration that require huge amounts of capital. As a result, if there is one common characteristic in the oil exploration and development projects to be executed in the future, it is that they will become more complex, more difficult to execute, and more expensive. But before I go there I'd like to take a few minutes to look at the difficulties of turning natural gas resources into production.

World Primary Natural Gas Demand



Just how fast gas-fired generation grows hinges on relative fuel prices, plant construction costs and government policies on emissions, renewables and nuclear power.

Source: IEA World Energy Outlook New Policies Scenario 2010



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If the 2000s were a decade of tremendous change for oil, this was equally true for gas. Natural gas supply is governed by where gas deposits are developed, and by the method of their transportation to market. For example, growing supplies of LNG, increased piped capacity from North Africa, and the completion of the Nordstream project should completely allay fears of any rupture in gas supply to Western Europe. Shale gas in the USA has changed the dynamics of US supply. The rapid development of deposits in Australasia, which were considered stranded ten years ago, has changed the availability of long-term supply for China, Korea and Japan.

However, two phenomena marked the 2000s. The first is the huge expansion in LNG capacity, which is still increasing due to projects begun in the late 2000s. LNG capacity of 56 million tonnes per annum in 1990 represented 5% of world capacity. This is expected to increase by nearly an order of magnitude to represent 15% of global capacity by 2020. This is essentially a play for the super majors, very large NOCs, or independents as investments are massive, and projects long to come to market.

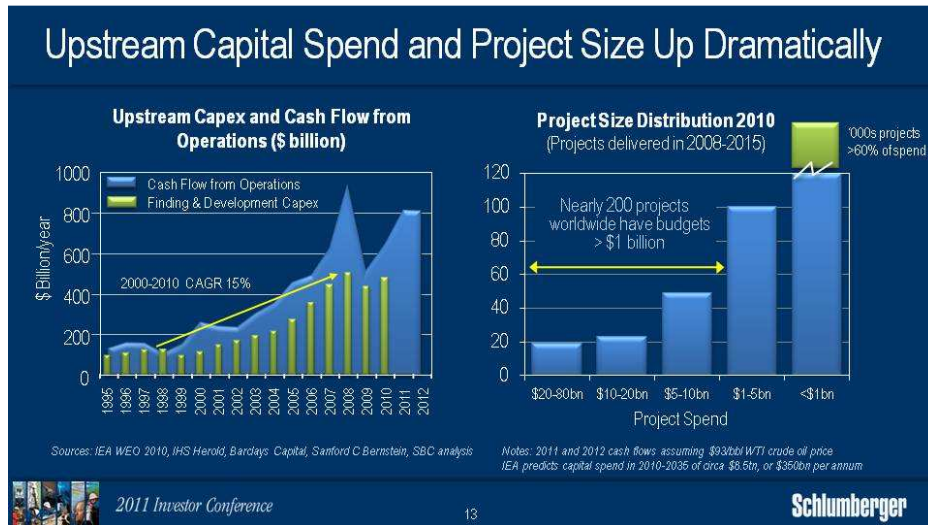
US Shale Gas Plays



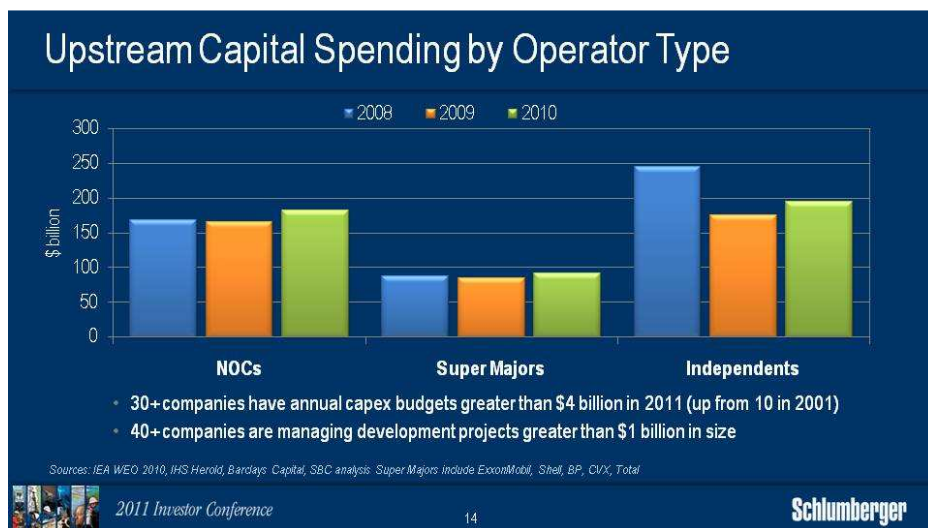
The second is the development of North American shale gas. This has been a known resource for a long time but the technology needed to make its production economic had not been available until recently. The shale revolution required technology, market forces and entrepreneurship for success. Today's combination of horizontal wells and hydraulic fracturing has made certain shales economic, but technology will have to move much further to systematically extract full value from every shale as current methods are both wasteful and expensive. US Independents have been largely responsible for the advances that have been made up until now, but the recent spate of purchases by major oil and gas companies will undoubtedly lead to new technology development.

This enthusiasm has led to major revisions in US gas reserves. In November 2010, the EIA announced an increase in proved gas reserves of 11%—driving them to the highest level since 1971. In the rest of the world, where knowledge of shales is vastly inferior to that of the US, countries and companies are actively searching to understand the prospectivity of their own shale deposits. If gas has come of age, much remains to be done before we can be assured that the rest of the world's shales are as prospective as those of the United States. Environmental, water and land use considerations, amongst others, need to be resolved.

I have now outlined the context for supply and demand and indicated how the industry will focus more and more on complex, difficult-to-reach resources. Some of that focus has already occurred as the growth in new projects clearly shows.



For example, the cost of new deepwater exploration and development projects in increasingly remote locations coupled with the complex logistics associated with areas such as Russia, the Caspian and Iraq are fundamentally changing the importance of project management and project execution. There are now over 200 exploration and production projects worldwide that have a budget in excess of \$1 billion and that represent approximately one third of the total E&P spend. Furthermore, that spend is shifting between customer types.



First, it is extraordinary that NOCs and Independents now represent over 80% of total industry capex spend. No less than 30 oil and gas companies have annual capex budgets in excess of \$4 billion—up from only 10 in 2001. These shifts are part of a trend established over the last ten years. While not wishing to embarrass any of my customers, I would add that many Greenfield projects suffer significant cost overruns. Indeed, as a general rule 30% of such projects experience budget overruns of 50%.

Clearly, the service company that can bring the best in technology, process and workforce competency to limit such expense stands to gain the greatest advantage. In other words, the future will all be about raising the bar on execution. This is one of the key themes of this conference.



If I now compare our top 30 customers in 2010 to those of 2002 there has been little change. There were and are 5 super majors. In 2010 we count 13 NOCs, up from 12 in 2002. On the other hand, there are 12 independents, down from 13. However, what is extraordinary is the shift in revenue between customer groups. In 2002 the super majors represented 33% of Top-30 revenue. This had declined to 22% by 2010. In the same period the NOCs almost doubled, while independents declined slightly from 50% to 46%.

It is therefore essential that our new technology meets the challenges of a changing customer base towards larger projects, more remote operations, deeper waters, more difficult logistics, increasingly complex geological settings, and greater degrees of temperature and pressure. It is also essential that we provide the technology for more difficult types of hydrocarbon with poorer recovery rates of which the most obvious is shale gas. And lastly, it is essential that our technology respond to the high operating costs offshore—particularly in deepwater with the need to mitigate both technical and economic risk.

Deepwater Horizon—April 20, 2010



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However, technology alone will no longer be sufficient to win competitive advantage. The consequences of the Deepwater Horizon tragedy where eleven men died and which led to the largest oil spill in US history will change some of the ways the service industry works forever.

Recent Trends and Accidents Will Have Long-Term Impacts

Predicted outcomes



Regulation

- Shift to stricter regulation
- Upgrade standards in environmental, permit, drilling & production and blowout containment/spill response
- Reorganization of regulator



Technology

- Critical for deepwater drilling success
- Opportunities for competitive advantage
- Safety assurance constantly tested and upgraded



Capability

- Talent and development needs
- Improved processes
- Adequate Management Systems
- New values and behavior

Impact

- Extended timing and availability of supply from deepwater projects
- Cost escalation
- Loss of license to operate for those who do not adapt quickly enough



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The reliability of technology, as well as the operating efficiency in project planning and execution, and the regulatory consequences of Macondo, will add a new dimension to offshore operations in three areas—regulation, technology and capability. Stricter standards of regulation will require much improved process from the service industry. Technology will be developed to improve both safety as well as operational performance and finally capability will need to be managed through improved processes to demonstrate competency with management systems ensuring effective control as well as new behaviour.



In 2007 we launched an initiative called Excellence in Execution to make a step change in service delivery at every level. It was designed to help our customers improve their project performance by ensuring that the services we provide are not only technically the best but are also the most reliable and the most effectively delivered. It was started as a means to ensure we did the maximum to minimize our customer's operational losses in their project execution.

Excellence in Execution involves every aspect of what we do from research and engineering through maintenance, service delivery and personnel competency. This is obviously a multiyear journey, and while we have made considerable progress we have much further to go. I will leave it to Paal to pick up on this tomorrow and we will show you real examples of projects where Excellence in Execution has already raised the bar. I would only add that we did not design this approach with a Macondo-type tragedy in mind. Indeed some of you will remember that I first described the concept as part of the third phase of growth we expected to see.

I'd now like to return to the themes of the 2008 conference in the light of what I have just said about the huge importance of improved operational capability.

Stronger for Longer

- Renewal of reserves through exploration, and increased availability of deepwater rigs
- Increased drilling intensity to increase production and recovery from existing fields
- Stem production decline or increase recovery from new or existing wells requiring increased reservoir contact

At that event, we identified three parts to the thesis of “Stronger for Longer” and its relevance to Schlumberger. They were the renewal of the reserves through exploration, and the increased availability of deepwater drilling rigs in particular; the need to increase drilling intensity in order to increase production and recovery from existing fields; and the need to stem production decline or increase recovery from new or existing wells that required increased reservoir contact.

I would argue that these three themes have not only stood the test of time but that additional considerations, particularly operational excellence, have come into play that add to the underlying strength of Schlumberger.

The first of those themes is exploration, where our technology portfolio is unmatched. This is another key theme of this conference.

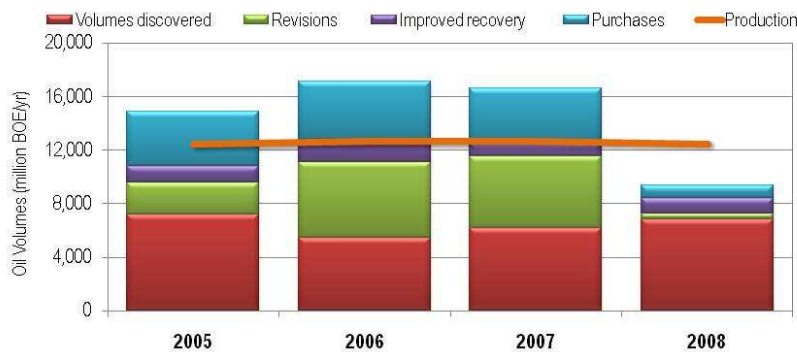
Schlumberger Market Positions 2010

	Service or Product	Spears Market Size (\$M)	Spears Ranking	Notes:
Reservoir Characterization Group	Geophysical Equipment & Services	11,750	2*	* Schlumberger does not sell geophysical equipment
	Wireline Logging	9,370	1	
	Production Testing	2,740	1	
Drilling Group	Drill Bits	3,460	2	** Artificial Lift ranking based on ESP market alone
	Directional Drilling Services	9,430	1	
	Rental & Fishing	5,700	3	
	Drilling & Completion Fluids	8,325	1	
	Logging While Drilling	2,505	1	
	Surface Data Logging	1,020	1	
	Solids Control & Waste Management	2,820	1	
Reservoir Production Group	Pressure Pumping Services	25,050	2	No ranking published for petrotechnical consulting services or for E&P software products and services
	Completion Equipment & Services	6,580	4	
	Artificial Lift	6,490	2**	
	Coiled Tubing Services	2,960	1	
	Specialty Chemicals	4,390	4	

Source: Spears Oilfield Market Report 2010

Whether in seismic through WesternGeco, in openhole wireline, logging while drilling or Testing we are the leading player. In addition we should not ignore the contribution of Geoservices, particularly with their highly innovative FLAIR surface measurement technology. As a result of the research and development we have been able to do following the acquisition of the minority interest in of WesternGeco in 2006, we are now in a position to provide customers with innovative processing and interpretation routines that allow us to move directly from seismic processing to Petrel workflow process and back again thus helping reduce risk and move more rapidly to field development planning. This has allowed Petrel Exploration to achieve rapid market penetration over the last year and we will show you some of this, as well as some of the other technologies in reservoir characterization during the technology tour later this afternoon.

Oil Reserves—Change and Production



Source: IHS Herold Upstream Performance 2010



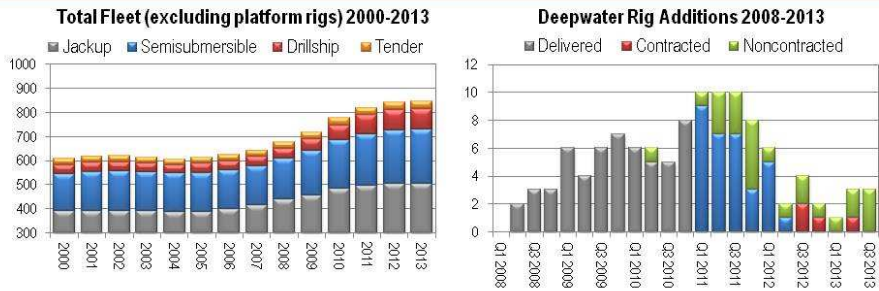
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The significance of this is obvious when you look at the performance of the industry, as measured by a wide group of oil companies from the super majors to the independents and including NOCs where public data are available. This clearly shows that the world has been consuming considerably more oil than has been discovered, and the need to accelerate exploration is a necessity. Exploration success will be a key client driver over the near term.

Offshore Rig Fleet—Growth and Availability



- 53 deepwater rigs delivered, 59 under construction and in the market by mid-2013
- Some slippage in deliveries has been seen, 79% of new builds have contracts

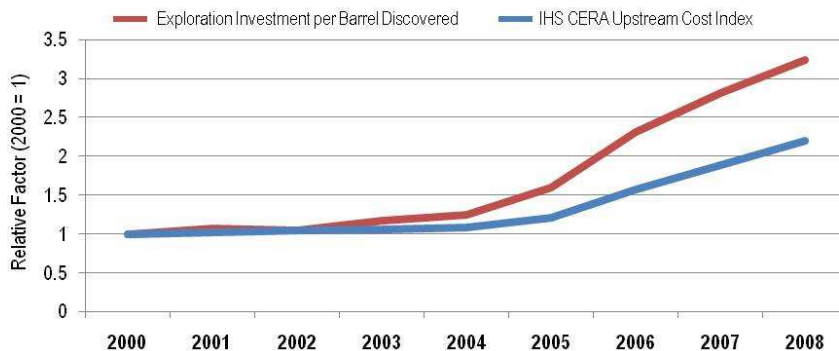
Source: Analysis: SLB, ODS Petrodata, RIGBASE, Updated 0211

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Indeed, the availability of deepwater rigs will accelerate the exploration cycle as more deepwater provinces become active. We have recently signed an exploration contract for an ultra deepwater rig that will drill successively in Australia, East Timor, India, Indonesia and Mozambique. This type of roving exploration campaign is becoming increasingly common. The planning and logistics involved are extraordinarily complex as you will have gathered from similar other remote projects such as that for Cairn Energy offshore Greenland last year that we will talk about tomorrow

The exploration market is also one where the value of data is increasing.

Exploration Intensity Factor versus Upstream Cost Index



Source: IHS CERA Upstream Cost Index



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Indeed, the intensity of exploration spend has increased much faster than overall upstream cost indexes. There are good reasons for this. Location, reservoir complexity and hydrocarbon composition all require higher technology to be properly addressed. These factors, coupled with the high costs of deepwater developments also make the time delay between discovery and first oil much longer than it used to be.

Discoveries in the US Gulf of Mexico are a good example of this where the discoveries made in the 2002-2005 time frame will not result in any meaningful production before 2015, and possibly even later. The same is true in West Africa and Brazil and this delay puts out a huge call for technology that can reduce the risk, time and management of the amount of the capex required for field development planning. This is abundantly clear from the attitude of our customers to deepwater exploration. They do not want to compromise on the amount or the quality of data, because both help them reduce uncertainty on both time and cost.

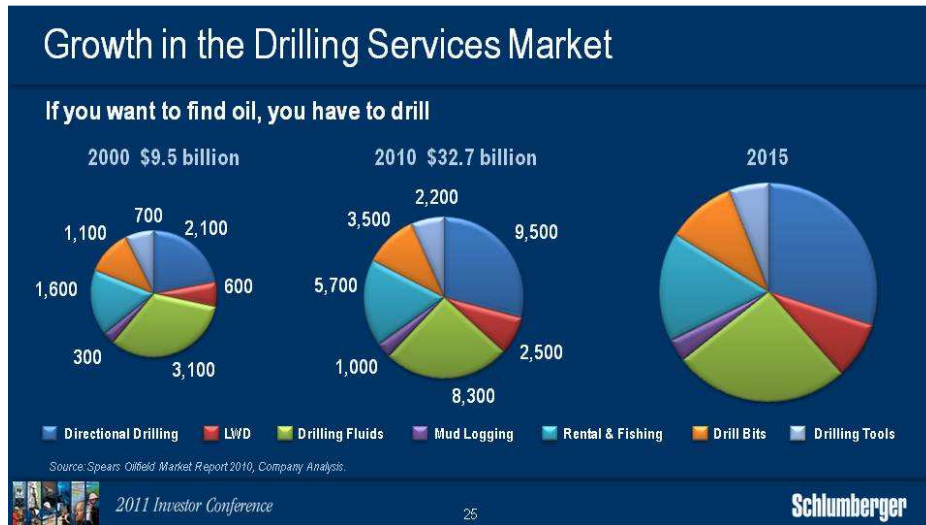
Schlumberger is uniquely placed to capitalize not only on these trends, but also to benefit generally from the overall increase in exploration spending. We will be showing you examples of these technologies during this conference.

Increasing Drilling Intensity

Deepwater and complex environments	More difficult hydrocarbons, geologies, and logistics; higher temperatures and pressures	<ul style="list-style-type: none"> ▪ Deepwater wells (1,500-10,000 ft) ▪ Expensive wells (\$30-100 m plus) ▪ Risk management essential ▪ Highly technology intensive 	
Technology makes unconventional economic	Worldwide interest in tight gas, shale gas, coalbed methane...	<ul style="list-style-type: none"> ▪ Low production per well (1-8 MMcf/d/well) ▪ Numerous wells (~1,000 per year in each play). Needs factory drilling approach ▪ Low margins require effective drilling cost control 	

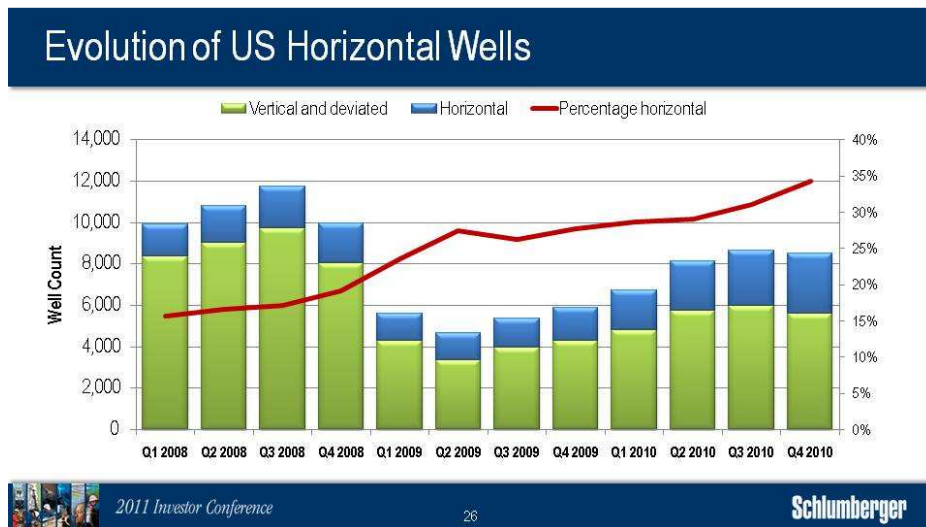

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In our 2008 meeting, we also stressed that maintaining production and bringing new reserves on line would require an increase in drilling intensity. The emphasis is not just on the number of wells to be drilled, but also on the increasing complexity and cost be it on expensive deepwater wells or on the technology required to make unconventional hydrocarbons economic through the introduction of practices such as factory drilling. In factory drilling, our response has been through IPM where the technology applied in managing large drilling campaigns has made a huge difference. Last week we celebrated the 5,000th well drilled by IPM, a figure that includes wells in conditions varying from simple land to deepwater offshore at all ranges of pressure and temperature, and in all sorts of geological conditions. However, the biggest prize of improved drilling performance comes from complex offshore or extended-reach environments.



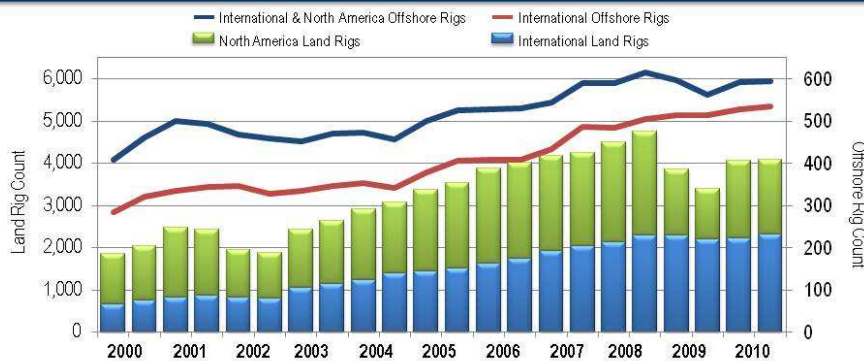
Given this context, in addition to investment in new technology, it is becoming increasingly apparent that the old adage of the oil industry holds truer than ever. If you want to find oil you have to drill. And if you want to produce unconventional gases or oils it is even truer.

I have already referred at length to the increase in exploration and development offshore and in deepwater. At the same time differing hydrocarbon types require greater degrees of drilling technology—both to improve the reliability of operations and to reduce overall finding and development costs.



In addition to the exploration drilling technologies I have already mentioned, drilling to help recover unconventional gases and unconventional oils requires technologies for better extraction, lower cost and smaller environmental footprint. The dramatic change in the North American well count from vertical to horizontal over a very short period of time demonstrates the extent to which this change is already underway.

Land and Offshore Rig Counts 2000-2010



Source: Company Analysis; Half-yearly data.

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A further area for increased drilling concerns those reserves already in production. Prolonging their exploitation and increasing their recovery represents a significant opportunity and it is here that increased drilling intensity is likely to make the biggest difference in the short to medium term. The rehabilitation of the productive capacity in Iraq is an example that implies higher rig counts and this pattern is likely to be increasingly seen around the world.

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	Artificial Lift	6,490	2**	
	Coiled Tubing Services	2,960	1	
	Specialty Chemicals	4,390	4	

Source: Spears Oilfield Market Report 2010

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It is the technology needs for the market opportunities that I have just discussed that have led us to the acquisitions of Smith and Geoservices which have given us leading position in most of the various elements that go into drilling services.

We believe that the combination of our own leading positions in directional drilling, measurement-while-drilling and logging-while-drilling with Smith's positions in drill bits, drilling tools and drilling fluids through M-I SWACO together with our joint venture with National Oilwell Varco for wired drillpipe will allow us to help customers with their three key

objectives, drilling optimization, well placement and wellbore assurance. We will be showing you examples in this afternoon's technology tour.

As we have progressed with the integration of Smith and Geoservices we have been amazed at the rapidity with which the two organizations are able to create synergy in the drilling domain. Tomorrow Paal Kibsgaard will update you on our thinking on the short- and long-term revenue synergies that the combination has created.

The third direction we defined in 2008 was the need to stem production decline or increase recovery from new or existing wells requiring an increase in the amount or quality of reservoir contact to the well bore.

In increasing recovery from new wells we hold a leading position. In well placement, which is perhaps the most important technology in enhancing recovery, we lead the market through our geosteering capabilities. In addition the drilling tools and products of Smith have enhanced our sidetracking capabilities and complement some of our more advanced drilling systems such as Power Drive Archer that allow smart access to by-passed reserves.

Schlumberger Market Positions 2010				Notes:
	Service or Product	Spears Market Size (\$M)	Spears Ranking	
Reservoir Characterization Group	Geophysical Equipment & Services	11,750	2*	* Schlumberger does not sell geophysical equipment
	Wireline Logging	9,370	1	
	Production Testing	2,740	1	
Drilling Group	Drill Bits	3,460	2	** Artificial Lift ranking based on ESP market alone
	Directional Drilling Services	9,480	1	
	Rental & Fishing	5,700	3	
	Drilling & Completion Fluids	8,325	1	
	Logging/While Drilling	2,505	1	
	Surface Data Logging	1,020	1	
	Solids Control & Waste Management	2,820	1	
Reservoir Production Group	Pressure Pumping Services	25,050	2	No ranking published for petrotechnical consulting services or for E&P software products and services
	Completion Equipment & Services	6,580	4	
	Artificial Lift	6,490	2**	
	Coiled Tubing Services	2,960	1	
	Specialty Chemicals	4,390	4	

Source: Spears Oilfield Market Report 2010

In other highly pertinent technologies, our advanced intelligent completion products are having considerable success in managing reservoir contact. Our position in deepwater completions is strong and we have recently seen awards in extremely high temperature high pressure environments where complex production problems need to be solved.

In pressure pumping we are very pleased with the progress that has been made in the North America stimulation market. This complements a leading position in the stimulation market for both tight and unconventional gas in the rest of the world and we will show you examples of this later today.


ACTive Technology Coiled-Tubing System

ACTIVE	Decipher	ACTive PS	Gamma Ray	Tension Compression	DFlo	iControl
						

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It is not generally appreciated that Schlumberger leads the industry in the three principal methods of evaluating and treating old wells to enhance production. These are Wireline Production Services, Slickline and Coiled Tubing. In each of these markets we enjoy the number one position and are introducing increasingly differentiated technologies. On your tour today you will see examples of the ACTive Technology Platform, a coiled-tubing system that combines wireline-quality cased-hole measurements with coiled tubing to create a unique industry product that has already led to increased market share and pricing in many places.

Integrated Project Management Activities

Well Construction	Field Development and Production Services	Integrated Services
 <p>Mexico</p> <ul style="list-style-type: none"> Integrates services and technology in well construction, completion, and intervention Located in markets with high drilling intensities Multing, multiyear contracts Latin America, North Africa, Russia and Iraq 	 <p>Malaysia</p> <ul style="list-style-type: none"> Addresses development and operations of new and mature fields Long-term production enhancement based contracts Links planning to execution phases Malaysia, Colombia, Kuwait etc. 	 <p>Russia</p> <ul style="list-style-type: none"> Addresses deepwater and technically and logistically challenging areas Majority of services provided by Schlumberger Well engineering and logistics support commonly requested Brazil, India, Mediterranean

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However, as we have frequently stated in the past the true prize for Schlumberger in increasing production from existing fields comes when we manage mature streams of production and are rewarded for the increments that we create. This is where our engineering and geosciences division is a huge competitive advantage. This is a market which is growing rapidly and we will show you examples of how we approach it tomorrow.

Ladies and gentlemen, technology, people and operational excellence are the bedrock of our competitive advantage but the backbone is our global presence—another key theme of this conference.

Often, I am given the impression by investors that in a few short years our competitors have built an Eastern Hemisphere infrastructure and workforce that has caught up with, or overtaken that of Schlumberger. I hardly have to tell you that this simply not true. We have been raising the bar constantly over the last 10 years. When I visit the principal centres of activity I am very rarely under the impression that we have been overtaken by our competitors in the quality and extent of our infrastructure.

Local Research Centers—A Model for the Future

- Located close to customers and the field for regional input, while remaining connected to worldwide expertise and academic knowledge
- Focused on regional challenges such as carbonates in Saudi Arabia, reservoir physics and testing in Russia, and presalt in Brazil
- Solving hard problems and looking at new technologies in reservoir development



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Undoubtedly the most important of our infrastructure investments has been the creation of new research centres in Russia, Saudi Arabia and Brazil. These are complemented by regional technology hubs notably in Mexico and Venezuela. The proximity to customer fields coupled with the access to the technology centres of Schlumberger allows rapid definition and prototyping of new solutions to customer problems. These centres are all active including the latest in Rio de Janeiro which was opened last November. In addition to the presalt work the Rio centre will house a seismic Geosolutions centre and software teams working on commercial reservoir software products.

We have also continued to make large investments in upgrading both our field facilities and our training and development campuses to support both the increased activity as well as the effort towards excellence in execution. Paal Kibsgaard will go into the details of this and other drivers that support our growth tomorrow morning.

Ambitions for the Next Five Years

- Continue to grow faster than the markets in which we participate on the basis of technology and global infrastructure
- Continue to lead international margins and become the leader in North America
- Make a step change in operational excellence
- Continue to grow EPS faster than revenue after normalizing for acquisitions
- Continue a progressive dividend policy but not increase to a level we would have to cut in any future recession
- Use any excess cash beyond our needs for growth and dividends to repurchase stock.



I have traced here the principal ambitions we set ourselves when we look at the next five years. Schlumberger has doubled in size since 2005 and as the search for oil and gas becomes more global, more intense and more difficult there is no reason why the company should not, overtime, double in size again. We will be stronger for longer but as I have tried to indicate it will mean raising the performance bar for our customers, our shareholders and our competition.

Finally, as we only do an investor day every two years many of you will realize this is the last one in which I will participate. Therefore, I am going to allow myself an uncharacteristic declaration on the subject of the Schlumberger management team. I know many of you, while showing great respect for Schlumberger management and what they have achieved, are worried that you do not actually know them. Therefore we have brought most of the top managers of Schlumberger to this meeting, be they product, field or technology managers. You will have ample opportunity to interact with them today and tomorrow.

I have known most of these men and women for between 10 and 25 years. I have had a hand in the career development of more than one of them. We have managed to keep them in Schlumberger despite the offers they have received from our competitors. Some of their peers we did lose however, although I'm happy to say that they generally moved to our customers or to major corporations in related or other industries trying to expand in the Eastern Hemisphere.

I would only add that I am extremely proud of our top management team. I have no doubt that they are the best in the industry and that Schlumberger will go to new heights under Paal's leadership.

Ladies and gentlemen, thank you for your attention. I would now like to introduce Ram Shenoy, director of research who will formally welcome you to this flagship center.