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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended:	**Commission file No.:**
September 30, 2004	**1-4601**

SCHLUMBERGER N.V.
(SCHLUMBERGER LIMITED)
(Exact name of registrant as specified in its charter)

NETHERLANDS ANTILLES **(State or other jurisdiction of incorporation or organization)**	**52-0684746** **(I.R.S. Employer Identification No.)**
153 EAST 53 STREET, 57th Floor **NEW YORK, NEW YORK, U.S.A.**	**10022**
42 RUE SAINT-DOMINIQUE **PARIS, FRANCE**	**75007**
PARKSTRAAT 83 **THE HAGUE,** **THE NETHERLANDS** **(Addresses of principal executive offices)**	**2514 JG** **(Zip Codes)**

Registrant's telephone number: (212) 350-9400

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☒ NO ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2004
COMMON STOCK, $0.01 PAR VALUE	**588,743,138**

PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

SCHLUMBERGER LIMITED
(Schlumberger N.V., Incorporated in the Netherlands Antilles)
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(Stated in thousands except per share amounts)

	Period Ended September 30,			
	Third Quarter		Nine Months	
	2004	2003	2004	2003
REVENUE:				
Operating	**$2,931,092**	$2,544,875	**$8,482,340**	$7,474,854
Interest & other income	**35,278**	29,579	**83,232**	98,325
	2,966,370	2,574,454	**8,565,572**	7,573,179
EXPENSES:				
Cost of goods sold & services	**2,324,497**	2,457,643	**6,713,695**	6,374,328
Research & engineering	**121,271**	117,049	**359,224**	330,095
Marketing	**11,905**	15,325	**35,249**	43,915
General	**84,795**	81,877	**244,394**	244,480
Debt extinguishment costs	**—**	86,328	**114,894**	167,801
Interest	**43,706**	75,926	**227,660**	261,090
	2,586,174	2,834,148	**7,695,116**	7,421,709
Income (Loss) from Continuing Operations before taxes and minority interest	**380,196**	(259,694)	**870,456**	151,470
Taxes on income	**75,442**	(59,645)	**202,253**	66,414
Income (Loss) from Continuing Operations before minority interest	**304,754**	(200,049)	**668,203**	85,056
Minority interest	**(7,684)**	112,035	**(12,597)**	120,468
Income (Loss) from Continuing Operations	**297,070**	(88,014)	**655,606**	205,524
Income from Discontinued Operations	**21,135**	32,691	**238,492**	437
Net Income (Loss)	**$ 318,205**	$ (55,323)	**$ 894,098**	$ 205,961
Basic earnings per share:				
Income (Loss) from Continuing Operations	**$ 0.50**	$ (0.15)	**$ 1.11**	$ 0.35
Income from Discontinued Operations	**0.04**	0.06	**0.41**	—
Net Income (Loss)	**$ 0.54**	$ (0.09)	**$ 1.52**	$ 0.35
Diluted earnings per share:				
Income (Loss) from Continuing Operations	**$ 0.50**	$ (0.15)	**$ 1.10**	$ 0.35
Income from Discontinued Operations	**0.03**	0.06	**0.39**	—
Net Income (Loss)	**$ 0.53**	$ (0.09)	**$ 1.49**	$ 0.35
Average shares outstanding:				
Basic	**589,936**	585,179	**589,186**	583,288
Assuming dilution	**613,787**	585,179	**613,009**	585,700

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED
(Schlumberger N.V., Incorporated in the Netherlands Antilles)
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

(Stated in thousands)

	Sept. 30, 2004 (Unaudited)	Dec. 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash	**$ 201,201**	$ 234,192
Short-term investments	**2,339,148**	2,874,781
Receivables less allowance for doubtful accounts (2004 - $113,012; 2003 - $128,199)	**2,893,882**	2,568,425
Inventories	**822,391**	796,559
Deferred taxes	**284,689**	315,350
Other current assets	**328,366**	341,973
Assets held for sale	**—**	3,237,841
	6,869,677	10,369,121
FIXED INCOME INVESTMENTS, HELD TO MATURITY	**185,228**	223,300
INVESTMENTS IN AFFILIATED COMPANIES	**878,300**	776,965
FIXED ASSETS	**3,620,087**	3,799,711
MULTICLIENT SEISMIC DATA	**385,623**	505,784
GOODWILL	**2,772,699**	3,377,583
INTANGIBLE ASSETS	**356,631**	403,319
DEFERRED TAXES	**316,544**	316,277
OTHER ASSETS	**270,686**	269,266
	$15,655,475	$20,041,326
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	**$ 3,189,805**	$ 3,247,546
Estimated liability for taxes on income	**832,093**	807,938
Dividend payable	**110,989**	110,511
Long-term debt - current portion	**120,819**	889,678
Bank & short-term loans	**524,254**	521,489
Liabilities held for sale	**—**	1,217,568
	4,777,960	6,794,730
LONG-TERM DEBT	**3,738,406**	6,097,418
POSTRETIREMENT BENEFITS	**657,770**	614,850
OTHER LIABILITIES	**156,161**	254,709
	9,330,297	13,761,707
MINORITY INTEREST	**400,622**	398,330
STOCKHOLDERS' EQUITY:		
Common stock	**2,433,593**	2,258,488
Income retained for use in the business	**6,068,472**	5,505,744
Treasury stock at cost	**(1,621,683)**	(1,508,239)
Accumulated other comprehensive loss	**(955,826)**	(374,704)
	5,924,556	5,881,289
	$15,655,475	$20,041,326

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED
(Schlumberger N.V., Incorporated in the Netherlands Antilles)
and Subsidiary Companies

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(Stated in thousands)

	Nine Months Ended Sept. 30,	
	2004	**2003**
Cash flows from operating activities:		
Income from continuing operations	**$ 655,606**	$ 205,524
Adjustments to reconcile income from continuing operations to cash provided by operating activities:		
Depreciation and amortization (1)	**978,562**	1,032,131
Gain on sale of Grant Prideco stock	**—**	(1,320)
Charges, net of tax & minority interest (2)	**198,801**	379,034
Earnings of companies carried at equity, less dividends received	**(64,078)**	(51,944)
(Increase) decrease in deferred taxes	**10,113**	2,618
Provision for losses on accounts receivable	**26,005**	54,497
Change in operating assets and liabilities excluding acquisitions/divestitures:		
Increase in receivables	**(622,707)**	(302,148)
(Increase) decrease in inventories	**(164,131)**	65,280
Increase in other current assets	**(10,703)**	(25,548)
Decrease in accounts payable and accrued liabilities	**(63,326)**	(441,984)
Increase in estimated liability for taxes on income	**25,038**	72,507
Postretirement benefits	**42,923**	47,945
Other - net	**(32,186)**	43,548
NET CASH PROVIDED BY OPERATING ACTIVITIES	**979,917**	1,080,140
Cash flows from investing activities:		
Purchase of fixed assets	**(800,598)**	(575,315)
Multiclient seismic data capitalized	**(44,619)**	(130,682)
Capitalization of intangible assets	**(55,471)**	(85,308)
Retirement of fixed assets & other	**8,179**	107,941
Sale of Grant Prideco stock	**—**	105,590
Proceeds from the sale of rigs	**—**	58,100
Proceeds from business divestitures	**1,729,085**	220,000
Stock repurchase program	**(236,556)**	—
Shares of Axalto shares	**98,851**	—
Proceeds from the sale of Atos Origin shares	**1,164,662**	—
Acquisition of PetroAlliance	**(12,134)**	—
Sale (purchase) of investments, net	**556,237**	(184,679)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**2,407,636**	(484,353)
Cash flows from financing activities:		
Dividends paid	**(330,892)**	(327,296)
Proceeds from employee stock purchase plan	**41,801**	97,085
Proceeds from exercise of stock options	**171,432**	24,011
Proceeds from issuance of convertible debentures (net of fees)	**—**	1,399,612
Proceeds from issuance of commercial paper	**369,744**	1,320,195
Debt extinguishment costs	**(111,034)**	(167,801)
Settlement of US Interest Rate Swap	**(70,495)**	—
Payments of principal on commercial paper and long-term debt	**(3,503,626)**	(2,922,076)
Net increase (decrease) in short-term debt	**15,878**	(129,992)
NET CASH USED BY FINANCING ACTIVITIES	**(3,417,192)**	(706,262)
Discontinued operations	**(4,246)**	80,276
Net decrease in cash before translation	**(33,885)**	(30,199)
Translation effect on cash	**894**	2,887
Cash, beginning of period	**234,192**	168,110
CASH, END OF PERIOD	**$ 201,201**	$ 140,798

(1) Includes multiclient seismic data costs, excluding impairment charges.
(2) See Note 4 – *Charges – Continuing Operations*.

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED
(Schlumberger N.V., Incorporated in the Netherlands Antilles)
and Subsidiary Companies

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

(Stated in thousands)

	Common Stock			Accumulated Other Comprehensive Income (Loss)			
	Issued	In Treasury	Retained Income	Marked to Market	Pension Liability	Translation Adjustment	Comprehensive Income (Loss)
Balance, January 1, 2004	$2,258,488	$(1,508,239)	$5,505,744	$(22,504)	$(283,075)	$ (69,125)	$ —
Net Income			894,098				894,098
Hanover stock marked to market				25,697			25,697
Derivatives & investments marked to market				(8,605)			(8,605)
Interest rate swap cancellation				42,562			42,562
Translation adjustment						(2,111)	(2,111)
Sale of SchlumbergerSema					75,346	(552,000)	(476,654)
Sale of Axalto						(110,000)	(110,000)
Minimum pension liability - (US/UK Plans)					(85,437)		(85,437)
Tax benefit on minimum pension liability					33,426		33,426
Dividends declared			(331,370)				
Stock repurchase plan		(236,556)					
Proceeds from employee stock purchase plan	46,687	30,748					
Proceeds from shares sold to optionees	87,175	84,257					
Shares granted to Directors	560	269					
Stock based compensation cost	20,119						
Tax benefit on stock options	4,132						
Shares issued on conversion of debentures	2						
Purchase of PetroAlliance	16,430	7,838					
Balance, September 30, 2004	$2,433,593	$(1,621,683)	$6,068,472	$ 37,150	$(259,740)	$(733,236)	$ 312,976

SHARES OF COMMON STOCK
(Unaudited)

	Issued	In Treasury	Shares Outstanding
Balance, January 1, 2004	667,105,988	(81,157,660)	585,948,328
Stock Repurchase Plan	—	(3,816,000)	(3,816,000)
Conversion of Debentures	27	—	27
Employee Stock Purchase Plan	—	1,654,879	1,654,879
Shares sold to optionees	—	4,519,534	4,519,534
Granted to Directors	—	14,500	14,500
Purchase of PetroAlliance	—	421,870	421,870
Balance, September 30, 2004	667,106,015	(78,362,877)	588,743,138

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The accompanying unaudited consolidated financial statements, which include the accounts of Schlumberger Limited ("Schlumberger") and its subsidiaries, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the accompanying unaudited financial statements. All intercompany transactions and balances have been eliminated in consolidation. Operating results for the nine month period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2004. The December 31, 2003 balance sheet information has been derived from the audited 2003 financial statements. For further information, refer to the *Consolidated Financial Statements* and notes thereto, included in Schlumberger's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 3, 2004, for the fiscal year ended December 31, 2003.

1. Discontinued Operations

The sale of the SchlumbergerSema business was completed in January 2004. Schlumberger received €393 million after adjustments ($495 million) in cash and 19.3 million shares of common stock of Atos Origin with a value of €1.02 billion ($1.275 billion). The results of SchlumbergerSema are reported as *Discontinued Operations* in the *Consolidated Statement of Income* and include, in the first quarter of 2004, a gain of $26 million on the sale and in the second quarter of 2004, a credit of $15 million related to adjustments to several accruals. The net assets sold were approximately $2.2 billion. See Note 8 for further information.

On February 18, 2004, Schlumberger sold its Telecom Billing Software business for an all-cash amount of $37 million, excluding potential future cash receipts of up to $10 million of which $7 million was received in the third quarter. The results of Telecom Billing Software are reported as *Discontinued Operations* in the *Consolidated Statement of Income* and include, in the first quarter of 2004 a gain of $17 million on the sale and in the third quarter of 2004 a $7 million credit related to the additional proceeds received in the third quarter. The net assets sold were approximately $17 million.

On March 19, 2004, Schlumberger sold its Infodata business for an all-cash amount of $104 million. The results of Infodata are reported as *Discontinued Operations* in the *Consolidated Statement of Income* and include, in the first quarter of 2004, a gain of $50 million on the sale. The net assets sold were approximately $47 million.

On April 29, 2004, Schlumberger completed the sale of its Business Continuity (BCO) business for an all-cash amount of $233 million. The results of BCO are reported in *Discontinued Operation*s in the *Consolidated Statement of Income* and include, in the second quarter of 2004, a gain of $48 million on the sale. The net assets sold were approximately $160 million.

On May 18, 2004, Schlumberger's wholly owned subsidiary Schlumberger BV placed 34.8 million ordinary shares in its smart card business Axalto Holding NV, representing 87% of the total ordinary shares outstanding. The sale price was €14.80 per share giving net proceeds, after expenses, of $606 million, which included a subsequent placement of 166,250 shares. The results of Axalto are reported as *Discontinued Operations* in the *Consolidated Statement of Income* and include, in the second quarter of 2004, a loss of $7 million on the sale, in the third quarter of 2004 credits for (1) a $9 million gain on the sale of Schlumberger's residual investment of 5.1 million shares in Axalto – the sale price was €16.59 per share giving net proceeds, after expenses, of $99 million and (2) a $9 million credit related to the net assets sold. The net assets sold were approximately $700 million.

On July 1, 2004, Schlumberger completed the sale of its Electricity Metering North America business for an all-cash amount of $248 million. The results of Electricity Metering North America are reported in *Discontinued Operations* in the *Consolidated Statement of Income* and included in the second quarter of 2004, a credit of $25 million including a US tax valuation allowance release of $49 million related to a tax loss carry forward associated with the sale of SchlumbergerSema (which is also included in *Discontinued Operations).* This transaction allowed for the recognition of a deferred tax asset that was previously unrecorded. Excluding the tax release, the transaction would have resulted in a loss of $24 million. The net assets sold were approximately $134 million.

On July 26, 2004, Schlumberger completed the sale of its Telecom Messaging business for an amount of $15 million ($6 million in cash and $9 million in future payments). The results of Telecom Messaging are reported as *Discontinued Operations* in the *Consolidated Statement of Income* and included in the third quarter of 2004, a loss of $4 million on the sale. The net assets sold were approximately $15 million.

Revenue and pretax income (loss) from discontinued operations excluding gains (losses) on sale were as follows:

(Stated in thousands)

	Third Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
SchlumbergerSema				
Revenue	$ —	$641,244	$ —	$1,955,985
Pretax income	$ —	$ 12,439	$ —	$ 17,832
Infodata				
Revenue	$ —	$ 19,322	$ 17,937	$ 63,865
Pretax income	$ —	$ 3,075	$ 3,170	$ 12,657
Telecom Billing Software				
Revenue	$ —	$ 10,015	$ —	$ 28,655
Pretax income (loss)	$ —	$ (1,203)	$ —	$ (8,629)
Axalto				
Revenue	$ —	$212,240	$270,925	$ 553,400
Pretax income	$ —	$ 17,030	$ 13,072	$ 20,692
Electricity Meters North America				
Revenue	$ —	$ 77,173	$154,333	$ 215,841
Pretax income	$ —	$ 16,827	$ 40,538	$ 10,376
Business Continuity				
Revenue	$ —	$ 34,743	$ 37,872	$ 102,222
Pretax income	$ —	$ 2,203	$ 1,194	$ 6,634
Telecom Messaging				
Revenue	$ —	$ 5,060	$ 11,272	$ 18,647
Pretax loss	$ —	$ (670)	$ 3,711	$ (1,374)
eCity				
Revenue	$ —	$ 33,698	$ —	$ 88,101
Pretax income (loss)	$ —	$ 2,406	$ —	$ (2,346)
NPTest				
Revenue	$ —	$ —	$ —	$ 117,827
Pretax loss	$ —	$ —	$ —	$ (7,962)
Verification Systems				
Revenue	$ —	$ —	$ —	$ 2,492
Pretax loss	$ —	$ —	$ —	$ (4,355)

2. <u>Reclassification</u>

Certain items from prior years have been reclassified to conform to the current year presentation.

3. Earnings Per Share

The following is a reconciliation from basic earnings per share to diluted earnings per share from continuing operations:

(Stated in thousands except per share amounts)

	2004			2003		
Third Quarter	**Income from Continuing Operations**	**Average Shares Outstanding**	**Earnings Per Share from Continuing Operations**	**Loss from Continuing Operations**	**Average Shares Outstanding**	**Earnings Per Share from Continuing Operations**
Basic	**$ 297,070**	**589,936**	**$ 0.50**	$ (88,014)	585,179	$ (0.15)
Dilutive effect of convertible debentures	**7,197**	**19,105**		—	—	
Dilutive effect of options	**—**	**4,746**		—	—	
Diluted	**$ 304,267**	**613,787**	**$ 0.50**	$ (88,014)	585,179	$ (0.15)

Nine Months	**Income from Continuing Operations**	**Average Shares Outstanding**	**Earnings per Share**	**Income from Continuing Operations**	**Average Shares Outstanding**	**Earnings per Share**
Basic	**$ 655,606**	**589,186**	**$ 1.11**	$ 205,524	583,288	$ 0.35
Dilutive effect of convertible debentures	**21,591**	**19,105**		—	—	
Dilutive effect of options	**—**	**4,718**		—	2,412	
Diluted	**$ 677,197**	**613,009**	**$ 1.10**	$ 205,524	585,700	$ 0.35

The approximate number of outstanding options at September 30 to purchase shares of common stock which were not included in the computation of diluted earnings per share because to do so would have had an antidilutive effect, were as follows:

(stated in millions)

	2004	2003
Third quarter	11.5	38.7*
Nine months	13.2	29.6

* All options were excluded in the third quarter 2003 due to the net-loss in that period. If a net income had been reported, 25.7 million would have been excluded.

For the third quarter and nine months 2003, the computation of diluted earnings per share excludes any effects of the convertible debentures because to do so would have had an antidilutive effect.

4. Charges – Continuing Operations

Debt Extinguishment Costs

In June 2004, Schlumberger Technology Corporation bought back and retired $351 million of its outstanding $1 billion 6.5% Notes due 2012. As a result Schlumberger recorded a pretax charge of $37 million ($23 million after tax—$0.04 per share), which included market premium and transaction costs.

In March 2004, Schlumberger plc (SPLC) accepted tenders for the outstanding £175 million SPLC 6.50% Guaranteed Bonds due 2032. In addition, Schlumberger SA (SSA) bought back €25 million of the outstanding €274 million SSA 5.25% Guaranteed Bonds due 2008 and €8 million of the outstanding €259 million SSA 5.875% Guaranteed Bonds due 2011. As a result, Schlumberger recorded a pretax and after-tax charge of $77 million, which included market and tender premiums, and transaction costs.

Between June 12 and July 22, 2003 subsidiaries of Schlumberger launched and concluded tender offers to acquire three series of outstanding European bonds; $1.3 billion of principal was repurchased for a total cost of $1.5 billion, which included the premium, and issuing and tender costs. The total charge on the tenders was $168 million, of which $81 million ($0.14 per share – diluted) was recorded in the second quarter of 2003, when the first tender closed, with the balance of $86 million ($0.14 per share) recorded in the third quarter of 2003.

The above pretax charges are classified in Debt extinguishment costs in the Consolidated Statement of Income.

<u>Other Charges</u>

Third quarter of 2003:

- Schlumberger recorded a $205 million ($0.34 per share) multiclient library impairment charge (pretax $398 million, tax benefit $106 million and minority interest credit $88 million), a $38 million ($0.06 per share) vessel impairment charge (pretax $54 million minority interest credit $16 million) and a pretax and after-tax gain of $31 million ($0.05 per share) on the sale of a rig. The pretax charges are classified in *Cost of goods sold* in the *Consolidated Statement of Income*.

First quarter of 2004:

- Schlumberger Technology Corporation paid off its commercial paper program in the US. As a result, the $500 million US interest-rate swaps that were designated as cash-flow hedges became ineffective. Schlumberger recorded a pretax non-cash charge of $73 million ($46 million after-tax - $0.08 per share) to recognize unrealized losses previously recorded in *Other Comprehensive Income.* The pretax charge is classified in *Interest expense* in the *Consolidated Statement of Income*.
- Schlumberger sold 9.6 million ordinary shares of Atos Origin SA at a price of €52.95 per share. The net proceeds for the sale were $625 million and Schlumberger recorded a pretax and after-tax loss of $14 million ($0.02 per share) on this transaction which reflects both banking fees and currency effect. The pretax charge is classified in *Interest and other income* in the *Consolidated Statement of Income*.
- Schlumberger is undertaking a restructuring program in order to reduce overhead. Consequently, a pretax charge of $20 million ($14 million after-tax - $0.02 per share) was taken in the quarter related to a voluntary early retirement program in the United States and is classified in *Cost of goods sold & services* in the *Consolidated Statement of Income*.

Second quarter of 2004:

- Schlumberger sold 9.7 million ordinary shares of Atos Origin SA at a price of €48.50 per share. The net proceeds for the sale were $551 million and Schlumberger recorded a pretax and after-tax loss of $7 million ($0.01 per share) on this transaction which reflects both banking fees and currency effect. The pretax charge is classified in *Interest and other income* in the *Consolidated Statement of Income*. Schlumberger does not have any ownership interest in Atos Origin SA.
- Schlumberger is continuing a restructuring program in order to reduce overhead. Consequently, a pretax and after-tax charge of $4 million ($0.01 per share) was taken in the quarter related to employee terminations and is classified in *Cost of goods sold & services* in the *Consolidated Statement of Income*.
- Schlumberger Technology Corporation settled its US Interest Rate Swaps with a consequent pretax gain of $10 million ($6 million after-tax - $0.01 per share) which is classified in *Interest Expense* in the *Consolidated Statement of Income.*
- Schlumberger recorded a pretax and after-tax charge of $11 million ($0.02 per share) related to a vacated leased facility in the UK which is classified in *Cost of goods sold & services* in the *Consolidated Statement of Income.*
- Schlumberger recorded a pretax and after-tax credit of $5 million ($0.01 per share) related to the release of a litigation reserve which was no longer required and is classified in *Cost of goods sold & services* in the *Consolidated Statement of Income*.

Third quarter of 2004:

- Schlumberger is continuing a restructuring program in order to reduce overhead. Consequently, a pretax and after-tax charge of $3 million was taken in the quarter related to employee severance and is classified in *Cost of goods sold & services* in the *Consolidated Statement of Income*.
- Schlumberger recorded a pretax charge of $11 million ($10 million after-tax - $0.02 per share) related to an Intellectual Property settlement which is classified in *Cost of goods sold & services* in the *Consolidated Statement of Income*.

5. Investments in Affiliated Companies

Schlumberger and Smith International Inc. operate a drilling fluids joint venture of which Schlumberger owns a 40% interest and records income using the equity method of accounting. Schlumberger's investment on September 30, 2004 was $719 million and on December 31, 2003 was $657 million. Schlumberger's equity income from this joint venture was $17 million in the third quarter of 2004 ($13 million in 2003) and $49 million year to date 2004 ($36 million in 2003) and is included in *Interest and other income* in the *Consolidated Statement of Income*.

6. Securitization

In September 2000, a wholly owned subsidiary of Schlumberger entered into an agreement to sell, on an ongoing basis, up to $220 million of an undivided interest in its accounts receivable, which was subsequently amended up to $250 million. The amount of receivables sold under this agreement totaled $250 million at September 30, 2004. Unless extended by amendment, the agreement expires in September 2005.

7. Financing

In June 2004, Schlumberger Technology Corporation bought back and retired $351 million of its outstanding $1 billion 6.5% Notes due 2012. See Note 4 *Charges – Continuing Operations*.

In April 2004, Schlumberger Technology Corporation settled the Interest Rate Swaps which it had written down in March 2004. See Note 4 *Charges – Continuing Operations*.

In March 2004 SPLC accepted tenders for the outstanding £175 million SPLC 6.5% Guaranteed Bonds due 2032. In addition, Schlumberger SA (SSA) bought back €25 million of the outstanding €274 million SSA 5.25% Guaranteed Bonds due 2008 and €8 million of the outstanding €259 million SSA 5.875% Guaranteed Bonds due 2011. See Note 4 *Charges – Continuing Operations*.

In March 2004 Schlumberger Technology Corporation paid off its commercial paper program in the US. See Note 4 *Charges – Continuing Operations*.

8. Sale of SchlumbergerSema to Atos Origin and Investment in Atos Origin

On September 22, 2003, Schlumberger announced the signing of an agreement with Atos Origin for the sale of the SchlumbergerSema business.

On January 29, 2004 the sale transaction was completed. As consideration for the transaction, Schlumberger received €393 million after adjustments ($495 million) in cash, and 19.3 million shares of common stock of Atos Origin with a value of €1.02 billion ($1.275 billion), which represented approximately 29% of the outstanding common shares of Atos Origin after the transaction was completed.

On February 2, 2004 Schlumberger sold 9.6 million of the Atos Origin shares for a net consideration of €500 million ($625 million). As a result of this sale, Schlumberger's investment was reduced to approximately 15% of the outstanding common shares of Atos Origin. The equity in earnings representing Schlumberger's interest in Atos Origin for the four days ending February 2, 2004 was not material. This investment was accounted for using the cost method as of February 2, 2004.

On April 30, 2004 Schlumberger sold its remaining holding of 9.7 million Atos Origin shares for a net consideration after expenses of €465 million ($551 million).

At December 31, 2003, the assets and liabilities of the SchlumbergerSema business that were subsequently eliminated from the Schlumberger's Consolidated Balance Sheet, were aggregated and presented on the consolidated Balance Sheet as Assets held for sale ($3.24 billion) and Liabilities held for sale ($1.22 billion).

9. Inventory

A summary of inventory follows:

	(Stated in millions)	
	Sept. 30 2004	**Dec. 31 2003**
Raw Materials & Field Materials	**$ 834**	$ 721
Work in Process	**61**	74
Finished Goods	**68**	141
	963	936
Reserves	**(141)**	(139)
	$ 822	$ 797

10. Fixed Assets

A summary of fixed assets follows:

	(Stated in millions)	
	Sept. 30 2004	**Dec. 31 2003**
Property plant & equipment	**$ 10,835**	$ 10,977
Less: Accumulated depreciation	**7,215**	7,177
	$ 3,620	$ 3,800

11. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data is as follows:

	(Stated in millions)
Balance at December 31, 2003	$ 506
Capitalized in period	45
Charged to cost of goods sold & services	(165)
Balance at September 30, 2004	$ 386

12. Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2004 is as follows:

	(Stated in millions)
Balance at December 31, 2003	$3,378
Additions	22
Divestitures	(634)
Impact of change in exchange rates	7
Balance at September 30, 2004	$2,773

13. Intangible Assets

A summary of intangible assets follows:

(Stated in millions)

	Sept. 30 2004	Dec. 31 2003
Gross book value	**$ 595**	$ 796
Less: Accumulated amortization	**238**	393
	$ 357	$ 403

The amortization charged to income for the third quarter and nine months of 2004 was $19 million and $60 million respectively.

At September 30, 2004, the gross book value, accumulated amortization and amortization periods of intangible assets were as follows:

(Stated in millions)

	Gross Book Value	Accumulated Amortization	Amortization Periods
Software	$ 356	$ 118	5 - 10 years
Technology	153	78	5 - 10 years
Patents	11	6	5 - 10 years
Other	75	36	1 - 15 years
	$ 595	$ 238	

The weighted average amortization period for all intangible assets is approximately 6 years.

14. Stock Compensation Plans

As of September 30, 2004, Schlumberger had two types of stock-based compensation plans which are described in Schlumberger's 2004 Annual Report on Form 10-K. Schlumberger recorded stock options expense in the *Consolidated Statement of Income* under SFAS 123 commencing in the third quarter of 2003, on a prospective basis for grants after January 1, 2003. The effect of stock based compensation expense on net income in the third quarter of 2004 was $7.4 million ($0.01 per share) and $20.1 million for the nine months ended September 30, 2004 ($0.03 per share). The effect on the third quarter and nine months 2003 net income was $7.2 million ($0.01 per share). Schlumberger applied APB 25 for grants prior to January 1, 2003. Had compensation cost for the stock-based Schlumberger plans been determined based on the fair value at the grant dates for awards prior to January 1, 2003, consistent with the method of SFAS 123, Schlumberger net income and earnings per share would have been the pro forma amounts indicated below:

(Stated in millions except per share amounts)

	Third Quarter		Nine Months	
	2004	2003	2004	2003
Net income (loss)				
As reported	**$ 318**	$ (55)	**$ 894**	$ 206
Proforma adjustments:				
Cost of DSPP	—	(3)	—	(21)
Cost of Stock Options	**(8)**	(19)	**(32)**	(69)
Tax benefit	**1**	1	**5**	3
Proforma	**$ 311**	$ (76)	**$ 867**	$ 119
Basic earnings (loss) per share				
As reported	**$ 0.54**	$(0.09)	**$ 1.52**	$ 0.35
Proforma adjustments:				
Cost of DSPP	—	(0.01)	—	(0.04)
Cost of Stock Options	**(0.01)**	(0.03)	**(0.05)**	(0.12)
Tax benefit on Stock Options	—	—	**0.01**	0.01
Pro forma	**$ 0.53**	$(0.13)	**$ 1.48**	$ 0.20
Diluted earnings (loss) per share				

As reported	**$ 0.53**	$(0.09)	**$ 1.49**	$ 0.35
Proforma adjustments:				
Cost of DSPP	**—**	(0.01)	**—**	(0.04)
Cost of Stock Options	**(0.01)**	(0.03)	**(0.05)**	(0.12)
Tax benefit on Stock Options	**—**	—	**0.01**	0.01
Pro forma	**$ 0.52**	$(0.13)	**$ 1.45**	$ 0.20

15. Income Tax

Pretax book income from continuing operations subject to US and non-US income taxes was as follows:

(Stated in millions)

	Third Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
United States	**$ 98**	$(361)	**$148**	$(274)
Outside United States	**282**	101	**722**	425
Pretax income (loss)	**$380**	$(260)	**$870**	$ 151

Schlumberger reported charges in continuing operations in 2004 and 2003. These are more fully described in the note *Charges – Continuing Operations*. US pretax results in the third quarter of 2004 included charges of $3 million. Outside the US, charges were $11 million. The US pretax results for the first nine months of 2004 included charges of $124 million related to the US Interest Rate Swap, the restructuring program, the US bonds debt extinguishment costs and an intellectual property settlement. Outside the US pretax results included charges of $119 million related to the debt extinguishment costs, the restructuring program, the loss on sale of Atos Origin common stock, an intellectual property settlement and severance charges.

Schlumberger had net deferred tax assets of $601 million on September 30, 2004 and $632 million on December 31, 2003. Significant components of net deferred tax assets at September 30, 2004 included postretirement and other long-term benefits ($241 million), current employee benefits ($153 million), fixed assets, inventory and other ($181 million) and net operating losses ($26 million). At December 31, 2003, net deferred tax assets included postretirement and other long-term benefits ($213 million), current employee benefits ($183 million), fixed assets, inventory and other ($194 million) and net operating losses ($42 million).

The components of consolidated income tax expense from continuing operations were as follows:

(Stated in millions)

	Third Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
Current:				
United States - Federal	**$(107)**	$(162)	**$ (2)**	$(119)
United States - State	**(7)**	(17)	**(3)**	(11)
Outside United States	**79**	19	**167**	128
	$ (35)	$(160)	**$162**	$ (2)
Deferred:				
United States - Federal	**$ 130**	$ 58	**$ 28**	$ 35
United States - State	**7**	8	**6**	5
Outside United States	**(27)**	(48)	**2**	(131)
Valuation allowance	**—**	82	**4**	159
	$ 110	$ 100	**$ 40**	$ 68
Consolidated taxes on income	**$ 75**	$ (60)	**$202**	$ 66

A reconciliation of the US statutory federal tax rate (35%) to the consolidated effective tax rate follows:

	Third Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
US federal statutory rate	**35**	35	**35**	35
US state income taxes	**—**	2	**—**	—
Non US income taxed at different rates	**(13)**	(15)	**(10)**	(40)
Valuation allowance	**—**	(4)	**—**	28
Other	**(3)**	—	**(3)**	—
Charges	**1**	5	**1**	21
Effective income tax rate	**20**	23	**23**	44

16. Contingencies

The Consolidated Balance Sheet includes accruals for the estimated future costs associated with certain environmental remediation activities related to the past use or disposal of hazardous materials. Substantially all such costs relate to divested operations and to facilities or locations that are no longer in operation. Due to a number of uncertainties, including uncertainty of timing, the scope of remediation, future technology, regulatory changes, the risk of personal injury, natural resource or property damage claims and other factors, it is possible that the ultimate remediation costs may exceed the amounts estimated. However, in the opinion of management, such additional costs are not expected to be material relative to consolidated liquidity, financial position or future results of operations.

The Consolidated Balance sheet includes accruals for estimated future expenditures associated with business divestitures which have been completed. It is possible that the ultimate expenditures may exceed the amounts recorded. In the opinion of management, such additional expenditures are not expected to be material relative to consolidated liquidity, financial position or future results of operations.

In addition, Schlumberger and its subsidiaries are party to various other legal proceedings. Although the ultimate disposition of these proceedings is not presently determinable, in the opinion of Schlumberger any liability that might ensue would not be material in relation to the consolidated liquidity, financial position or future results of operations.

Schlumberger’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and receivables from clients. Schlumberger places its cash and cash equivalents with financial institutions and corporations, and limits the amount of credit exposure with any one of them. Schlumberger actively evaluates the creditworthiness of the issuers in which it invests. The receivables from clients are concentrated within a few significant industries and geographies.

17. Segment Information

Schlumberger operates two primary reportable business segments: Oilfield Services and WesternGeco.

Prior periods have been restated so as to be comparable with the current reporting structure.

(Stated in millions)

	THIRD QUARTER 2004					THIRD QUARTER 2003				
	Revenue	Income after tax & MI	Minority Interest	Tax Expense	Income before tax & MI	Revenue	Income after tax & MI	Minority Interest	Tax Expense	Income before tax & MI
Oilfield Services										
North America	$ 789	$ 78	$ —	$ 41	$ 119	$ 672	$ 59	$ —	$ 32	$ 91
Latin America	434	38	—	7	45	379	50	—	12	62
Europe/CIS/W. Africa	737	95	—	22	117	660	102	—	20	122
Middle East & Asia	617	146	—	20	166	530	114	—	15	129
Elims/Other	29	(9)	—	2	(7)	15	(11)	—	7	(4)
	2,606	348	—	92	440	2,256	314	—	86	400
WesternGeco	301	19	9	5	33	263	(17)	(7)	(12)	(36)
Other	25	(1)	—	(1)	(2)	23	(3)	—	—	(3)
Elims & Other	(1)	(30)	(1)	(19)	(50)	3	(21)	(1)	(28)	(50)
	$2,931	$ 336	$ 8	$ 77		$2,545	$ 273	$ (8)	$ 46	
Interest Income					14					10
Interest Expense (1)					(41)					(74)
Charges (2)					(14)					(507)
					$ 380					$ (260)

1. Excludes interest expense included in the Segment results ($3 million in 2004; $2 million in 2003).
2. See Note 4 *Charges – Continuing Operations.*

(Stated in millions)

	NINE MONTHS 2004					NINE MONTHS 2003				
	Revenue	Income after tax & MI	Minority Interest	Tax Expense	Income before tax & MI	Revenue	Income after tax & MI	Minority Interest	Tax Expense	Income before tax & MI
Oilfield Services										
North America	$2,261	$ 237	$ —	$ 125	$ 362	$1,946	$ 165	$ —	$ 94	$ 259
Latin America	1,255	138	—	31	169	1,031	120	—	34	154
Europe/CIS/W. Africa	2,089	275	—	65	340	1,935	284	—	61	345
Middle East & Asia	1,812	406	—	60	466	1,553	334	—	44	378
Elims/Other	88	(32)	—	12	(20)	45	(39)	—	18	(21)
	7,505	1,024	—	293	1,317	6,510	864	—	251	1,115
WesternGeco	905	36	15	30	81	875	(31)	(13)	(8)	(52)
Other	70	(9)	—	(1)	(10)	82	(7)	—	(1)	(8)
Elims & Other	2	(79)	(2)	(75)	(156)	8	(22)	(3)	(70)	(95)
	$8,482	$ 972	$ 13	$ 247		$7,475	$ 804	$ (16)	$ 172	
Interest Income					39					36
Interest Expense (1)					(158)					(256)
Charges (2)					(243)					(589)
					$ 870					$ 151

1. Excludes interest expense included in the Segment results ($6 million in 2004 and $5 million in 2003). The nine months 2004 excludes the $64 million charge related to the US interest rate swap – see Note 4 *Charges – Continuing Operations.*
2. See Note 4 *Charges – Continuing Operations.*

18. Pension and Other Postretirement Benefits

Net pension cost in the US for the third quarter and nine months of 2004 and 2003 included the following components:

(Stated in millions)

	Third Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
Service cost - benefits earned during period	**$ 12**	$ 14	**$ 42**	$ 42
Interest cost on projected benefit obligation	**24**	22	**74**	70
Expected return on plan assets	**(23)**	(22)	**(65)**	(64)
Amortization of prior service cost/other	**1**	—	**3**	2
Amortization of unrecognized net loss	**5**	2	**15**	6
Net pension cost	**$ 19**	$ 16	**$ 69**	$ 56

Schlumberger's contribution during the nine months ended September 30, 2004 was $249 million. Schlumberger does not anticipate making any contribution during the fourth quarter of 2004.

Net pension cost in the UK plan for the third quarter and nine months of 2004 and 2003 included the following components:

(Stated in millions)

	Third Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
Service cost - benefits earned during period	**$ 7**	$ 6	**$ 21**	$ 18
Interest cost on projected benefit obligation	**8**	6	**24**	18
Expected return on plan assets	**(9)**	(8)	**(28)**	(24)
Amortization of unrecognized net loss	**2**	—	**7**	—
Net pension cost	**$ 8**	$ 4	**$ 24**	$ 12

On May 19, 2004, FASB Staff Position No. 106-2 ("FSP") was issued by FASB to provide guidance relating to the prescription drug subsidy provided by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). Schlumberger currently provides postretirement benefits to former employees who have retired under the US pension plans. For these former employees, the prescription drug benefit provided by Schlumberger would be considered to be actuarially equivalent to the benefit provided under the Act. As permitted by the FSP, Schlumberger prospectively adopted the provisions of the FSP effective July 1, 2004. This resulted in a reduction in the accumulated postretirement benefit obligation ("APBO") for the subsidy related to benefits attributed to past service of approximately $77 million. The subsidy will result in a reduction in net periodic post retirement costs of approximately $12 million (pretax), of which $6 million was recorded during the third quarter of 2004 with the remaining portion being recorded in the fourth quarter of 2004. The components of this approximate $12 million in pretax savings are a reduction in interest costs on APBO of $5 million, a reduction of amortization of net loss of $4 million and a reduction in current period service costs of $3 million.

Net postretirement benefit cost in the US for the third quarter and nine months of 2004 and 2003 included the following components:

(Stated in millions)

	Third Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
Service cost - benefits earned during period	**$ 1**	$ 7	**$15**	$21
Interest cost on accumulated postretirement benefit obligation	**10**	13	**40**	39
Amortization of unrecognized net loss/other	**4**	3	**12**	9
Net postretirement benefit cost	**$ 15**	$ 23	**$67**	$69

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.

BUSINESS REVIEW

(Stated in millions)

	Third Quarter			Nine Months		
	2004[2]	2003[2][5]	% chg	2004[3]	2003[3][5]	% chg
Oilfield Services						
Operating Revenue	**$2,606**	$ 2,256	16%	**$7,505**	$ 6,510	15%
Pretax Operating Income [1]	**$ 440**	$ 400	10%	**$1,317**	$ 1,116	18%
WesternGeco						
Operating Revenue	**$ 301**	$ 263	14%	**$ 905**	$ 875	3%
Pretax Operating Income [1]	**$ 33**	$ (36)	— %	**$ 81**	$ (52)	— %
Other [4]						
Operating Revenue	**$ 25**	$ 23	7%	**$ 70**	$ 82	(15)%
Pretax Operating Income [1]	**$ (2)**	$ (3)	— %	**$ (10)**	$ (8)	— %

(1) Pretax operating income represents income before taxes and minority interest, excluding interest income, interest expense and amortization of intangibles. Pretax operating income excludes the charges and credits described in footnotes (2) and (3) below because those items are not allocated by segment.

(2) The third quarter of 2004 excludes a pretax charge of $11 million for an Intellectual Property settlement and a pretax $3 million severance charge.

The third quarter of 2003 excludes debt extinguishment costs of $86 million pretax and a pretax charge of $421 million for impairment and other charges/credits related to the multiclient library, seismic vessels partially offset by the gain on the sale of a rig.

(3) The nine months of 2004 excludes a pretax charge of $11 million for an Intellectual Property settlement and a pretax $3 million severance charge, a pretax loss of $7 million on the sale of Atos Origin shares, a pretax idle leased facility reserve of $11 million, a pretax reorganization reserve of $4 million, a pretax release of a litigation reserve of $5 million, a pretax gain of $10 million for the settlement of the US Interest Rate Swap and a pretax charge of $37 million of debt extinguishment costs, a pretax charge of $73 million for the US Interest Rate Swap write off, a pretax loss of $14 million on the sale of Atos Origin shares, a pretax charge of $77 million of debt extinguishment costs and a pretax charge of $20 million related to the restructuring program in the United States.

The nine months of 2003 excludes debt extinguishment costs of $167 million pretax and a pretax charge of $421 million for impairment and other charges/credits related to the multiclient library, seismic vessels partially offset by the gain on the sale of a rig.

(4) Comprises the Global Tel*Link, Public Phones and Essentis activities.

(5) Restated for discontinued operations.

Third Quarter 2004 Compared to Third Quarter 2003

Operating revenue for the third quarter was $2.93 billion versus $2.54 billion in the third quarter of 2003, an increase of 15%. Income from continuing operations before charges was $310 million, or $0.52 per share-diluted versus $0.36 in the third quarter of last year. Including charges of $13 million, income from continuing operations in the third quarter was $297 million, or $0.50 per share, compared to a loss of $88 million, or $0.15 per share, last year, which included net charges of $298 million. The $13 million charges in 2004 comprised of $10 million for an intellectual property settlement and $3 million for severance. The $298 million net charges in 2003 comprised debt extinguishment costs of $86 million, multiclient library and seismic vessel impairment charges of $243 million, and a gain on the sale of a rig of $31 million.

Discontinued operations recorded a gain of $21 million ($0.03 per share) in the quarter. This resulted in a net income of $318 million, or $0.53 per share-diluted, compared to a net loss of $55 million, or $0.09 per share, last year.

Oilfield Services revenue of $2.61 billion increased 3% sequentially and 16% compared to the same quarter of last year. Pretax business segment operating income of $440 million decreased 3% sequentially but grew 10% year-on-year.

WesternGeco revenue of $301 million increased 3% sequentially and 14% year-on-year. Pretax business segment operating income of $33 million improved $19 million sequentially and $70 million compared to the same quarter of last year.

OILFIELD SERVICES

Third-quarter revenue of $2.61 billion was 3% higher sequentially and increased 16% year-on-year. Pretax operating income of $440 million declined 3% sequentially but rose 10% year-on-year.

The sequential revenue increases that were particularly strong in Nigeria, Canada and Russia were substantially offset by Norway, Indonesia, Saudi Arabia and North Africa. Wireline and Well Services technologies were the principal contributors to the sequential revenue growth.

Sequential operating income decline was the result of four main causes: weather-related issues in the Gulf of Mexico; performance-related issues in the Gulf of Mexico and Mexico; delays in contract renegotiations in Venezuela; and slower activity in Russia for YUKOS. In contrast the Middle East continued to deliver strong performance.

The highest year-on-year activity growth was experienced in India, Russia, Mexico and US Land GeoMarkets. By technology, Drilling & Measurements, Well Services, Well Completions & Productivity, Wireline and Integrated Project Management recorded double-digit gains.

North America

Revenue of $789 million increased 6% sequentially and 17% year-on-year. Pretax operating income of $119 million decreased 1% sequentially but increased 31% year-on-year.

Sequential revenue growth was mainly due to Canada and land activity in the United States. Well Services operated near capacity throughout most of the quarter and recorded double-digit price improvement from 2003 averages. However, higher product costs are beginning to dampen the operating leverage. Pricing momentum remains positive.

Sequentially, the decline in operating income was mainly due to suspended operations in the Gulf of Mexico as a result of multiple hurricanes and a loss on a turnkey drilling project.

Robust year-on-year revenue growth was recorded in US Land and Canada, which benefited from the strong performance of most technology segments, coupled with pricing improvements particularly for Well Services. Stronger demand for Well Completions & Productivity and Well Services contributed to the year-on-year growth in the Gulf of Mexico.

Latin America

Revenue of $434 million increased 2% sequentially and 14% year-on-year. Pretax operating income of $45 million declined 28% both sequentially and year-on-year.

Demand for Integrated Project Management services in Mexico continued to fuel year-on-year growth; however, the revenue flattened sequentially due to a slowdown in drilling activity, which will likely persist through early next year.

The year-on-year and sequential pretax operating income drop was mainly due to an unfavorable revenue mix in Mexico; reduced level of activity for PEMEX in a project bearing a high structural cost; and losses on a low-margin project with a major E&P company for which the contract has subsequently been improved. During the quarter, certain barges in West Venezuela were partially idled while contractual negotiations continued with PDVSA.

Drilling & Measurements, Well Completions & Productivity and Wireline continued to experience strong growth, particularly in Latin America South, leading to record revenue in Brazil. Drilling & Measurements leveraged its experience of drilling more than seven million feet in the Faja del Orinoco of Eastern Venezuela by expanding its geosteering market with new multi-well contracts in both Venezuela and Trinidad.

Integrated Project Management saw increased activity in Ecuador with new contracts and services on multiple exploration and development wells. The work included project management, well engineering, well site supervision and all related well construction and completion services.

Europe/CIS/West Africa

Revenue of $737 million increased 5% sequentially and 12% year-on-year. Pretax operating income of $117 million was flat sequentially but declined 4% year-on-year.

Sequential activity growth in the region was affected by union strikes in Norway and a slowdown in Russia as YUKOS started reducing its operations late in the quarter. Further declines are expected with YUKOS in the coming quarters and assets are consequently being redeployed within Russia to cover expanding activity elsewhere.

Sequential margin deterioration was due to reduced activity for YUKOS in Russia and union strikes in Norway that were partially offset by improvements in Nigeria and Continental Europe. This resulted in a flattening of operating income in the region.

Year-on-year revenue growth was led by Russia, Caspian and West Africa, with gains recorded in all technology Segments led by Drilling & Measurements and Well Services. Nigeria also contributed to the year-on-year and sequential revenue growth with particular strength in deepwater.

Middle East & Asia

Revenue of $617 million decreased 3% sequentially but grew 16% year-on-year. Pretax operating income of $166 million increased 3% sequentially and 29% year-on-year.

Sequential activity decline was mainly due to the completion of a 90-well VDA* Viscoelastic Diverting Acid stimulation campaign in the prior quarter in Saudi Arabia and lower Integrated Project Management activities in Indonesia. This decline was partially offset by strong activity in the Thailand/Vietnam and Malaysia/Brunei/Philippines GeoMarkets.

The improved sequential operating income was the result of a better revenue mix with the completion of a low profitability contract in Asia in the quarter and the ramp up of favorable projects in the Gulf.

WESTERNGECO

Third-quarter revenue of $301 million was 3% higher sequentially and 14% higher compared to the same period last year. Pretax operating income of $33 million improved $19 million sequentially and $70 million year-on-year.

Sequentially, Marine activity increased 7% due to better vessel utilization, particularly for Q-Marine* technology. The activity growth was strongest in West Africa, Mexico and South America. Land declined 8% reflecting the completion of some projects in Malaysia and the Middle East. Multiclient sales increased 3% mainly in North America, partially offset by the completion of a long-term volume agreement awarded in December 2003. Data Processing increased 10% due to a higher level of Q* processing and robust third-party work coupled with improved operational efficiencies.

Year-on-year revenue increased mainly from strong growth in Multiclient sales coupled with higher activity in North America. This reflected the renewed interest in the library resulting from higher oil prices and an increasing number of blocks in the Gulf of Mexico coming up for renewal. Data Processing grew 29% resulting in increased amounts of Q* processing and improved third-party backlog. Land revenue was flat year-on-year while Marine declined 9% due to lower activity in the Caspian coupled with an ocean-bottom cable crew operating on a substantially pre-funded Multiclient project in the Gulf of Mexico.

Sequential operating income increases were mainly in Marine resulting from higher vessel utilization and sustained Q* pricing. Data Processing also contributed to this improvement due to better operating efficiency.

The year-on-year operating income increase was led by Multiclient due to lower amortization cost following the impairment of the Multiclient library in the third quarter of last year, coupled with improved sales in North America. Marine also contributed to the improved performance with better pricing on Q* contracts.

The WesternGeco backlog at the end of the third quarter reached $602 million, increased 1% over the previous quarter and more than doubled year-on-year.

OTHER

Global revenue for the third quarter was $14 million with pretax income of $1 million; Essentis revenue was $3 million and pretax operating loss was $3 million; Public Phones revenue was $8 million and pretax operating income was breakeven.

INCOME STATEMENT

Interest income of $15 million increased $3.8 million compared to the same quarter last year. The average return on investment increased from 1.7% to 2.2% year-over-year. The average investment balance of $2.6 billion was down $20 million over last year. Gross margin (excluding net charges of $14 million in 2004 and $421 million in 2003) of 21% increased 1% compared to the same period last year. As a percentage of revenue, marketing expense was 0.2% less than last year and research & engineering expense decreased 0.5% from last year. General expense as a percentage of revenue decreased from 3.2% to 2.9%. Interest expense of $44 million decreased $32 million compared to same quarter last year. Average borrowing rates decreased from 4.0% to 3.6% compared to the same quarter last year. The average debt balance of $4.4 billion decreased $3 billion over the same quarter last year. The effective tax rate for the third quarter, excluding the charges of $14 million in 2004 and $507 million in 2003, was 19% for both 2004 and 2003.

Nine Months 2004 Compared to Nine Months 2003

Revenue for the nine month period ended September 30, 2004 of $8.5 billion increased 13% over the same period last year. Income from continuing operations of $656 million includes charges aggregating $199 million. The primary components of these charges are debt extinguishment costs ($100 million), costs related to the ineffectiveness/settlement of the US Interest Rate Swaps ($40 million), loss on the sale of Atos Origin SA common stock ($21 million), an Intellectual Property settlement ($10 million), and restructuring charges ($21 million). Excluding charges, income from continuing operations was $1.43 per share, compared to $1.00 per share for the same period last year.

Oilfield Services revenue of $7.5 billion increased 15% versus the same period last year. Pretax operating income was $1.3 billion, an increase of 18% year-on-year.

WesternGeco revenue of $905 million increased 3% compared to the same period last year. Pretax operating income was $81 million compared to a loss of $52 million last year.

Discontinued operations recorded a gain of $238 million ($0.39 per share) in 2004 and a gain of $437,000 in 2003.

Net income was $894 million, or $1.49 per share - diluted compared to a net income of $206 million, or $0.36 per share - diluted, in the third quarter of 2003.

OILFIELD SERVICES

Nine months revenue of $7.5 billion was 15% higher versus the same period last year. Pretax operating income of $1.3 billion increased 18% year-on-year. Revenue growth year-on-year was strongest in India, Mexico, Caspian, Russia and East Africa and East Mediterranean GeoMarkets. From a technology standpoint, double-digit gains were recorded in Well Services from growth in all regions, Wireline, Drilling & Measurements, Well Completions & Productivity and Integrated Project Management, with all remaining technology segments also higher year-on-year.

North America

Revenue of $2.3 billion increased 16% versus the same period last year. Pretax operating income of $362 million increased 40% year-on-year. Robust year-on-year growth was recorded in US Land and Canada, which benefited by strong performances in most technology Segments, particularly for Well Services. Alaska also posted growth mainly from increased activity for Well Completions & Productivity. Turnkey operations and stronger demand for Drilling & Measurements fueled year-on-year increases in the Gulf Coast. By technology, all segments, with the exception of Schlumberger Information Solutions, were higher year-on-year. Severe tropical storms and multiple hurricanes coupled with losses on a turnkey project in the Gulf Coast negatively affected growth in pretax income.

Latin America

Revenue of $1.3 billion was 22% higher year-on-year. Pretax operating income of $169 million increased 10% versus the same period last year. Demand for integrated services continued to drive significant growth in Mexico. Latin America South grew due to market share gains for Drilling & Measurements in Brazil, integrated projects in Argentina, and increased activity for Well Completions & Productivity and Schlumberger Information Solutions. Venezuela experienced decreased activity mainly due to ongoing contractual issues with PDVSA, which also largely dampened growth in pre-tax income in the region. By technology, significant growth was recorded across most segments.

Europe/CIS/West Africa

Revenue of $2.1 billion increased 8% year-on-year. Pretax operating income of $340 million decreased 1% year-on-year. Year-on-year growth was led by Russia with increases recorded in most segments, Caspian and West Africa GeoMarkets with demand particularly strong for Well Completions & Productivity, Drilling & Measurements and Wireline. These increases were partially offset by declines in United Kingdom due to the completion of integrated contracts in the prior year and lower activity in the North Sea. By technology, all segments, with the exception of Integrated Project Management and Schlumberger Information Solutions grew year-on-year. Year-on-year pretax income was impacted by local currency appreciation (Russian Ruble, Algerian Dinar, CFA and Euro) against the US dollar, unrest in Nigeria resulting in production shutdowns in the Western Delta and union strikes in Norway.

Middle East & Asia

Revenue of $1.8 billion was 17% higher year-on-year. Pretax operating income of $466 million was 23% higher versus the same period last year. Offshore and deepwater activity utilizing Wireline, Drilling & Measurements and Well Completions & Productivity technologies continued to drive year-on-year increases in India. Strong year-on-year growth was also reflected across most GeoMarkets, particularly in East Africa and East Mediterranean from increased activity in East and West Mediterranean, Indonesia from integrated projects and in the Gulf from higher demand for Wireline, Drilling & Measurements and Well Services technologies.

WESTERNGECO

Nine months revenue for WesternGeco of $905 million was 3% higher compared to the same period last year. The increase was driven by strong Multiclient sales reflecting the increased interest in the library resulting from a steady high oil price and an increasingly larger numbers of blocks in the Gulf of Mexico coming up for renewal, coupled with an increase in pre-commit revenue in North America. Land revenue declined mainly due to the shutdown of several crews active in the previous year in Alaska, Cameroon and Germany and lower activity in Mexico; partially offset by improvements in South America, Asia and the Middle East. Marine declined marginally on account of lower activity in Caspian, partially offset by higher vessel utilization in other regions while Data Processing improved marginally.

Q - Technology revenue grew 125% compared to the same period last year, with higher utilization of the Q-Marine fleet and the startup of the first Q-Seabed crew.

Pretax income of $81 million improved by $134 million mainly in Multiclient due to the impact of higher sales coupled with lower amortization following the impairment of the Multiclient library in September last year; Marine improved on account of better pricing and utilization; Data Processing improved on account of higher third party work while Land declined marginally.

OTHER

Global revenue for the nine months was $43 million with pretax income of $2 million; Essentis revenue was $9 million and pretax operating loss was $9 million; Public Phones revenue was $18 million and pretax operating loss was $3 million.

INCOME STATEMENT

Interest income of $40 million increased 3.5% compared to the same period last year. The average return on investment decreased from 2.5% to 1.8% year-over-year. The average investment balance of $2.8 billion increased by $821 million over last year due to liquidity generated by operations and business divestiture proceeds. Gross margin of 20% decreased 1.4% compared to the same period last year (excluding net charges of $44 million in 2004 and $421 million in 2003). As a percentage of revenue, marketing expense and research & engineering was 0.2% less than last year. General expense as a percentage of revenue decreased from 3.3% to 2.9%. Interest expense of $228 million decreased $33.4 million compared to the same period last year and decreased $101 million excluding the $63.9 million charge related to the US Interest Rate Swap. Excluding this charge the average borrowing rates decreased from 4.8% to 3.6%. The average debt balance decreased $1.1 billion compared to the same period last year. The effective tax rate for the first nine months, excluding the charges of $243 million in 2004 and $589 million in 2003, was 22% compared to 23% for the same period last year. The main cause of the decrease from last year were reduced losses for which valuation allowances were required and the geographic mix of results in WesternGeco.

CASH FLOW

During the first nine months of 2004, cash provided by operations was $978 million as net income plus depreciation/amortization and charges, including the extinguishment of European and US debt and the US Interest Rate Swap, were only partially offset by increases in customer receivables and inventories. Cash provided by investing activities was $2.4 billion with proceeds from the sales of the SchlumbergerSema business ($494 million), the Infodata business ($104 million), the Telecom Billing Software business ($37 million), the Business Continuity business ($233 million), the Axalto business ($606 million) the Electricity Meters North America business ($248 million), the proceeds from the sale of the Atos Origin shares ($1.16 billion) and a net change in investments ($556 million) only partially offset by investments in fixed assets ($801 million). Cash used by financing activities was $3.42 billion as the debt repayment of $3.5 billion, the payment of dividends to shareholders ($331 million), stock repurchase plan ($237 million) and debt extinguishment costs ($111 million) were only partially offset by the proceeds from employee stock plans ($213 million).

Net Debt is gross debt less cash, short-term investments and fixed income investments held to maturity. Details of the Net Debt follows:

(Stated in millions)

Nine Months	2004
Net Debt, beginning of period	**$(4,176)**
Net income from continuing operations	656
Excess of equity income over dividends received	(64)
Charges, net of tax and minority interest	199
Depreciation and amortization	979
Increase in working capital requirements	(561)
Capital expenditures	(845)
Dividends paid	(331)
Employee stock plans	213
Proceeds from the sale of the SchlumbergerSema business	495
Proceeds from the sale of the Telecom Billing Software business	37
Proceeds from the sale of the Infodata business	104
Proceeds from the sale of the Business Continuity business	233
Proceeds from the sale of the Axalto business	606
Proceeds from the sale of Axalto shares	99
Proceeds from the sale of Atos Origin shares	1,165
Proceeds from the sale of the Electricity Meters North America business	248
Proceeds from the sale of Telecom Messaging business	6
Stock purchase program	(237)
US pension plan payments	(249)
Debt extinguishment costs	(111)
Settlement of US interest rate swap	(70)
Investment in PetroAlliance	(12)
Other	(48)
Translation effect on net debt	6
Net Debt, end of period	**$(1,658)**

(Stated in millions)

Components of Net Debt	Sept. 30 2004	Dec. 31 2003
Cash and short-term investments	**$ 2,540**	$ 3,109
Fixed income investments, held to maturity	**185**	223
Bank loans and current portion of long-term debt	**(645)**	(1,411)
Long-term debt	**(3,738)**	(6,097)
	$ (1,658)	$ (4,176)

INFORMATION ON NON-GAAP MEASURES

In addition to financial results determined in accordance with generally accepted accounting principles (GAAP) this document also includes the following non-GAAP financial measures:

- *Net debt*: Net debt is 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, and that the level of net debt provides useful information as to the results of Schlumberger’s deleveraging efforts.
- *Income from continuing operations before charges and credits, diluted earnings per share before charges and credits and effective tax rate before charges and credits:*

The following is a reconciliation of:

- Income from continuing operations per the Consolidated Statement of Income to Income from continuing operations before charges and credits.
- Diluted earnings per share from continuing operations before charges and credits.

- Effective tax rate from continuing operations before charges and credits.

(Stated in thousands)

	Third Quarter 2004			
	Pretax	**Tax**	**Min Int**	**Net**
Per Consolidated Statement of Income	$ 380,196	$ 75,442	$ (7,684)	$297,070
Add back Charges:				
- Intellectual Property settlement charge	11,200	1,260	—	9,940
- Severance charge	3,000	—	—	3,000
Continuing operations before charges	$ 394,396	$ 76,702	$ (7,684)	$310,010
<u>Continuing operations before charges</u>				
Effective tax rate				19.4%
Diluted Earnings per Share				$ 0.52

	Third Quarter 2003			
	Pretax	**Tax**	**Min Int**	**Net**
Per Consolidated Statement of Income	$(259,693)	$ (59,645)	$112,035	$ (88,013)
Add back Charges & Credits:				
- Debt extinguishment costs	86,328	—	—	86,328
- Muticlient library impairment charge	398,365	105,723	(87,793)	204,849
- Vessel impairment charge	54,000	—	(16,200)	37,800
- Gain on sale of rig	(31,416)	—	—	(31,416)
Continuing operations before charges & credits	$ 247,584	$ 46,078	$ 8,042	$209,548
<u>Continuing operations before charges & credits</u>				
Effective tax rate				18.6%
Diluted Earnings per Share				$ 0.36

(Stated in thousands)

	Nine Months 2004			
	Pretax	Tax	Min Int	Net
Per Consolidated Statement of Income	$ 870,456	$202,253	$ (12,597)	$655,606
Add back Charges & Credits:				
- Debt extinguishment costs	114,894	14,029	—	100,865
- US interest-rate swap settlement gain	(9,620)	(3,300)	—	(6,320)
- Loss on sale of Atos Origin shares	6,635	—	—	6,635
- Vacated leased facility reserve	11,000	—	—	11,000
- Litigation reserve release	(5,000)	—	—	(5,000)
- Loss recognized on interest-rate swaps	73,515	27,164	—	46,351
- Loss on sale of Atos Origin shares	14,330	—	—	14,330
- Restructuring program charge	19,500	5,500	—	14,000
- Intellectual Property settlement charge	11,200	1,260	—	9,940
- Severance charge	7,000	—	—	7,000
Continuing operations before charges & credits	$1,113,910	$246,906	$ (12,597)	$854,407
<u>Continuing operations before charges & credits</u>				
Effective tax rate				22.2%
Diluted Earnings per Share				$ 1.43

	Nine Months 2003			
	Pretax	Tax	Min Int	Net
Per Consolidated Statement of Income	$ 151,470	$ 66,414	$120,468	$205,524
Add back Charges & Credits:				
- Debt extinguishment costs	167,801	—	—	167,801
- Multclient library impairment charge	398,365	105,723	(87,793)	204,849
- Vessel impairment charge	54,000	—	(16,200)	37,800
- Gain on sale of rig	(31,416)	—	—	(31,416)
Continuing operations before charges & credits	$ 740,220	$172,137	$ 16,475	$584,558
<u>Continuing operations before charges & credits</u>				
Effective tax rate				23.3%
Diluted Earnings per Share				$ 1.00

<u>Reasons for excluding charges and credits</u> - Management believes that the exclusion of these items enables it to more effectively evaluate Schlumberger's operations period over period and to identify operating trends that could otherwise be masked by the excluded items.

The foregoing non-GAAP financial measure should be considered in addition to, not as a substitute for, or superior to, total debt, net income, cash flows or other measures of financial performance prepared in accordance with GAAP as more fully discussed in Schlumberger's financial statements and filings with the Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

This 10-Q report, the third quarter 2004 earnings release and other statements we make contain forward looking statements, which include any statements that are not historical facts, such as our expectations regarding business outlook; growth for Schlumberger as a whole and for each of Oilfield Services and WesternGeco; oil and natural gas demand and production growth; operating and capital expenditures by Schlumberger and the oil and gas industry; the business strategies of Schlumberger's customers; and future results of operations. These statements involve risks and uncertainties, including, but not limited to, the global economy; changes in exploration and production spending by Schlumberger's customers and changes in the level of oil and natural gas exploration and development; general economic and business conditions in key regions of the world; political and economic uncertainty and socio-political unrest; and other factors detailed in our most recent Form 10-K, Form 10-Q and other filings with the Securities and Exchange Commission. If one or more of these risks or uncertainties materialize (or the consequences of such a development changes), or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Schlumberger disclaims any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Schlumberger does not believe it has a material exposure to financial market risk. Schlumberger manages the exposure to interest rate changes by using a mix of debt maturities and variable- and fixed-rate debt. With regard to foreign currency fluctuations, Schlumberger enters into various contracts, which change in value as foreign exchange rates change, to protect the value of external and intercompany transactions in foreign currencies. Schlumberger does not enter into foreign currency or interest rate transactions for speculative purposes.

Item 4: Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of Schlumberger's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of Schlumberger's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, the CEO and CFO have concluded that Schlumberger's disclosure controls and procedures were effective as of September 30, 2004 to ensure that information required to be disclosed by Schlumberger in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There has been no change in our internal controls over financial reporting that occurred during the quarter ended September 30, 2004 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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* Mark of Schlumberger

PART II. OTHER INFORMATION

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

During the quarter ended September 30, 2004, Schlumberger issued 27 shares of its common stock upon conversion of $2,000 aggregate principal amount of its 1.500% Series A Convertible Debentures due June 1, 2023. Such shares were issued in a transaction exempt from registration under Section 3(a)(9) of the Securities Act of 1933, as amended.

On May 27, 2004, Schlumberger delivered from treasury 421,870 shares of its common stock as partial consideration for the acquisition of an approximately 26% equity stake in PetroAlliance Services Company Limited. Such shares were issued in transactions exempt from registration under Regulations D and S of the Securities Act of 1933, as amended.

Share Repurchases

On July 22, 2004, the Board of Directors of Schlumberger approved a share buyback program of up to 15 million shares to be acquired in the open market before December 2006, subject to market conditions.

The following table sets forth information on Schlumberger's common stock repurchase program activity for the quarter ended September 30, 2004.

(Stated in thousands except per share amounts)

	Total Number of shares purchased	Average Price paid per share (1)	Total Number of shares purchased as part of publicly announced program	Maximum Number of shares that may yet be purchased under the program
July 1 through July 31, 2004	—	$ —	—	15,000
August 1 through August 31, 2004	3,476	$ 61.83	3,476	11,524
September 1 through September 30, 2004	340	$ 63.58	340	11,184
	3,816	$ 61.99	3,816	

(1) Average price per share includes the related commissions. The average price paid during the quarter excluding commissions was $61.96.

In connection with the exercise of stock options under Schlumberger's incentive compensation plans, Schlumberger routinely receives shares of its common stock from optionholders in consideration of the exercise price of the stock options. Schlumberger does not view these transactions as implicating the disclosure required under this Item. The number of shares of Schlumberger common stock received from optionholders is immaterial.

Item 6: Exhibits

Exhibit 3.1 Deed of Incorporation of Schlumberger Limited as last amended on May 4, 2001, incorporated by reference to Exhibit 3 (a) to Form 10-Q for the period ended June 30, 2001.

Exhibit 3.2 Amended and Restated Bylaws of Schlumberger Limited incorporated by reference to Exhibit 3 to Form 8-K filed April 17, 2003.

Exhibit 10.1 Schlumberger Limited 2004 Stock Deferral Plan for Non-Employee Directors.

Exhibit 10.2 Form of Option Agreement, Incentive Stock Option.

Exhibit 10.3 Form of Option Agreement, Non-Qualified Stock Option.

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Form of Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Form of Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and in his capacity as Chief Accounting Officer.

Schlumberger Limited
(Registrant)

Date: November 4, 2004

/s/ Frank A. Sorgie

Frank A. Sorgie
Chief Accounting Officer and Duly Authorized Signatory

Exhibit 10.1

**SCHLUMBERGER LIMITED
2004 STOCK AND DEFERRAL PLAN
FOR NON-EMPLOYEE DIRECTORS
(As Established Effective April 14, 2004)**

ARTICLE I
PURPOSES OF PLAN AND DEFINITIONS

1.1 Purpose. Schlumberger Limited established this 2004 Stock and Deferral Plan for Non-Employee Directors (the “Plan”) for the purpose of providing non-employee directors of the Company with regular grants of shares of the common stock of the Company (or units representing such shares) and the opportunity to defer a portion of their compensation, in order to provide greater incentives for those Directors to attain and maintain the highest standards of performance, to attract and retain Directors of outstanding competence and ability, to stimulate the active interest of such persons in the development and financial success of the Company, to further the identity of interests of such Directors with those of the Company’s stockholders generally, and to reward such Directors for outstanding performance. The Plan has been established effective April 14, 2004, subject to the approval of the stockholders of the Company at the April 2004 annual meeting.

1.2 Definitions.

“Annual Director Award Date” means the last day of the calendar month in which occurs the first Board meeting following the regular annual general meeting of the stockholders of the Company.

“Board of Directors” or “Board” means the Board of Directors of the Company.

“Committee” means such committee as is designated by the Board to administer the Plan in accordance with Article II, or if no such committee is designated, the Board.

“Common Stock” means the Common Stock, par value $.01 per share, of the Company.

“Company” means Schlumberger Limited, a Netherlands Antilles corporation.

“Determination Date” means the date on which delivery of a Participant’s deferred Stock Awards is made or commences, as determined in accordance with Section 5.1.

“Director” means an individual who is serving as a member of the Board.

“Effective Date” means April 14, 2004.

“Eligible Director” means each Director who is not an employee of the Company or of any of its subsidiaries.

“Participant” means an Eligible Director who is granted Stock Awards pursuant to Article III.

“Stock Account” means the bookkeeping account maintained for each Participant to record certain amounts deferred by the Participant in accordance with Article IV hereof.

“Stock Award” means an award of shares of Common Stock, restricted Common Stock or restricted Stock Units pursuant to Article III.

“Stock Unit” means a unit which represents the right to receive one share of Common Stock under such terms and conditions as may be prescribed by the Committee and this Plan.

ARTICLE II
ADMINISTRATION OF THE PLAN

2.1 Committee. This Plan shall be administered by the Committee.

2.2 Committee’s Powers. Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions which are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations, and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. The Committee shall also have the full and exclusive power to adopt rules, procedures, guidelines and sub-plans to this Plan relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures in foreign jurisdictions. The Committee may, in its discretion, determine the eligibility of individuals to participate herein, determine the amount of Stock Awards a Participant may elect to defer, or waive any restriction or other provision of this Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan in the manner and to the extent the Committee deems necessary or desirable to carry it into effect.

2.3 Committee Determinations Conclusive. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

2.4 Committee Liability. No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of Section 2.5 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by an officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

2.5 Delegation of Authority. The Committee may delegate to the Chief Executive Officer and to other senior officers of the Company its duties under this Plan (other than its granting authority described in Article III) pursuant to such conditions or limitations as the Committee may establish.

ARTICLE III
STOCK AWARDS

3.1 Shares Available. There shall be available for Stock Awards during the term of this Plan an aggregate of 150,000 shares of Common Stock. Shares of Common Stock will be made available from either the Company's authorized but unissued shares or treasury shares that have been issued but reacquired by the Company.

3.2 Annual Grants. On each Annual Director Award Date, each Eligible Director shall automatically be granted a Stock Award with respect to 2,000 shares of Common Stock in the form of a number of shares of Common Stock, restricted Common Stock or restricted Stock Units, with the form of such Stock Award to be determined by the Committee; provided, however, that no more than 30,000 shares of Common Stock, restricted Common Stock or restricted Stock Units may be awarded in any calendar year. The Stock Award shall be subject to such terms, conditions and restrictions (including vesting) as the Committee may determine in its discretion in connection with such award. In the event that on any Annual Director Award Date there are an insufficient number of shares reserved to make the automatic grants contemplated by this section, the number of shares subject to the Stock Awards made to each Eligible Director shall be reduced on a pro rata basis.

ARTICLE IV
DEFERRAL ELECTION AND ACCOUNTS

4.1 Deferral Election. A Director, at the discretion of the Committee, may irrevocably elect to defer the receipt of all or part of a Stock Award by submitting a Deferral Election in the manner specified by the Committee. The Deferral Election (i) shall specify the number of shares of Common Stock the receipt of which the Participant elects to defer, (ii) shall designate the period of deferral among the choices provided in Section 5.1, and (iii) may not be revoked or modified without the prior written approval of the Committee.

4.2 Timing of Elections. For the initial grants of Stock Awards in 2004 pursuant to Section 3.2, Deferral Elections must be made no later than April 13, 2004. For annual grants of Stock Awards pursuant to Section 3.2 after 2004, Deferral Elections must be made no later than the last day of the calendar year preceding the Annual Director Award Date. For newly appointed directors, Deferral Elections must be completed no later than the date 15 days after commencement of services as a Director. The Committee shall be authorized to adopt such other rules and limitations as it shall determine are necessary or appropriate with respect to the timing of elections to defer Stock Awards under the Plan.

4.3 Establishment of Accounts. The Company shall also set up an appropriate record (hereinafter called the "Stock Account") which will from time to time reflect the name of each Participant and the number of restricted Stock Units and, if applicable, dividend equivalents credited to such Participant pursuant to Section 4.4.

4.4 Crediting of Deferred Stock Awards or Restricted Stock Unit Awards. Any Stock Awards deferred pursuant to a Deferral Election as described in Section 4.1 shall be credited to the Participant's Stock Account as of the date the shares would otherwise have been delivered pursuant to Article III in the form of a number of restricted Stock Units equal to the number of shares of Common Stock deferred, and any restricted Stock Units awarded pursuant to Section 3.2 shall also be credited to a Participant's Stock Account as of such date. No interest will be credited to a Participant's Stock Account with respect to any restricted Stock Units. In the event that a dividend is paid on Common Stock during the period that restricted Stock Units are credited to the Participant's Stock Account, an amount equivalent to the amount of the dividend will be credited to the Participant's Stock Account and the accumulated amount will be paid out without interest at the end of the period of deferral.

4.5 Adjustments.

(a) Exercise of Corporate Powers. The existence of this Plan and any outstanding restricted Stock Units credited hereunder shall not affect in any manner the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) Recapitalizations, Reorganizations and Other Activities. In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (i) the number of restricted Stock Units relating to such class of Common Stock; (ii) the appropriate fair market value and other price determinations for such restricted Stock Units; (iii) the number of shares reserved for issuance under this Plan in Section 3.1 and (iv) the limitation designated in Section 3.2 of this Plan shall each be proportionately adjusted by the Board to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting any class of Common Stock or any distribution to holders of any class of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (i) the number of restricted Stock Units relating to such class of Common Stock; (ii) the appropriate fair market value and other price determinations for such restricted Stock Units; (iii) the number of shares reserved for issuance under this Plan in Section 3.1 and (iv) the limitation designated in Section 3.2 of this Plan to give effect to such transaction; provided that such adjustments shall only be such as are necessary to preserve, without increasing, the value of such items. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized to issue or assume restricted Stock Units by means of substitution of new restricted Stock Units, as appropriate, for previously issued restricted Stock Units or an assumption of previously issued restricted Stock Units as part of such adjustment.

ARTICLE V
DELIVERY OF DEFERRED SHARES

5.1 Period of Deferral. With respect to (a) Stock Awards deferred pursuant to Section 4.1, a Participant may elect that delivery of deferred Stock Awards credited to the Participant under the Plan be made or commence at (i) a date that is one year following the date of the termination of the Participant's status as a Director of the Company, or (ii) the date of the termination of the Participant's status as a Director of the Company, and (b) restricted Stock Units granted pursuant to Section 3.2, the Committee shall determine the date or conditions as of which shares represented by such restricted Stock Units will be delivered (the date elected or selected by the Participant or the Committee, as applicable, to be known as the "Determination Date"). Delivery of shares will be made within 60 days after the Determination Date.

5.2 Delivery of Deferred Stock Awards. As of the Determination Date, the aggregate number of restricted Stock Units and, if applicable, dividend equivalents credited to a Participant's Stock Account as of such Determination Date shall be calculated. A Participant shall receive delivery of a number of shares of Common Stock equal to the aggregate number of restricted Stock Units and a cash payment equal to the amount of the aggregate dividend equivalents.

5.3 Death Prior to Payment. In the event that a Participant dies prior to delivery of all shares and funds deliverable pursuant to the Plan, any remaining shares and funds shall be delivered to the Participant's estate within 60 days following the Company's notification of the Participant's death.

5.4 Delivery to Incompetents. To the extent allowed under applicable law, should the Participant become incompetent, the Company shall be authorized to deliver shares and funds deliverable pursuant to the Plan to a guardian or legal representative of such incompetent, or directly to such incompetent, whichever manner the Committee shall determine in its sole discretion.

ARTICLE VI
MISCELLANEOUS

6.1 Unfunded Plan. Nothing contained herein shall be deemed to create a trust of any kind or create any fiduciary relationship. This Plan shall be unfunded. To the extent that a Participant acquires a right to receive delivery of shares from the Company under the Plan, such right shall not be greater than the right of any unsecured general creditor of the Company and such right shall be an unsecured claim against the general assets of the Company.

Although bookkeeping accounts may be established with respect to Participants, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by stock or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company, the Board or the Committee be deemed to be a trustee of any stock or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to stock or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

6.2 Title to Funds Remains with Company. Amounts credited to each Participant's Stock Account shall not be specifically set aside or otherwise segregated, but will be combined with corporate assets. Title to such amounts will remain with the Company and the Company's only obligation will be to make timely delivery to Participants in accordance with the Plan.

6.3 Statement of Account. A statement will be furnished to each Participant annually on such date as may be determined by the Committee stating the balance of Stock Account as of a recent date designated by the Committee.

6.4 Assignability. Except as provided in Section 5.3, no right to receive delivery of shares hereunder shall be transferable or assignable by a Participant except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the U.S. Internal Revenue Code of 1986 or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder. Any attempted assignment of any benefit under this Plan in violation of this Section 6.4 shall be null and void.

6.5 Amendment, Modification, Suspension or Termination. The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment, modification or termination shall, without the consent of the Participant, impair the rights of any Participant to the number of restricted Stock Units credited to such Participant's Stock Account as of the date of such amendment, modification or termination and (ii) no amendment or modification shall be effective prior to its approval by the stockholders of the Company to the extent such approval is required by applicable legal requirements or the requirements of the securities exchange on which the Company's Common Stock is listed. The Board may at any time and from time to time delegate to the Committee any or all of this authority under this Section 6.5.

6.6 Governing Law. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of New York.

6.7 Tax and Social Insurance. Participants are responsible for any and all tax or social insurance due on Stock Awards or restricted Stock Units under this Plan. Participants shall pay or make arrangements to satisfy all withholding obligations of the Company related to this Plan. The Company has the authority to satisfy any withholding obligations from funds or shares of Common Stock deliverable pursuant to this Plan or other cash compensation due a Participant, if applicable.

6.8 Effect on Prior Plan's Term. Effective as of the date of stockholder approval of the Plan as contemplated in the last sentence of Section 1.1, the Schlumberger Limited Stock and Deferral Plan for Non-Employee Directors, as established effective April 19, 2001 (the "Prior Plan"), shall be frozen, and no additional Stock Awards shall be made under the Prior Plan.

Exhibit 10.2

OPTION AGREEMENT
SCHLUMBERGER <<year>> STOCK OPTION PLAN

INCENTIVE STOCK OPTION

Optionee: «fn» «ln»

SCHLUMBERGER LIMITED, a Netherlands Antilles corporation (the “Company”), hereby grants to you on <<date>> an incentive stock option to purchase a maximum amount of «shgtd» shares (the “Maximum Option Shares”) of Common Stock of the Company, par value $0.01 per share, at a price of $<<price>> (the “Exercise Price”) per share (the ”ISO”), <u>provided</u>, <u>however</u>, that the number of shares purchasable under this ISO may be less than the Maximum Option Shares, as more fully described below. Your ISO is subject to all the terms and conditions of the Schlumberger <<year>>Stock Option Plan as amended and in effect on the date hereof (the “Plan”) and this Agreement. Your ISO is intended to constitute an “incentive stock option” under Section 422 of the U.S. Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations promulgated thereunder.

The number of shares subject to this ISO is capped such that at any time, the number of shares subject to this ISO is equal to the <u>lesser</u> of: (i) the Maximum Option Shares with respect to which the ISO is exercisable less the number of shares previously purchased pursuant to this ISO or (ii) the number of shares determined such that the total spread (as defined below) which would be realized upon an exercise with respect to such number of shares would equal the product of (A) the number of shares determined in (i) above and (B) 125% of the Exercise Price. The “spread” for this purpose is the difference between the aggregate exercise price and aggregate fair market value of the shares as to which the ISO is exercisable, with fair market value determined as of the trading day preceding the applicable date. If, pursuant to this paragraph, the number of shares subject to this ISO includes fractional shares, the number of shares subject to the ISO will be rounded down to the nearest whole share.

This ISO expires on <<date>>

The shares subject to this ISO shall become purchasable in installments which are cumulative. The date on which each installment will become exercisable and the maximum number of shares comprising each installment are as follows:

DATE	MAXIMUM OPTION SHARES
«vdp1»	«sp1»
«vdp2»	«sp2»
«vdp3»	«sp3»
«vdp4»	«sp4»

This ISO may be exercised only by delivering to the Company a written notice specifying the number of shares you wish to purchase. The Compensation Committee, authorized by the Company to administer the Plan (the “Committee”), hereby notifies you that the ISO price may be paid, subject to such rules and procedures as the Committee may prescribe from time to time, (1) in cash or certified check, (2) by the delivery of shares of Common Stock of the Company with a fair market value at the time of exercise equal to the total ISO price or (3) by a combination of the methods described in (1) and (2).

To assist you in the acquisition of shares pursuant to the exercise of this ISO, the Committee in its sole discretion has authorized the extension of an option financing program coordinated with Fiserv Investor Services. The terms and procedures of this program or any such program that the Committee may authorize in the future will be communicated to you.

This ISO will expire earlier than the date set forth above if you terminate employment with the Company or subsidiary (within the meaning of Code Section 424(f)). If you terminate employment with consent of the Company, any exercise of this ISO must be made within three (3) months of termination of employment (or expiration date, if earlier) and then only to the extent the ISO was exercisable upon termination, unless you “retire” within the meaning of Section 5(c)(v) of the Plan or terminate employment due to death. Section 5 of the Plan provides specific rules for exercise of this ISO on termination of employment due to retirement or death and its terms are hereby incorporated in this Agreement. If termination of your employment is because of breach of your employment contract or your misconduct, this ISO will immediately expire and terminate. Termination of your employment without consent of the Company will cause your ISO to expire immediately.

This ISO may be forfeited, and any exercise you have made of this ISO may be rescinded, as further described below, if you engage in certain ‘detrimental activity’ as defined in the Plan. Specifically, if you engage in detrimental activity within one year following termination of employment for any reason other than retirement, this ISO will immediately expire and terminate and the Committee may rescind any exercise that you made under this option within six months preceding or three months following your termination. If you engage in detrimental activity within five years following termination of employment by reason of retirement, this ISO will immediately expire and terminate and the Committee may rescind any exercise that you made under this option within six months preceding or one year following your termination by retirement. In the event that any option exercise is rescinded by the Committee as described above, you will be obligated to pay the Company an amount equal to the spread on the shares with respect to which the rescinded exercise applied. (The “spread” for this purpose is the difference between the aggregate exercise price and aggregate fair market value of the shares as to which you exercised your option, with fair market value determined as of the exercise date.)

As contemplated by the Plan, you agree that you will not exercise your ISO or any portion thereof and that no obligation exists to issue or release shares of stock or accept an exercise of this ISO if the issuance or release of shares or the acceptance of the ISO exercise by the Company or a subsidiary constitutes a violation of any governmental law or regulation.

This ISO is not transferable or assignable except by will or laws of descent and distribution and then only to the extent exercisable at death. Any exercise of this ISO after your death must be made by the person or persons entitled to make such exercise under your will or by the laws of descent and distribution before expiration of the ISO.

By entering into this Agreement and accepting the grant of this ISO as evidenced hereby, you acknowledge and agree that subject to the terms of the Plan and this Agreement, (i) the Plan is discretionary in nature; (ii) the grant of this ISO is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iii) all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Committee; (iv) your participation in the Plan is voluntary; (v) the value of this ISO is an extraordinary item of compensation which is outside the scope of your oral, written or implied employment contract, if any; (vi) this ISO is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (vii) the vesting of this ISO ceases upon termination of employment for any reason except as may otherwise be explicitly provided in the Plan document; and (viii) the future value of the underlying shares is unknown and cannot be predicted with certainty.

By entering into this Agreement, you (i) authorize the Committee, the Company and the employer entity, and any agent of the Committee administering the Plan or providing Plan recordkeeping services, to disclose to the Committee, the Company or any of its affiliates such information and data as the Committee or the Company shall request in order to facilitate the grant of options and the administration of the Plan; (ii) waive any data privacy rights you may have with respect to such information; and (iii) authorize the Company and any such agent to store and transmit such information in electronic form.

The Plan and prospectus are both available on-line at **www.stock-options.slb.com**. A paper copy of the Plan and/or prospectus may be obtained by contacting the Stock Option Department, Schlumberger Limited, 153 East 53rd Street, 57th Floor, New York, New York 10022. By executing this Agreement, you acknowledge that you have reviewed a copy of the Plan and are familiar with its terms.

Kindly indicate your acceptance by signing both copies of this Agreement and returning one copy to the Stock Option Department, Schlumberger Limited, 153 East 53rd Street, 57th Floor, New York, New York 10022, no later than <<date>>. **If you do not return a signed copy of this Agreement to the above address by <<date>>, you will be deemed to have rejected this ISO, this ISO will be immediately forfeited and you shall have no rights under this Agreement.**

SCHLUMBERGER LIMITED

By ______________________________

<<name of officer>>

____

Optionee

OPTION AGREEMENT
SCHLUMBERGER <<year>> STOCK OPTION PLAN

NON-QUALIFIED STOCK OPTION

Optionee: «fn» «ln»

SCHLUMBERGER LIMITED, a Netherlands Antilles corporation (the “Company”), hereby grants to you on <<date>> a non-qualified stock option to purchase a maximum amount of «shgtd» shares (the “Maximum Option Shares”) of Common Stock of the Company, par value $0.01 per share, at a price of $<<price>> (the “Exercise Price”) per share (the ”Non-Qualified Option”), provided, however, that the number of shares purchasable under this Non-Qualified Option may be less than the Maximum Option Shares, as more fully described below. Your Non-Qualified Option is subject to all the terms and conditions of the Schlumberger <<year>> Stock Option Plan as amended and in effect on the date hereof (the “Plan”) and this Agreement. Your Non-Qualified Option is not intended to constitute an “incentive stock option” under Section 422 of the U.S. Internal Revenue Code of 1986 (the “Code”).

The number of shares subject to this Non-Qualified Option is capped such that at any time, the number of shares subject to this Non-Qualified Option is equal to the lesser of: (i) the Maximum Option Shares with respect to which the Non-Qualified Option is exercisable less the number of shares previously purchased pursuant to this Non-Qualified Option or (ii) the number of shares determined such that the total spread (as defined below) which would be realized upon an exercise with respect to such number of shares would equal the product of (A) the number of shares determined in (i) above and (B) 125% of the Exercise Price. The “spread” for this purpose is the difference between the aggregate exercise price and aggregate fair market value of the shares as to which the Non-Qualified Option is exercisable, with fair market value determined as of the trading day preceding the applicable date. If, pursuant to this paragraph, the number of shares subject to this Non-Qualified Option includes fractional shares, the number of shares subject to the Non-Qualified Option will be rounded down to the nearest whole share.

This Non-Qualified Option expires on <<date>>.

The shares subject to this Non-Qualified Option shall become purchasable in installments which are cumulative. The date on which each installment will become exercisable and the maximum number of shares comprising each installment are as follows:

DATE	MAXIMUM OPTION SHARES
«vdp1»	«sp1»
«vdp2»	«sp2»
«vdp3»	«sp3»
«vdp4»	«sp4»

This Non-Qualified Option may be exercised only by delivering to the Company a written notice specifying the number of shares you wish to purchase. The Compensation Committee, authorized by the Company to administer the Plan (the “Committee”), hereby notifies you that the Non-Qualified Option price may be paid, subject to such rules and procedures as the Committee may prescribe from time to time, (1) in cash or certified check, (2) by the delivery of shares of Common Stock of the Company with a fair market value at the time of exercise equal to the total Non-Qualified Option price or (3) by a combination of the methods described in (1) and (2).

To assist you in the acquisition of shares pursuant to the exercise of this Non-Qualified Option, the Committee in its sole discretion has authorized the extension of an option financing program coordinated with Fiserv Investor Services. The terms and procedures of this program or any such program that the Committee may authorize in the future will be communicated to you.

This Non-Qualified Option will expire earlier than the date set forth above if you terminate employment with the Company or subsidiary (within the meaning of Code Section 424(f)). If you terminate employment with consent of the Company, any exercise of this Non-Qualified Option must be made within three (3) months of termination of employment (or expiration date, if earlier) and then only to the extent the Non-Qualified Option was exercisable upon termination, unless you “retire” within the meaning of Section 5(c)(v) of the Plan or terminate employment due to death. Section 5 of the Plan provides specific rules for exercise of this Non-Qualified Option on termination of employment due to retirement or death and its terms are hereby incorporated in this Agreement. If termination of your employment is because of breach of your employment contract or your misconduct, this Non-Qualified Option will immediately expire and terminate. Termination of your employment without consent of the Company will cause your Non-Qualified Option to expire immediately. This Non-Qualified Option may be forfeited, and any exercise you have made of this Non-Qualified Option may be rescinded, as further described below, if you engage in certain ‘detrimental activity’ as defined in the Plan. Specifically, if you engage in detrimental activity within one year following termination of employment for any reason other than retirement, this Non-Qualified Option will immediately expire and terminate and the Committee may rescind any exercise that you made under this option within six months preceding or three months following your termination. If you engage in detrimental activity within five years following termination of employment by reason of retirement, this Non-Qualified Option will immediately expire and terminate and the Committee may rescind any exercise that you made under this option within six months preceding or one year following your termination by retirement. In the event that any option exercise is rescinded by the Committee as described above, you will be obligated to pay the Company an amount equal to the spread on the shares with respect to which the rescinded exercise applied. (The “spread” for this purpose is the difference between the aggregate exercise price and aggregate fair market value of the shares as to which you exercised your option, with fair market value determined as of the exercise date.)

As contemplated by the Plan, you agree that you will not exercise your Non-Qualified Option or any portion thereof and that no obligation exists to issue or release shares of stock or accept an exercise of this Non-Qualified Option if the issuance or release of shares or the acceptance of the Non-Qualified Option exercise by the Company or a subsidiary constitutes a violation of any governmental law or regulation.

This Non-Qualified Option is not transferable or assignable except by will or laws of descent and distribution and then only to the extent exercisable at death. Any exercise of this Non-Qualified Option after your death must be made by the person or persons entitled to make such exercise under your will or by the laws of descent and distribution before expiration of the Non-Qualified Option.

By entering into this Agreement and accepting the grant of this Non-Qualified Option as evidenced hereby, you acknowledge and agree that subject to the terms of the Plan and this Agreement, (i) the Plan is discretionary in nature; (ii) the grant of this Non-Qualified Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iii) all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Committee; (iv) your participation in the Plan is voluntary; (v) the value of this Non-Qualified Option is an extraordinary item of compensation which is outside the scope of your oral, written or implied employment contract, if any; (vi) this Non-Qualified Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (vii) the vesting of this Non-Qualified Option ceases upon termination of employment for any reason except as may otherwise be explicitly provided in the Plan document; and (viii) the future value of the underlying shares is unknown and cannot be predicted with certainty.

By entering into this Agreement, you (i) authorize the Committee, the Company and the employer entity, and any agent of the Committee administering the Plan or providing Plan recordkeeping services, to disclose to the Committee, the Company or any of its affiliates such information and data as the Committee or the Company shall request in order to facilitate the grant of options and the administration of the Plan; (ii) waive any data privacy rights you may have with respect to such information; and (iii) authorize the Company and any such agent to store and transmit such information in electronic form.

The Plan and prospectus are both available on-line at **www.stock-options.slb.com**. A paper copy of the Plan and/or prospectus may be obtained by contacting the Stock Option Department, Schlumberger Limited, 153 East 53rd Street, 57th Floor, New York, New York 10022. By executing this Agreement, you acknowledge that you have reviewed a copy of the Plan and are familiar with its terms.

Kindly indicate your acceptance by signing both copies of this Agreement and returning one copy to the Stock Option Department, Schlumberger Limited, 153 East 53rd Street, 57th Floor, New York, New York 10022, no later than <<date>>. **If you do not return a signed copy of this Agreement to the above address by <<date>>, you will be deemed to have rejected this Non-Qualified Option, this Non-Qualified Option will be immediately forfeited and you shall have no rights under this Agreement.**

SCHLUMBERGER LIMITED

By ______________________________

<<name of officer>>

____

Optionee

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Andrew Gould, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Schlumberger Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2004

/s/ Andrew Gould

Andrew Gould
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jean-Marc Perraud, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Schlumberger Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 4, 2004

/s/ Jean-Marc Perraud

Jean-Marc Perraud
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Schlumberger N.V. (Schlumberger Limited) (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Andrew Gould, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2004

/s/ Andrew Gould

Andrew Gould
Chairman and Chief Executive Officer

A signed original of this written statement required by section 906 has been provided to Schlumberger Limited and will be retained by Schlumberger Limited and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Schlumberger N.V. (Schlumberger Limited) (the "Company") on Form 10-Q for the quarterly period September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jean-Marc Perraud, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2004

/s/ Jean-Marc Perraud

Jean-Marc Perraud
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by section 906 has been provided to Schlumberger Limited and will be retained by Schlumberger Limited and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act of 1934, as amended.