Schlumberger Limited
2010 Annual Report

Financial Performance

(Stated in millions, except per share amounts)

Year ended December 31	**2010**	2009	2008
Revenue	**$ 27,447**	$22,702	$27,163
Income from continuing operations	**$ 4,267**	$ 3,156	$ 5,397
Diluted earnings per share from continuing operations	**$ 3.38**	$ 2.61	$ 4.42
Cash dividends declared per share	**$ 0.84**	$ 0.84	$ 0.84
Net debt	**$ 2,638**	$ 126	$ 1,129

Safety and Environmental Performance

Year ended December 31	**2010**	2009	2008
Combined Lost Time Injury Frequency (CLTIF)—Industry Recognized (OGP)	**1.3**	1.4	1.8
Auto Accident Rate mile (AARm)—Industry Recognized	**0.36**	0.39	0.44
Tonnes of CO_2 per employee per year†	**14**	13	14

†Continuing analysis of Schlumberger carbon dioxide emissions has shown that WesternGeco marine vessels and Integrated Project Management drilling rig operations are the two largest contributors to total company emissions. Schlumberger includes in its figures only those emissions from drilling rigs operated entirely under its control.

Schlumberger is the world's leading oilfield services company supplying technology, information solutions, and integrated project management that optimize reservoir performance for customers working in the oil and gas industry. The company employs approximately 108,000 people of over 140 nationalities working in approximately 80 countries. Schlumberger supplies a wide range of products and services, from seismic acquisition and processing; drill bits and drilling fluids; directional drilling and drilling services; formation evaluation and well testing to well cementing and stimulation; artificial lift and well completions; and consulting, software, and information management.

In This Report

Front Cover

From September to October 2010 Schlumberger helped Chilean national copper company Codelco and national oil company ENAP engineer and drill a third shaft planned as a backup for the ultimately successful rescue of the 33 miners trapped in the San Jose mine. Schlumberger and Smith provided drilling services that included planning and engineering, directional drilling, wellbore trajectory measurement, drilling fluids, and drill bits.

Letter from the Chairman

Schlumberger revenue in 2010 reached a new high of $27.45 billion, driven by strong activity in North America, steady progress in international markets, and the acquisitions of Geoservices and Smith International. Oil demand consumption averaged 87.7 million barrels per day in 2010, making the year-on-year increase the second largest in three decades, while natural gas prices saw pressure from higher unconventional gas production in North America and a greater supply of liquefied natural gas (LNG) around the world.

Within this market, Schlumberger Oilfield Services full-year revenue in 2010 of $22.08 billion grew 8% versus 2009, driven by recovery in North America with increasing demand and stronger pricing for pressure pumping services. This Area also benefited from greater activity in liquids-rich plays. Offshore, the tragic Macondo incident in the US Gulf of Mexico led to a shutdown in deepwater operations that severely impacted revenue and led to slowdowns in other parts of the world. Middle East and Asia Area revenue climbed 7% from a number of factors, including increasing Wireline logging and expanded IPM work. Latin America revenue grew by 2%, with rapid growth in Brazil overcoming weaker activity in Mexico as poor weather, increasing security concerns, and reduced client budgets impacted operations. Europe/CIS/Africa revenue decreased 4% versus 2009. Among the Technologies, growth was primarily seen in Well Services activities, both in volume and in price, although the acquisition of Geoservices also contributed to the increase.

In addition to growing activity, results were underpinned through continuing market penetration of new-technology services such as Scope* advanced logging-while-drilling measurements, Scanner* wireline technologies, and ACTive* coiled tubing services. Scanner services were boosted by the commercial introduction of the latest family member, the Dielectric Scanner* multifrequency dielectric dispersion service. In reservoir production, ACTive real-time coiled tubing services saw growth, particularly with ACTive conveyance of Wireline production logging technology and fiber-optic continuous measurement of temperature and pressure along the wellbore. The growing deployment of integrated technologies such as these highlights exciting growth possibilities across the Schlumberger technology portfolio.

It was, however, Drilling services that displayed early evidence of the opportunities provided by the acquisitions of Geoservices and Smith International. These successes included the completion of a remote three-well exploration project offshore Greenland that used Schlumberger technologies as well as Smith and M-I SWACO products and services and Geoservices mud logging. In Brazil, a similar combination of services helped one well record substantial increases in rates of penetration while meeting all directional drilling goals. In this particular case, the integrated nature of the bottomhole assembly demonstrated how technology optimization can benefit performance in the high-cost deepwater drilling environment. A third such operation offshore Indonesia further displayed the value of integrated bottomhole assemblies.

WesternGeco revenue of $1.99 billion in 2010 was 6% lower than 2009 primarily as a result of lower marine activity and weaker pricing. While land activity was also weaker, strong multiclient sales, particularly in the fourth quarter, were able to offset some of these effects. New seismic technology scored some significant successes with the penetration of marine single-vessel, full-azimuth Coil Shooting* surveys into a number of the major offshore basins around the world. Coil Shooting aquisition, unique to Schlumberger, brings better illumination of complex presalt, subsalt, and sub-basalt formations in a variety of environments.

The integration of Geoservices and Smith International proceeded smoothly. The complementary nature of many of our product and service lines helped the process as a network of integration teams and Area coordinators rapidly identified revenue and cost-synergy opportunities that contributed to results in 2010 and that augur well for 2011. Total Schlumberger 2010 results reflect four months of activity from the acquired Smith businesses, which contributed revenue of $3.30 billion.

From the perspective of safety, 2010 was a year of improvement in performance, with both injury rates and automotive accident rates falling by 8%. I believe that the effort put into driving management processes is paying off, and I expect us to continue to involve our land transportation contractors in our practices in 2011. Unfortunately, three fatal work process-related events reminded us that we must remain vigilant in the workplace and ensure that all work procedures are followed. The coming year will be one of consolidating lessons already learnt as well as one of instilling our safety practices in the 25,000 employees who joined us in 2010.

Two years ago we began a program called “Excellence in Execution”. This was designed to create a step change in our service quality and efficiency and, in deepwater, was aimed at enabling clients to reduce the risk and cost of their deepwater operations. The program, in addition to equipment and procedural improvements, provides for competency certification of all personnel involved in deepwater operations. We have been encouraged by the initial results of this multiyear initiative, as well as by our customers’ acceptance of it. While additional control and oversight will undoubtedly add cost, this will be offset in the long run by improvements in operating procedures and technology. We therefore welcome current efforts to better understand and control the risks associated with deepwater operations.

As we look forward to 2011, it is important to remember that the primary driver of our business has always been, and will remain, the demand for oil and gas. Oil prices have moved into a range that will encourage increased investment, particularly in exploration, which remains the swing factor in operators’ budgets. While we do not anticipate any substantial recovery in deepwater US Gulf of Mexico, we do expect a marked increase in deepwater activity in the rest of the world. These factors, coupled with increases in development activity and production enhancement in many other areas, promise stronger growth rates as the year unfolds.

For natural gas, activity in the United States is likely to remain strong—at least through the first half of the year—owing to the commitments necessary to retain leases, the backlog of wells to be completed, and the contribution of natural gas liquids to overall project economics. Increased service capacity, however, will negatively affect pricing at some stage during the year.

Overseas, the governing factor on gas activity, particularly in the Middle East, will be the ability of many nations to use gas as a substitute for oil to meet increased local energy demand, thus freeing up more liquids for export. Elsewhere, the long lead time necessary to execute large gas projects for LNG export will ensure that a certain level of activity is maintained.

Unconventional gas resources will continue to attract considerable interest outside North America. The leading activity will continue to be for conventional gas in tight, or low-permeability, reservoirs and in coalbed methane developments. There will be exploration activity around the potential that shale gas offers in many parts of the world.

In conclusion, I would like to thank our customers for their confidence and support and our employees for their dedication and commitment. Increased activity coupled with the greater technology needs of higher exploration, deepwater spending, and tight gas activity—particularly outside North America—will make 2011 a stronger year for Schlumberger. The importance of risk reduction and the minimization of drilling cost make the acquisitions of Geoservices and Smith major contributors to our future growth.

Andrew Gould
Chairman and Chief Executive Officer

Performed by Schlumberger

One Team, One Goal

Every year, the Performed by Schlumberger program recognizes projects across the company that have demonstrated excellence in teamwork, innovation, and business impact. The highest recognition goes to the project with the greatest overall impact, and that project receives the Schlumberger Chairman's Award. In 2010, the award went to the Mexico South Project Team.

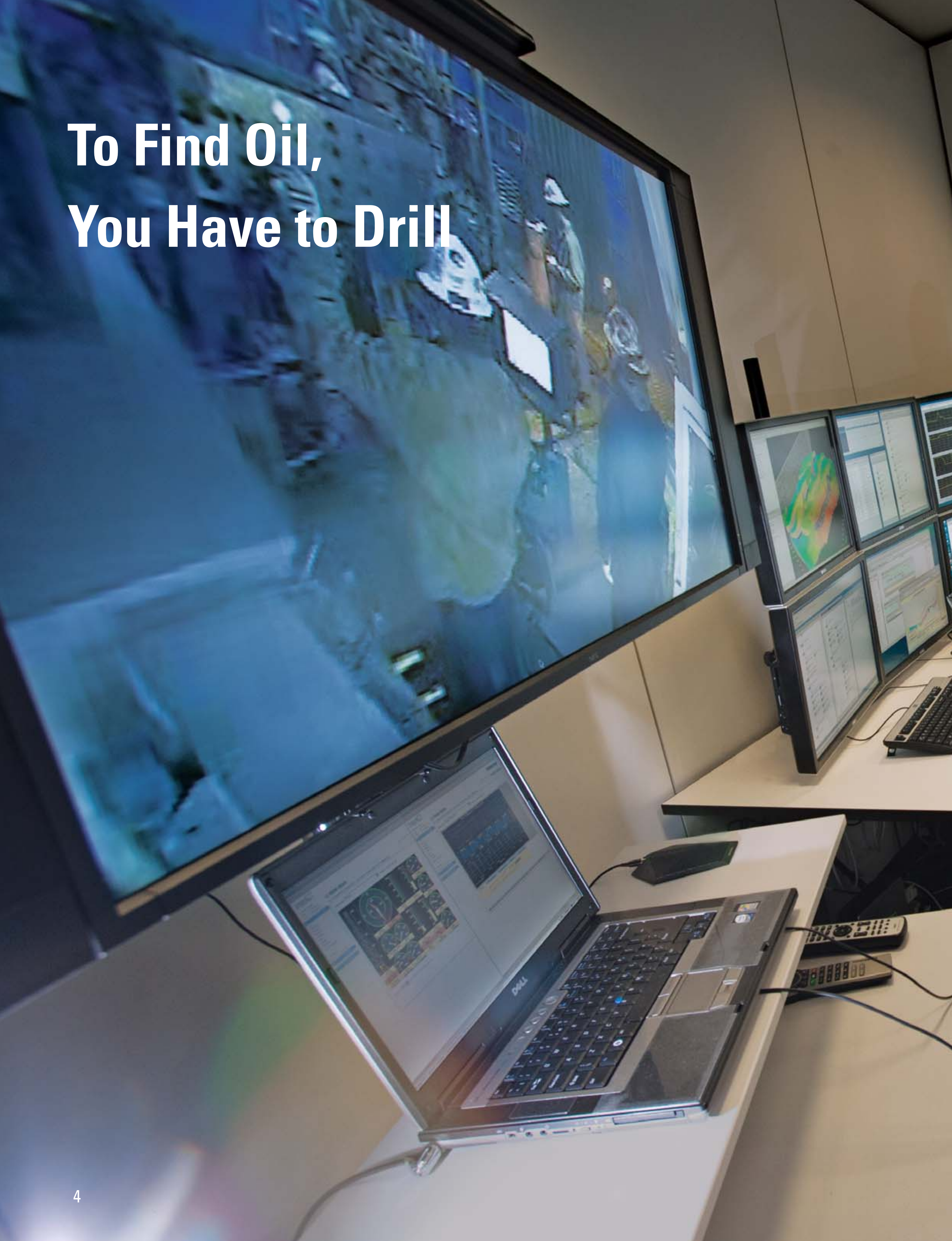
Wireline Field Engineer Viviane Karcher supervises ongoing openhole logging operations. In the Mexico South project, PEMEX and Schlumberger teams work closely together and Schlumberger technologies are well integrated to improve performance and optimize production.

Historically, oil fields in the Mexican national oil company PEMEX's South Region have performed an important role in the country's oil production, providing light sweet crude for blending with heavier crudes produced from other regions. In recent years, South Region production peaked at approximately 450,000 bbl/d. Faced with declining production in other regions, PEMEX challenged the region to deliver 650,000 bbl/d by 2015. To achieve this goal requires a dramatic increase in drilling intensity, which in turn requires an integrated approach—both in project management and in service delivery. Extreme operating conditions and a difficult drilling environment complicate the challenge, with average well depths approaching 20,000 ft and temperatures exceeding 370 degF.

In 2007, PEMEX contracted Schlumberger to manage two major initiatives launched in response to this challenge: the Mesozoic and Alianza Projects. A close partnership formed between the PEMEX drilling department and the Schlumberger Integrated Project Management team responsible for overseeing the operations. The Schlumberger and PEMEX drilling and productivity groups also worked closely together to better understand the reservoir's characteristics. The outcome was a clear plan for improving performance and optimizing production.

By 2010, the two projects had exceeded all expectations, with their wells delivering over 90,000 bbl/d to the region's production, more than 30% higher than was planned by this stage. Over 300,000 ft has been drilled and more than 40 new technologies deployed. One factor in this success is the focus on continuous performance improvement based on the global Schlumberger Excellence in Execution initiative, which has contributed to an average improvement of more than 60% in performance indicators between 2007 and 2010. Another factor is the close collaboration with PEMEX's geoscientists and engineers to meet the challenges of drilling to such depths. The projects still face other challenges in reaching their targets for 2015, but the results delivered so far are a source of inspiration for the future.

To Find Oil, You Have to Drill



Drilling as a Science
Connecting research scientists with field operations in real time enables close collaboration in the development of new drilling technologies. Senior Development Engineer Rustam Isangulov and Program Manager Maurice Ringer track drilling operations remotely from the Operation Support Center in the Schlumberger Cambridge Research Center, UK.

Understanding Rock Mechanics

With exploration and production moving to more complex reservoirs, knowledge of rock geomechanical properties is critical to the efficiency of the drilling process. Geomechanic Engineer Nancy Clizbe Patti performs mechanical tests on samples of reservoir rock at the TerraTek Geomechanics Laboratory, Salt Lake City, Utah, USA. Schlumberger acquired TerraTek, Inc. in 2006.*

To Find Oil, You Have to Drill

Under current policies, global primary energy demand is forecast to grow by more than 40% over the next 25 years. To meet this demand, a wide range of energy resources is required, with oil and natural gas providing the majority. Yet about half of the conventional oil needed by the end of the next decade has still to be developed—or even found—and it is possible that conventional non-OPEC oil production levels may already be reaching a plateau. New oil supplies to fill the deficit will have to come from more unconventional and difficult-to-reach sources that require new technology for their safe and economic development.

The situation is similar for natural gas—much of the production needed by 2035 will come from fields placed on production since 2008. And while considerable conventional sources exist, the vast majority of the world's gas resources are unconventional—trapped in shale formations, low-permeability reservoirs, and coalbed methane formations. Although producing from these unconventional reservoirs is technologically intensive, the growth in their contribution to today's energy production has been dramatic, particularly in the United States.

With costs rising for new supplies of both oil and natural gas, the challenges of matching supply and demand can only increase. New geographies characterize some of these challenges, including offshore Greenland and central Sub-Saharan Africa, while extraordinary concentrations of activity can be found in Brazil, the North Sea, North Africa, Southeast Asia, Eastern and Western Siberia, and the Caspian.

Across these and other areas, the industry is challenged by deeper water, more difficult logistics, increasingly complex geological settings, and higher degrees of temperature and pressure. The result is greater difficulty in transforming resources into reserves, and reserves into production.

Given this context, an old industry adage holds truer than ever: If you want to find oil, you have to drill. But not only do you have to drill, you also have to increase the intensity at which you drill—in terms of technological sophistication, well and reservoir complexity, and operational efficiency and effectiveness.

Increasing Drilling Intensity—The Role of Technology

Over the last 30 years, one succinct measure of drilling intensity has been the technology that makes it possible to construct deviated wells that reach 12 km in length and vertical wells that reach a similar number of kilometers in depth. Another is the technology that positions wells to remain within meters of a given target or to follow thin reservoir beds closely over considerable lateral distances.

But the need for drilling technology can also be measured by the market for drilling services—a market that has trebled in only 10 years. With neither the global rig count nor the worldwide production of oil and gas experiencing similar growth, this increase reflects the increased drilling intensity and technology needed to sustain and grow oil and gas production. Given the task that lies ahead, even further advances in drilling technology are required to improve operational performance, reliability, and cost-effectiveness to in turn reduce overall finding and development costs. These technology advances fall into three areas.

First, new technology must lower technical risk and increase performance in the exploration and development of conventional hydrocarbons from the world's remaining underexplored or undeveloped areas. In the last 10 years, more than half of all new oil and gas fields discovered have been offshore—a trend that is likely to continue, particularly in deepwater areas.

Second is the technology required to recover the unconventional hydrocarbons that make up an increasing part of the supply. The need is for better extraction, lower cost, and a smaller environmental footprint. The doubling of North American land rigs with horizontal drilling capability between 2007 and 2010 demonstrates the extent to which this change is occurring.

The third area for technology development concerns reserves already in production. Prolonging their exploitation and increasing their ultimate recovery represent a major opportunity. It is here that increased drilling intensity will have the biggest impact in the short to medium term, with new concepts such as the Factory Drilling* approach—pioneered by Schlumberger—already proving their worth.

Designing for Faster Drilling (above)
Engineering tests in the laboratory translate to better drilling performance in the well. Technician Ryan Meng prepares to test a polycrystalline diamond compact (PDC) cutter design on a sample rock formation at the Smith Bits Engineering Center in Houston, Texas, USA. The results are used to simulate the drilling mechanisms and optimize the design of the bit.

Integrating Technology (left)
Traditional product boundaries are being broken as technology development moves increasingly toward integration of the drilling workflow. Engineers from Schlumberger, Smith Neyrfor, and Extreme Engineering, a company acquired by Schlumberger in 2008, collaborate on the development of integrated downhole technology to ensure the compatibility of bottomhole assembly components.

Obviously, the days of any one drilling technology meeting a variety of applications are over. Considering that the average nonproductive time in drilling operations worldwide remains about 20%, and adding the extra cost that will undoubtedly arise from further control and oversight of deepwater operations, the value of differentiated drilling technologies can only increase.

However, the development of drilling technology has largely been as a series of separate components. And while their individual performance has been optimized, similar optimization of the entire system, from rig floor to drill bit, must now be targeted in an integrated manner. Only then will it be possible to make the required step change in performance that the future supply of oil and gas requires. But engineering this combination goes beyond the integration of drilling technologies and requires optimization of the entire drilling workflow—from research and engineering to operational execution.

Improving Drilling Performance—The Need for Integration

Today, a large part of the energy input at the drilling rig floor may never reach the drill bit. Instead of cutting rock, energy is lost through friction, mechanical shock, and vibration—all of which can lead to premature failure of downhole equipment, longer drilling times, and higher economic and technical risks. Indeed, the motion of thousands of meters of spaghetti-like pipe in a wellbore a few tens of centimeters in diameter is prone to all manner of mechanical behavior that is only becoming understood today. In fact, studies have shown that improvement in the management of energy input at the surface can increase downhole tool reliability by a factor of two or three.

At the same time, drilling performance is constrained by the ability to understand and control the downhole environment—including reservoir characteristics, rock properties, drilling fluid behavior, and borehole pressure. Real-time data transmitted from the bottomhole drilling assembly already provide much valuable information, but the integration and control of drilling components require a wider range of recorded parameters in addition to measurement continuity from the drill bit to the rig floor. After all, what cannot be measured cannot be controlled or improved.

Achieving a step change in drilling performance begins with recognizing the three key objectives of the workflow. The first of these is increasing overall drilling efficiency, which is a function of the rate of penetration and the overall time actually spent drilling. The second is precise well placement and formation evaluation to maximize production and provide quantitative reservoir characterization. The third objective is wellbore evaluation and assurance, defined as the need to protect the integrity of the well throughout its productive life.

Reaching these objectives requires a move from regarding drilling as an art form to thinking of it as a science. As such, a much greater degree of optimization is necessary across the drilling workflow, from the development of technology through its application in the field.

Optimizing the Workflow—From Technology to People

Optimizing the drilling workflow is a complex and multidimensional challenge. It begins with a commitment to research and development, which must be approached in an integrated multidisciplinary manner because the technical solutions span an entire spectrum of scientific disciplines. Indeed, experience has already shown that testing drilling concepts in the laboratory with computer simulation or through the use of scale models can dramatically reduce technology development times.

Drilling—Optimizing Bit Design

The rate of penetration, or the speed at which a well is drilled while maintaining good directional control, is largely dependent on the efficiency at which the drill bit is able to cut or grind the rock. This in turn depends on the weight applied to the bit, the rate of its rotation, and the manner in which the bit addresses the rock.

The design engineers at Smith Bits use the IDEAS* integrated dynamic engineering analysis system to understand how the cutting structure interacts with the rock and its behavior as an integral part of the total drilling system. Even small changes in cutter position and orientation can have significant effects on drilling performance and reliability.

Using the IDEAS system, the designer can arrive much more quickly at an optimal design and then certify the performance capabilities of each bit through a simulation and modeling methodology that takes into account not just the lithology but also the drillstring, drive system, bottomhole assembly, and total system influence on drillbit behavior.

By combining the Smith engineering workflow with information detailing the exact steering process for the latest Schlumberger rotary steerable tools, a new range of drill bits matched to both drilling environment and rotary steerable system can be developed.

Modeling on a Small Scale (above)
Modeling provides rapid testing of research theory. Scientific Advisor John Cook uses scale models of the drilling assembly in the Schlumberger Cambridge Research Center to advance understanding of the complex vibration characteristics encountered while drilling. The physical properties of the model components are chosen to faithfully mimic those of a full-size drillstring.

Testing the Big Picture (left)
The horizontal drilling facility in Stonehouse, Gloucestershire, UK, gives research engineers the flexibility to perform practical drilling tests using full-scale equipment in a variety of horizontal well trajectories. Tests that previously took months of preparation and planning can now be completed in a matter of days, shortening the time to market for new technology.

But integrating the drilling workflow also demands access to all the technologies of the drilling system—the bottomhole assembly, drilling fluid, drillstring, and surface equipment. In 2010, Schlumberger gained this access through the merger with Smith International, the acquisition of Geoservices, and the joint-venture agreement with National Oilwell Varco for wired drillpipe technology development. Each company is a clear leader in its own field.

However, one further step to complete integration is required—the combination of technology with people and process. Over the past five years, Schlumberger has developed Operation Support Centers around the world. From initial applications in the North Sea and the Gulf of Mexico, the OSC* network has evolved to an industrialized and global deployment of more than 30 centers that provide 24/7 performance assurance for drilling operations worldwide—both on land and offshore.

The centers are staffed by specialists from a range of technical disciplines, and their remote support has made possible sustained reductions in nonproductive drilling time. The same specialists mentor less-experienced crews on the job and improve operational visibility to accelerate organizational learning. As a result, recurring patterns of workflow and technology issues are identified and addressed through local training, regional guidelines, and global standards.

As more complex and difficult-to-reach reservoirs are developed, the Operation Support Centers also optimize technical expertise for performing higher value real-time workflows, such as drilling optimization, well placement, and drilling geomechanics. With the industry facing increasingly greater drilling challenges, the centers provide the operational platform required to manage performance—particularly in the high-cost deepwater environment.

Engineering for Reliability—Learning from Others

About one-fifth of the total time spent drilling a well today is nonproductive. While natural events such as adverse weather are partly responsible, equipment failure and human error also contribute. And while remote support centers help improve the latter, improving the reliability of the technology deployed can also increase performance. This is a significant prize: one-fifth of the time translates to one-fifth of the cost, and with operating budgets in the billions of dollars, the money at stake is huge.

But the development of technology requires many different inputs and considerations that are not necessarily specific to the exploration and production industry. It is therefore instructive to consider techniques that can be adopted from other leading industries as we seek to create a step change in our own performance.

The functions of today's family car, for example, are monitored by ever greater numbers of sensors. Dashboard computers track performance, measure efficiency, and warn of impending problems. In contrast, the monitoring of a drilling rig and its equipment is much more limited—with sparse instrumentation on the drawworks, drillpipe, bottomhole assembly, and drill bit.

But beyond monitoring and automation, the automotive industry has also been a leader in engineering and manufacturing methods dedicated to improving reliability and ensuring repeatability. With the drive toward improved drilling efficiency, similar changes in oilfield technology can be achieved. While a quality rating of 97% may seem acceptable, it corresponds to 30 hours lost in every 1,000—or about a day a month.

Drilling Measurements—Monitoring, Instrumentation, and Control

Measurement is key to understanding the science of drilling, and the only way to gain a complete picture of the drilling environment is to combine measurements coming from both downhole and surface sensors. The drilling fluid, which circulates down the drillstring before returning to surface, is an excellent source of information because it carries rock cuttings together with small quantities of formation fluids absorbed during the circulation process.

Engineers from Geoservices employ a variety of surface sensors together with precision measurement equipment such as gas chromatographs and mass spectrometers to analyze the drilling process from the surface. For example, Geoservices FLAIR* technology provides the quantitative composition of any light hydrocarbon components in the drilling fluid returns—corrected for the effects of recycling and contamination. This composition can vary dramatically, not only in different reservoirs but also within different compartments and zones of the same reservoir formation.

Combining these surface measurements with real-time downhole formation evaluation and drilling mechanics data from Schlumberger Drilling & Measurements technologies delivers a powerful tool for optimizing the rate of drilling while positioning the wellbore in the most productive zone. Furthermore, such real-time measurements can serve as input data to control algorithms that form the basis for a future generation of optimized automatic drilling.

Testing for Quality
The Schlumberger Engineering, Manufacturing and Sustaining organization focuses on equipment reliability, manufacturability, and maintainability. At the product center in Shanghai, China, Drilling & Measurements Assembly and Testing Technicians Jia Yi Cao and Lei Jiang check part of a PowerDrive rotary steerable system.

To achieve a step-change improvement in technology performance, Schlumberger is establishing systems, processes, and standards across product development and manufacturing centers worldwide. The creation of a new Engineering, Manufacturing and Sustaining organization in 2007 has already brought a strong focus on equipment reliability, manufacturability, and maintenance. The result has been a major evolution in the way the company works and is leading to faster commercialization of more reliable products, more efficient industrialization of innovative ideas, coordinated development of enabling technologies, and stronger operational support.

The most visible first improvements have been achieved through improving existing commercial product quality and reliability—while reducing cost and managing obsolescence. At the same time, what has been learned in sustaining has been applied earlier in new product development. Physically testing of the limits of new designs in different ways builds greater margins into field equipment to make it more robust and more reliable. For example, it is no longer enough to test new designs for resistance to shock or vibration at surface temperatures. Those tests must also be conducted under temperatures and pressures that replicate downhole conditions.

One example of the difference sustaining efforts can make is illustrated by the PowerDrive* 475 rotary steerable system. In 2009, this technology attained a record average mean time between failures of 1,390 hours—representing an increase of 695 hours over the previous year's 694 hours—a 100% improvement. This step change in reliability was achieved through a combined effort involving field locations, technology center efforts, supply chain management, and cooperation with a number of customers.

Continuing to Lead—Excellence in Execution

Greater equipment reliability and the expertise delivered by Operation Support Centers both contribute to improving drilling performance. When combined with integrated drilling systems to achieve greater drilling intensity, they contribute to achieving operational excellence as part of the Schlumberger Excellence in Execution initiative.

Excellence in Execution is a concept designed to increase performance through improving technology development, deployment, and delivery. In a nutshell, it's all about consistency—with everybody getting it right the first time, every time. To make this happen, Schlumberger is making other changes that focus on the field support organization, for it is here that operational tools receive the maintenance they need while in service.

Over the last five years, more than USD 500 million has been invested in building new large oilfield services bases around the world. This investment has been complemented by upgrades of other bases to equally high standards. The new facilities provide standardized and more robust maintenance practices that support the introduction of processes focused on quality improvement, cost reduction, and efficiency. Equipment is tracked through the facility, upon return from one job and on its way to the next, in an approach very similar to that adopted by the aviation industry. This has already led to reduced maintenance time and lower nonproductive operational time.

Of course, it's not only a question of infrastructure; it's also a question of training. Considerable investment has therefore been directed to developing new-generation learning centers. The new centers bring consistency and efficiency to the entire training process. Not only are they equipped with test wells, drilling rigs, service

Drilling Fluid Mechanics—Collaboration and Interaction

Drilling fluids, or "muds," are carefully designed and selected to perform a variety of critical roles in the drilling process. They maintain the necessary hydrostatic pressure to prevent unwanted formation fluids from entering into the wellbore, and their viscous properties are needed to transport cuttings from the bottom of the hole to surface. The chemical properties of the drilling fluid are engineered to inhibit damage to the wellbore surface, and the hydraulic properties are essential to cooling and cleaning the bit as it drills through rock.

M-I SWACO, Smith Bits, and the Schlumberger Research Centers are studying the complex interactions between the bit, drilling fluid, formation, and drilling parameters. Their combined expertise will improve understanding of the mechanisms that influence drilling performance, such as bit balling, an unwanted condition where a sticky mass of consolidated formation cuttings becomes adhered to the bit, which limits its ability to cut through rock and results in reduced penetration.

Drilling fluids are also designed to minimize any potential impact on the environment. M-I SWACO scientists study growth patterns of vegetation in soils exposed to drilling fluids as well as the effects of such fluids on freshwater and marine environments.

Centralizing Maintenance (above)
At the Commerce City base in Colorado, USA, maintenance technicians are actively engaged in the continuous improvement of their facility. The layout of the shop floor and the movement of assets through the maintenance process is continuously optimized using LEAN methodology to further improve efficiency.

Achieving Excellence in Execution (left)
The maintenance and movement of the US land equipment fleet is centralized at the Commerce City Drilling & Measurements base. Logistics Manager Kevin Shackelford, assisted by Tool Traffic Controllers Santiago Alban and Clint McCauley, ensures that customers' equipment needs are constantly met.

pads, and classrooms, they also house laboratories in which technical staff can develop consistent maintenance skills.

Centralized training promotes tremendous standardization—ensuring that every operating engineer, every maintenance engineer, and every crew member is trained to the same level of competency. After all, the training of maintenance engineers is just as important as that of the operating field engineers, particularly since the consistency of their work has a direct bearing on the performance of the equipment in their charge.

The growing intensity of oilfield operations increasingly favors differentiation not only through superior technology but also through operational performance. Excellence in Execution responds to this by significantly improving the way Schlumberger delivers its services and products.

Reducing Operational Risk—Putting It All Together

There is no question that oil and natural gas will still be the major source of the world's energy supply for decades to come. New and innovative technologies will solve many of the challenges in producing the more diverse hydrocarbons that will form part of that supply, but there is no doubt that drilling intensity will have to increase—both on land and offshore. Integrated engineering of drillstring components will be a major contributor to achieving that intensity.

Schlumberger market positions in directional drilling, measurement while drilling, and logging while drilling combined with Smith's leading positions in drill bits, drilling tools, and drilling fluids through M-I SWACO as well as the expertise of Geoservices in mud logging will help customers reach the three key objectives of improved drilling efficiency, better well placement, and wellbore assurance.

Improved drilling efficiency will be achieved by the interoperability and full compatibility of drillstring components with each other and by the increased understanding of the interaction of the drilling process with the rock formation—hydraulically and mechanically.

Better well placement comes through the correct acquisition, interpretation, and application of a combination of surface and downhole petrotechnical measurements to enable precise and accurate wellbore steering while aiding reservoir characterization and increasing productive reservoir exposure. The core Schlumberger skill of petrotechnical metrology represents an unassailable competitive advantage.

Last, greater wellbore assurance results from key Schlumberger skills in subsurface understanding and expertise to ensure wellbore integrity over the life of the well. Schlumberger leadership in petrotechnical skills, workflow processes, and subsurface engineering is the clear differentiator vital to such assurance.

The seamless integration of drilling technology and workflow is the ultimate enabler for increasing drilling intensity while reducing operational risk. To achieve this, there must be a clear drive toward drilling as a science and the implementation of initiatives that encourage equipment reliability and operational consistency. As such, the span of optimization encompasses the design and development of integrated drilling systems, continues through the training of both field crews and maintenance staff, and leverages new-generation facilities for state-of-the-art operational bases, multidisciplinary training centers, and remote operational support locations.

Excellence in Execution—Centralized Maintenance Facilities

Larger-scale facilities provide more standardized and robust maintenance practices. The Drilling & Measurements base in Commerce City, Colorado, USA, is an excellent example of what can be achieved through the centralization of resources. This base manages the maintenance and movement of the

entire US land equipment fleet, covering an operating area of 3 million square miles. The maintenance technicians follow a global training and development program and are actively engaged in continuous improvement of their facility. The layout of the shop floor and movement of assets through the maintenance process have been optimized, and monthly objectives are set to further improve efficiency by identifying and eliminating wasted time and resources.

The maintenance team's ownership of its performance has delivered dramatic results. In the two years since the facility began maintaining the US rotary steerable fleet, the daily throughput of tools has doubled without any significant increase in people or resources. Efficiency gains like this enable quicker turnaround of tools, which reduces the number of assets required. Equipment reliability has also increased with standardization and specialization at one operating base. Logistics are managed by a dedicated control center, which plans the movement of assets for maximum utilization. This implementation of Excellence in Execution benefits customers through improved reliability and equipment availability while Schlumberger benefits from cost and efficiency savings.

Globalizing Standards and Training
Excellence in Execution is a way of working that extends across all Schlumberger technologies. Trainee Electronic Technician Iris Peregrino performs routine maintenance on a Wireline mechanical coring tool in the laboratory at the newly opened operations base in Macaé, Brazil. She follows the same technical training and the same maintenance standards as all other technicians around the world.

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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________
Commission File Number 1-4601

Schlumberger N.V. (Schlumberger Limited)

(Exact name of registrant as specified in its charter)

Curaçao **(State or other jurisdiction of incorporation or organization)**	**52-0684746** **(IRS Employer Identification No.)**
42, rue Saint-Dominique **Paris, France**	**75007**
5599 San Felipe, 17th Floor **Houston, Texas, United States of America**	**77056**
Parkstraat 83, The Hague, **The Netherlands** **(Addresses of principal executive offices)**	**2514 JG** **(Zip Codes)**

Registrant's telephone number in the United States, including area code, is:
(713) 375-3400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange Euronext Paris The London Stock Exchange SIX Swiss Exchange Ltd.

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

As of June 30, 2010, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately $65.9 billion.

As of January 31, 2011, the number of shares of common stock outstanding was 1,360,993,901.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document have been incorporated herein by reference into Part III of this Form 10-K to the extent described therein: the definitive proxy statement relating to Schlumberger's 2011 Annual General Meeting of Stockholders ("2011 Proxy Statement").

SCHLUMBERGER LIMITED

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Form 10-K

PART I

Item 1. Business.

All references in this report to “Registrant,” “Company,” “Schlumberger,” “we” or “our” are to Schlumberger Limited (Schlumberger N.V., incorporated in Curaçao) and its consolidated subsidiaries.

Founded in 1926, Schlumberger is the world’s leading supplier of technology, integrated project management and information solutions to the international oil and gas exploration and production industry. Having invented wireline logging as a technique for obtaining downhole data in oil and gas wells, the Company today provides the industry’s widest range of products and services from exploration through production. As of December 31, 2010, the Company employed approximately 108,000 people of over 140 nationalities operating in approximately 80 countries. Schlumberger has principal executive offices in Paris, Houston and The Hague.

On August 27, 2010, Schlumberger acquired all of the outstanding shares of Smith International, Inc. (“Smith”), a leading supplier of premium products and services to the oil and gas exploration and production industry. In connection with this transaction, Schlumberger issued 176 million shares of its common stock, valued at approximately $9.8 billion as of the acquisition date. As a result of this transaction, Schlumberger consists of five business segments as of December 31, 2010 – Schlumberger Oilfield Services, WesternGeco, M-I SWACO, Smith Oilfield and Distribution.

Schlumberger Oilfield Services operates in each of the major oilfield service markets, managing its business through its GeoMarket* regions, which are grouped into four geographic areas: North America, Latin America, Europe/CIS/Africa and Middle East & Asia. The GeoMarket structure offers customers a single point of contact at the local level for field operations and brings together geographically focused teams to meet local needs and deliver customized solutions. Within this business structure, Schlumberger Oilfield Services products and services are developed by a number of technology-based product lines, or Technologies, to capitalize on technical synergies. These products and services cover the entire life cycle of the reservoir and correspond to a number of markets in which Schlumberger Oilfield Services holds leading positions. The Technologies are also responsible for overseeing operational processes, resource allocation, personnel and quality in the GeoMarkets.

The Technologies are:

- Wireline – provides the information necessary to evaluate the subsurface formation rocks and fluids to plan and monitor well construction, and to monitor and evaluate well production. Wireline offers both open-hole and cased-hole services as well as a range of well remediation services.
- Drilling & Measurements – supplies engineering support, directional-drilling, measurement-while-drilling and logging-while-drilling services for all well profiles.
- Testing Services – provides exploration and production pressure and flow-rate measurement services both at the surface and downhole. The Technology also provides tubing-conveyed perforating services.
- Well Services – provides services used during oil and gas well drilling and completion as well as those used to maintain optimal production throughout the life of a well. The services include pressure pumping, well cementing and stimulation operations as well as intervention activities. The Technology also develops coiled-tubing equipment and services.
- Completions – supplies well completion services and equipment that includes upper and lower completion systems, sand management systems and permanently installed instrumentation for all types of well completion.
- Artificial Lift – provides electrical submersible pumps and gas lift equipment together with associated instrumentation, engineering and production optimization services.
- Data & Consulting Services – supplies interpretation and integration of all exploration and production data types, as well as expert consulting services for reservoir characterization, production enhancement, field development planning and multi-disciplinary reservoir and production solutions.

- Schlumberger Information Solutions (SIS) – provides consulting, software, information management and IT infrastructure services that support core oil and gas industry operational processes.

- Geoservices – supplies mud logging services for geological and drilling surveillance. Geological surveillance includes formation evaluation to provide information on lithology and hydrocarbons encountered while drilling. Drilling surveillance enhances safety and optimizes drilling efficiency using a range of drilling parameter measurements. Geoservices also supplies slickline services for downhole mechanical well intervention and reservoir monitoring and downhole data acquisition.

Supporting the Technologies are various research and engineering centers. Through this organization, Schlumberger is committed to advanced technology programs that enhance oilfield efficiency, lower finding and producing costs, improve productivity, maximize reserve recovery and increase asset value while accomplishing these goals in a safe and environmentally sound manner.

Schlumberger Oilfield Services also offers customers its services through a business model known as Integrated Project Management (IPM). IPM combines the required services and products of the Technologies with drilling rig management expertise and project management skills to provide a complete solution to well construction and production improvement. IPM projects are typically of multi-year duration and include start-up costs and significant third-party components which cover services that Schlumberger does not provide directly. Projects may be fixed price in nature, contain penalties for non-performance and may also offer opportunities for bonus payments where performance exceeds agreed targets. IPM also provides specialized engineering and project management expertise when Schlumberger is requested to include these capabilities with services and products across the Technologies in a single contract. In no circumstances do IPM projects fail to respect the Schlumberger business profile that precludes any stake in the ownership of oil or gas reserves.

Schlumberger Oilfield Services uses its own personnel to market its offerings. The customer base, business risks and opportunities for growth are essentially uniform across all services. There is a sharing of manufacturing and engineering facilities as well as research centers, and the labor force is interchangeable. Technological innovation, quality of service, and price differentiation are the principal methods of competition, which varies geographically with respect to the different services offered. While there are numerous competitors, both large and small, Schlumberger believes that it is an industry leader in providing wireline logging, well testing, measurement-while-drilling, logging-while-drilling and directional-drilling services, as well as fully computerized logging and geoscience software and computing services. A large proportion of Schlumberger offerings is non-rig related; consequently, revenue does not necessarily correlate to rig count fluctuations.

WesternGeco, the world's most technologically advanced surface seismic company, provides comprehensive reservoir imaging, monitoring and development services with the most extensive seismic crews and data processing centers in the industry as well as a leading multiclient seismic library. Services range from 3D and time-lapse (4D) seismic surveys to multi-component surveys for delineating prospects and reservoir management. WesternGeco benefits from full access to the Schlumberger research, development and technology organization and shares similar business risks, opportunities for growth, principal methods of competition and means of marketing as Schlumberger Oilfield Services. Seismic solutions include proprietary single-sensor technologies for enhanced reservoir description, characterization and monitoring throughout the life of the field – from exploration through enhanced recovery. Other WesternGeco solutions include development of controlled-source electromagnetic and magneto-telluric surveys and their integration with seismic data.

Positioned for meeting a full range of customer needs in land, marine and shallow-water transition-zone services, WesternGeco offers a wide scope of technologies and services:

- Land Seismic – provides comprehensive resources for seismic data acquisition on land and across shallow-water transition zones.

- Marine Seismic – provides industry-standard marine seismic acquisition and processing systems as well as a unique industry-leading, fully calibrated single-sensor marine seismic system that delivers the seismic technology needed for new-generation reservoir management.

- Multiclient Services – supplies high-quality seismic data from the multiclient library, including industry-leading Q technology data.
- Reservoir Services – provides people, tools and technology to help customers capture the benefits of a completely integrated approach to locating, defining and monitoring the reservoir.
- Data Processing – offers extensive seismic data processing centers for complex data processing projects.
- Electromagnetics – provides controlled-source electromagnetic and magneto-telluric data processing and interpretation.

M-I SWACO is the leading supplier of drilling fluid systems engineered to improve drilling performance by anticipating fluids-related problems, fluid systems and specialty tools designed to optimize wellbore productivity, production technology solution to maximize production rates, and environmental solutions that safely manage waste volumes generated in both drilling and production operations. The M-I SWACO solutions offering blends an understanding of technology, application and service to enable its clients to achieve their project-specific goals. Operationally, these solutions are delivered through its GeoMarket regions, which are grouped into geographic areas, similar to Schlumberger Oilfield Services.

M-I SWACO's business is organized into four core solutions offerings: Drilling Solutions, Wellbore Productivity, Production Technologies and Environmental Solutions. These core offerings are organized around the operator's exploration and production activities – drilling, completion and production. Environmental Solutions are designed to include all three of these activities, allowing M-I SWACO to leverage its environmental technologies across all three of the operator's exploration and production activities.

- Drilling Solutions – provides a complete offering of oil-, water- and synthetic-based drilling fluids and additives as well as engineering services that include proprietary software systems, knowledge databases and laboratory capabilities.
- Wellbore Productivity – consists of a suite of services, products and technical support that focus on safeguarding well completions and formation stability by assuring the optimal quality of the wellbore and fluid systems.
- Production Technologies – provides a line of oilfield specialty chemical, equipment and related technical services that are used to enhance the flow of hydrocarbons from the wellbore.
- Environmental Solutions – focuses on the best approach to safely managing waste volumes produced during the drilling, completion and production operations in a way that allows clients to achieve their environmental performance standards.

Prior to its acquisition of Smith, Schlumberger held a 40% interest in M-I SWACO through a joint venture with Smith.

Smith Oilfield provides a comprehensive suite of technologically advanced products, services and engineering used in oil and natural gas development activities. Smith Oilfield is a global leader in the design, manufacture and marketing of drill bits and borehole enlargement tools and is also a leading supplier of drilling tools and services, tubular, completion services and other related downhole solutions. Smith Oilfield also leverages its proprietary suite of modeling and design software and application data together with its comprehensive product and service offerings to optimize the creation of the wellbore.

Distribution operations provide products and services to the energy refining, petrochemical, power generation and mining industries. The segment consists of the operations of Wilson International, Inc., a wholly-owned subsidiary, and a majority owned interest in C.E. Franklin Ltd., a publicly owned Canadian distribution company. Distribution operates an extensive network of supply branches, service centers and sales offices through which it markets pipes, valves and fittings as well as mill, safety and other maintenance products, predominantly in the United States and Canada. Additionally, the Distribution segment provides warehouse management, vendor integration and various inventory management services.

Acquisitions

Information about acquisitions made by Schlumberger appears in Note 4 of the *Consolidated Financial Statements*.

GENERAL

Patents

While Schlumberger seeks and holds numerous patents covering various products and processes, no particular patent or group of patents is considered material to Schlumberger's business.

Seasonality

Although weather and natural phenomena can temporarily affect delivery of oilfield services, the widespread geographic location of such services precludes the overall business from being characterized as seasonal.

Customers and Backlog of Orders

For the year ended December 31, 2010, no single customer exceeded 10% of consolidated revenue. Other than WesternGeco, we have no significant backlog due to the nature of our businesses. The WesternGeco backlog, which is based on signed contracts with customers, was $0.9 billion at December 31, 2010 ($1.0 billion at December 31, 2009).

Employees

As of December 31, 2010, Schlumberger had approximately 108,000 employees.

Financial Information

Financial information by business segment for the years ended December 31, 2010, 2009 and 2008 is provided in Note 17 of the *Consolidated Financial Statements*.

Available Information

The Schlumberger Internet website is www.slb.com. Schlumberger uses its Investor Relations website, www.slb.com/ir, as a channel for routine distribution of important information, including news releases, analyst presentations, and financial information. Schlumberger makes available free of charge on or through its Investor Relations website at www.slb.com/ir access to its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, its proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers, and amendments to each of those reports, as soon as reasonably practicable after such material is filed with or furnished to the Securities and Exchange Commission ("SEC"). Alternatively, you may access these reports at the SEC's Internet website at www.sec.gov.

Schlumberger's corporate governance materials, including Board Committee Charters, Corporate Governance Guidelines and Code of Ethics, may also be found at www.slb.com/ir. From time to time, corporate governance materials on our website may be updated to comply with rules issued by the SEC and the New York Stock Exchange ("NYSE") or as desirable to promote the effective governance of Schlumberger.

Any stockholder wishing to receive, without charge, a copy of any of Schlumberger's SEC filings should write to the Secretary, Schlumberger Limited, 5599 San Felipe, 17th Floor, Houston, Texas 77056, USA.

Schlumberger has filed the required certifications under Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to this Form 10-K.

The information on our website or any other website is not incorporated by reference in this Report and should not be considered part of this Report or any other filing Schlumberger makes with the SEC.

Item 1A. Risk Factors.

The following discussion of risk factors contains "forward-looking statements," which are discussed immediately following Item 7A. of this Form 10-K. These risk factors may be important to understanding any statement in this Form 10-K or elsewhere. The following information should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes included in this Form 10-K.

We urge you to consider carefully the risks described below, as well as in other reports and materials that we file with the SEC and the other information included or incorporated by reference in Form 10-K. If any of the risks described below or elsewhere in this Form 10-K were to materialize, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our financial condition, results of operations and cash flows.

Demand for the majority of our services is substantially dependent on the levels of expenditures by the oil and gas industry. A substantial or an extended decline in oil and gas prices could result in lower expenditures by the oil and gas industry, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Demand for the majority of our services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Declines, as well as anticipated declines, in oil and gas prices could also result in project modifications, delays or cancellations, general business disruptions, and delays in, or nonpayment of, amounts that are owed to us. These effects could have a material adverse effect on our results of operations and cash flows.

The prices for oil and natural gas have historically been volatile and may be affected by a variety of factors, including:

- demand for hydrocarbons, which is affected by worldwide population growth, economic growth rates and general economic and business conditions;
- the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels for oil;
- oil and gas production by non-OPEC countries;
- the level of excess production capacity;
- political and economic uncertainty and sociopolitical unrest;
- the level of worldwide oil and gas exploration and production activity;
- the cost of exploring for, producing and delivering oil and gas;
- technological advances affecting energy consumption; and
- weather conditions.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our financial condition, results of operations and cash flows.

A significant portion of our revenue is derived from our non-United States operations, which exposes us to risks inherent in doing business in each of the approximately 80 countries in which we operate.

Our non-United States operations accounted for approximately 76% of our consolidated revenue in 2010, 84% in 2009 and 78% in 2008. Operations in countries other than the United States are subject to various risks, including:

- unsettled political and economic conditions in certain areas;
- exposure to possible expropriation of our assets or other governmental actions;
- social unrest, acts of terrorism, war or other armed conflict;
- confiscatory taxation or other adverse tax policies;
- deprivation of contract rights;
- trade restrictions or embargoes imposed by the United States or other countries;
- restrictions under the United States Foreign Corrupt Practices Act or similar legislation in other countries;
- restrictions on the repatriation of income or capital;
- currency exchange controls;
- inflation; and
- currency exchange rate fluctuations and devaluations.

In addition, we are subject to risks associated with our operations in countries, including Iran, Syria, Sudan and Cuba, that are subject to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations. United States law enforcement authorities are currently conducting a grand jury investigation and an associated regulatory inquiry related to our operations in certain of these countries. Additionally, in 2009 prior to its merger with Schlumberger, Smith received an administrative subpoena with respect to its historical business practices in certain countries that are subject to United States trade and economic sanctions. If any of the risks described above materialize, or if any governmental investigation results in criminal or civil penalties or other remedial measures, it could reduce our earnings and our cash available for operations.

We are also subject to risks related to investment in our common stock in connection with certain US state divestment or investment limitation legislation applicable to companies with operations in these countries, and similar actions by some private investors, which could adversely affect the market price of our common stock.

Our merger with Smith will continue to be dilutive to our earnings per share in the near term, which may negatively affect the market price of our common stock.

Our merger with Smith will continue to be dilutive to earnings per share in the near term. Future events and conditions could decrease or delay any accretion, result in dilution or cause greater dilution than is currently expected, including adverse changes in:

- energy market conditions;
- commodity prices for oil, natural gas and natural gas liquids;
- production levels;
- reserve levels;
- operating results;
- competitive conditions;
- laws and regulations affecting the energy business;
- capital expenditure obligations; and
- general economic conditions.

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

Our offshore oil and gas operations could be adversely impacted by the Deepwater Horizon drilling rig accident and resulting oil spill; changes in and compliance with restrictions or regulations on offshore drilling in the US Gulf of Mexico and in other areas around the world may adversely affect our business and operating results.

On April 20, 2010, a fire and explosion occurred onboard the semisubmersible drilling rig *Deepwater Horizon*, owned by Transocean Ltd. and under contract to a subsidiary of BP plc. As a result of the incident and related oil spill, the Secretary of the US Department of the Interior directed the Bureau of Ocean Energy Management, Regulation and Enforcement ("BOEMRE") to issue a suspension, until November 30, 2010, of drilling activities for specified drilling configurations and technologies. Although this moratorium was lifted on October 12, 2010, effective immediately, we cannot predict with certainty when drilling operations will fully resume in the US Gulf of Mexico. The BOEMRE has also issued new guidelines and regulations regarding safety, environmental matters, drilling equipment and decommissioning applicable to drilling in the US Gulf of Mexico, and may take other additional steps that could increase the costs of exploration and production, reduce the area of operations and result in permitting delays.

At this time, we cannot predict with any certainty what further impact, if any, the *Deepwater Horizon* incident may have on the regulation of offshore oil and gas exploration and development activity, or on the cost or availability of insurance coverage to cover the risks of such operations. Ongoing effects of and delays from the lifted suspension of drilling activity in the US Gulf of Mexico, or the enactment of new or stricter regulations in the United States and other countries where we operate, could materially adversely affect our financial condition, results of operations or cash flows.

Environmental compliance costs and liabilities could reduce our earnings and cash available for operations.

We are subject to increasingly stringent laws and regulations relating to importation and use of hazardous materials, radioactive materials and explosives, environmental protection, including laws and regulations governing air emissions, water discharges and waste management. We incur, and expect to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. These laws may provide for "strict liability" for damages to natural resources or threats to public health and safety. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances.

We use and generate hazardous substances and wastes in our operations. In addition, many of our current and former properties are, or have been, used for industrial purposes. Accordingly, we could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could reduce our earnings and our cash available for operations. We believe we are currently in substantial compliance with environmental laws and regulations.

We could be subject to substantial liability claims, which would adversely affect our financial condition, results of operations and cash flows.

Certain equipment used in the delivery of oilfield services, such as directional drilling equipment, perforating systems, subsea completion equipment, radioactive materials and explosives and well completion systems, are used in hostile environments, such as exploration, development and production applications. An accident or a failure of a product could cause personal injury, loss of life, damage to property, equipment or the environment, and suspension of operations. Our insurance may not protect us against liability for some kinds of events, including events involving pollution, or against losses resulting from business interruption. Moreover, in the future we may not be able to maintain insurance at levels of risk coverage or policy limits that we deem adequate. Substantial claims made under our policies could cause our premiums to increase. Any future damages caused by our products that are not covered by insurance, or are in excess of policy limits or are subject to substantial deductibles, could adversely affect our financial condition, results of operations and cash flows.

If we are unable to maintain technology leadership, this could adversely affect any competitive advantage we hold.

If we are unable to develop and produce competitive technology or deliver it to our clients in the form of service offerings in a timely and cost-competitive manner in the various markets we serve, it could adversely affect our financial condition, results of operations and cash flows.

Limitations on our ability to protect our intellectual property rights, including our trade secrets, could cause a loss in revenue and any competitive advantage we hold.

Some of our products or services, and the processes we use to produce or provide them, have been granted patent protection, have patent applications pending or are trade secrets. Our business may be adversely affected if our patents are unenforceable, the claims allowed under our patents are not sufficient to protect our technology, our patent applications are denied, or our trade secrets are not adequately protected. Our competitors may be able to develop technology independently that is similar to ours without infringing on our patents or gaining access to our trade secrets.

We may be subject to litigation if another party claims that we have infringed upon its intellectual property rights.

The tools, techniques, methodologies, programs and components we use to provide our services may infringe upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs and may distract management from running our core business. Royalty payments under licenses from third parties, if available, would increase our costs. If a license were not available we might not be able to continue providing a particular service or product, which could adversely affect our financial condition, results of operations and cash flows. Additionally, developing non-infringing technologies would increase our costs.

Failure to obtain and retain skilled technical personnel could impede our operations.

We require highly skilled personnel to operate and provide technical services and support for our business. Competition for the personnel required for our businesses intensifies as activity increases. In periods of high utilization it may become more difficult to find and retain qualified individuals. This could increase our costs or have other adverse effects on our operations.

Severe weather conditions may affect our operations.

Our business may be materially affected by severe weather conditions in areas where we operate. This may entail the evacuation of personnel and stoppage of services. In addition, if particularly severe weather affects platforms or structures, this may result in a suspension of activities until the platforms or structures have been repaired. Any of these events could adversely affect our financial condition, results of operations and cash flows.

Demand for our products and services could be reduced or eliminated by governmental regulation or a change in the law.

International, national, and state governments and agencies are currently evaluating and promulgating climate-related legislation and regulations that are focused on restricting greenhouse gas ("GHG") emissions. In the United States, the Environmental Protection Agency ("EPA") is taking steps to require monitoring and reporting of GHG emissions and to regulate GHGs as pollutants under the Clean Air Act ("CAA"). The EPA's "Mandatory Reporting of Greenhouse Gases" rule established a comprehensive scheme of regulations that require monitoring and reporting of GHG emissions that began in 2010. Furthermore, the EPA recently proposed additional GHG reporting rules specifically for the oil and gas industry. The EPA has also published a final rule, the "Endangerment Finding," finding that GHGs in the atmosphere endanger public health and welfare, and that emissions of GHGs from mobile sources cause or contribute to the GHG pollution. Following issuance of the Endangerment Finding, the EPA promulgated final motor vehicle GHG emission standards on April 1, 2010. The EPA has asserted that the final motor vehicle GHG emission standards will trigger construction and operating permit requirements for stationary sources. In addition, climate change legislation is pending in the United States Congress. These developments may curtail production and demand for fossil fuels such as oil and gas in areas of the world where our customers operate and thus adversely affect future demand for our services, which may in turn adversely affect future results of operations. Additionally, legislation to reduce greenhouse gases may have an adverse effect on our operations, including payment of additional costs due to carbon emissions. Higher carbon emission activities include transportation, including marine vessels, cement production (by third party suppliers), and electricity generation (by third party suppliers) as well as other activities. Finally, our business could be negatively affected by climate change related physical changes or changes in weather patterns, which could result in damages to or loss of our physical assets, impacts to our ability to conduct operations and/or disruption of our customers' operations.

Legislation may be introduced in the United States Congress that would authorize the EPA to regulate hydraulic fracturing. In addition, a number of states are evaluating the adoption of legislation or regulations governing hydraulic fracturing. Such legislation or regulations could reduce demand for pressure pumping services. If federal and/or state legislation or regulations were enacted, it could adversely affect our financial condition, results of operations and cash flows. We are unable to predict whether the proposed legislation, regulations, or any other proposals will ultimately be enacted.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Schlumberger owns or leases numerous manufacturing facilities, administrative offices, service centers, research centers, data processing centers, mines, ore, drilling fluid and production chemical processing centers, sales offices and warehouses throughout the world. Schlumberger views its principal manufacturing, mining and processing facilities, research centers and data processing centers as its "principal owned or leased facilities."

The following sets forth Schlumberger's principal owned or leased facilities by business segment:

Oilfield Services: Beijing, China; Clamart, France; Fuchinobe, Japan; Singapore; Abingdon, Cambridge and Stonehouse, United Kingdom; Novosibirsk, Russia; and within the United States: Boston, Massachusetts; Houston, Rosharon and Sugar Land, Texas; and Lawrence, Kansas.

WesternGeco: Bergen and Oslo, Norway; Gatwick, United Kingdom; Houston, Texas, United States; and Mumbai, India.

M-I SWACO: Aberdeen, Edinburgh, Foss and Aberfly, Scotland; Karmoy, Norway; and within the United States: Battle Mountain and Greystone, Nevada; Greybull, Wyoming; Amelia and Port Fourchon, Louisiana; Galveston and Houston, Texas; Florence, Kentucky; and Tulsa, Oklahoma.

Smith Oilfield: Aberdeen, Scotland; Scurelle, Italy; Neuquen, Argentina; Jebel Ali, Dubai; Changzhou, China and within the United States: Houston, Texas; Ponca City, Oklahoma; Provo, Utah; and Rancho Cucuamonga, California.

Distribution: Edmonton, Canada; and within the United States: LaPorte, Texas; Long Beach, California; and South Plainfield, New Jersey.

Item 3. Legal Proceedings.

The information with respect to this Item 3 is set forth in Note 16 of the *Consolidated Financial Statements*.

Item 4. [Removed and Reserved]

Executive Officers of Schlumberger

The following table sets forth, as of January 31, 2011, the names and ages of the executive officers of Schlumberger, including all offices and positions held by each for at least the past five years.

Name	Age	Present Position and Five-Year Business Experience
Andrew Gould	64	Chairman and Chief Executive Officer, since February 2003.
Paal Kibsgaard	43	Chief Operating Officer since February 2010; President Reservoir Characterization Group, May 2009 to February 2010; Vice President Engineering, Manufacturing and Sustaining, November 2007 to May 2009; Vice President Personnel, April 2006 to November 2007; and President, Drilling and Measurements, January 2003 to April 2006.
Simon Ayat	56	Executive Vice President and Chief Financial Officer, since March 2007; Vice President Treasurer, February 2005 to March 2007; and Vice President, Controller and Business Processes, December 2002 to February 2005.
Alexander Juden	50	Secretary and General Counsel, since April 2009; Director of Compliance, February 2005 to April 2009; and WesternGeco General Counsel, May 2004 to February 2005.
Ashok Belani	52	Vice President, Technology, since January 2011; President, Reservoir Characterization Group, since February 2010; Vice President and Chief Technology Officer, April 2006 to February 2010; Senior Advisor, Technology, January 2006 to April 2006; Director, President and Chief Executive Officer NPTest, May 2002 to December 2005.
Stephanie Cox	42	Vice President Personnel, since May 2009; North Gulf Coast GeoMarket Manager, April 2006 to May 2009; and North & South America Personnel Manager, May 2004 to April 2006.
Mark Danton	54	Vice President - Director of Taxes, since January 1999.
Howard Guild	39	Chief Accounting Officer, since July 2005; and Director of Financial Reporting, October 2004 to July 2005.

Name	Age	Present Position and Five-Year Business Experience
Rodney Nelson	52	Vice President Communications, Innovation and Collaboration, since October 2007; Vice President Innovation and Collaboration, July 2006 to October 2007; Vice President Strategic Marketing, July 2004 to July 2006; and Vice President Marketing Oilfield Services, February 2003 to July 2004.
Kjell-Erik Oestdahl	46	Vice President Operations, since January 2011; Vice President Supply Chain Services, since May 2009; Vice President Operations WesternGeco, January 2008 to April 2009; Chief Procurement Officer at StatoilHydro ASA, March 2006 to November 2007; GeoMarket Manager, NSG, from January 2005 to February 2006.
Satish Pai	49	Vice President, Operations, Oilfield Services, since May 2008, President Europe Africa & Caspian, March 2006 to May 2008; and Vice President Oilfield Technologies, March 2002 to March 2006.
Douglas Pferdehirt	46	Vice President Corporate Development and Communication, since January 2011; President Reservoir Production Group, from April 2006 to January 2011; and Vice President Communications and Investor Relations, July 2003 to March 2006.
Jean-Francois Poupeau	49	President Drilling Group, since May 2010; President Drilling & Measurements, July 2007 to April 2010; Vice President Communications and Investor Relations, April 2006 to June 2007; and Vice President Oilfield Services Product Marketing, August 2004 to March 2006.
Patrick Schorn	42	President Reservoir Production Group, since January 2011; President Well Services, May 2008 to January 2011; President Completions, April 2006 to April 2008; Marketing Manager Well Services, August 2004 to March 2006.
Krishna Shivram	48	Vice President Treasurer, since January 2011; Controller Drilling Group, May 2010 to January 2011; Manager Mergers & Acquisitions, May 2009 to April 2010; Controller Oilfield Services, August 2006 to April 2009; Vice President Finance WesternGeco, March 2004 to July 2006.
Malcolm Theobald	49	Vice President Investor Relations, since June 2007; and Global Account Director, September 2001 to June 2007.

PART II

Item 5. Market for Schlumberger's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of January 31, 2011, there were approximately 23,924 stockholders of record. The principal United States market for Schlumberger's common stock is the NYSE, where it is traded under the symbol "SLB".

Schlumberger's common stock is also traded on the Euronext Paris, Euronext Amsterdam, London and SIX Swiss stock exchanges.

Common Stock, Market Prices and Dividends Declared per Share

Quarterly high and low prices for Schlumberger's common stock as reported by the NYSE (composite transactions), together with dividends declared per share in each quarter of 2010 and 2009, were:

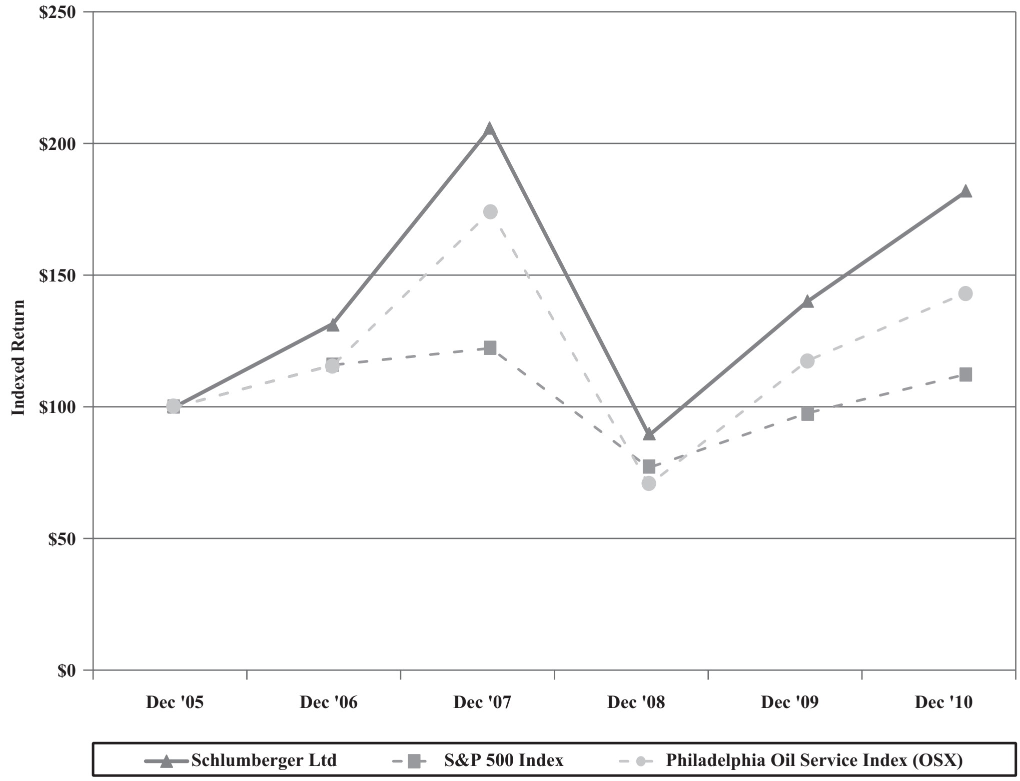
	Price Range		Dividends
	High	**Low**	**Declared**
2010			
QUARTERS			
First	**$72.00**	**$59.42**	**$0.210**
Second	**73.99**	**51.67**	**0.210**
Third	**63.72**	**52.91**	**0.210**
Fourth	**84.11**	**60.57**	**0.210**
2009			
QUARTERS			
First	$ 49.25	$ 35.05	$ 0.210
Second	63.78	39.11	0.210
Third	63.00	48.13	0.210
Fourth	71.10	56.00	0.210

On January 21, 2011, Schlumberger announced that its Board of Directors had approved an increase in the quarterly dividend of 19%, to $0.25.

There are no legal restrictions on the payment of dividends or ownership or voting of such shares, except as to shares held as treasury stock. Under current legislation, stockholders are not subject to any Curaçao withholding or other Curaçao taxes attributable to the ownership of such shares.

The following graph compares the yearly percentage change in the cumulative total stockholder return on Schlumberger common stock, assuming reinvestment of dividends on the last day of the month of payment into common stock of Schlumberger, with the cumulative total return on the Standard & Poor's 500 Index (S&P 500 Index) and the cumulative total return on the Philadelphia Oil Service Index (OSX) over the five-year period ending on December 31, 2010. The stockholder return set forth below is not necessarily indicative of future performance. The following graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Schlumberger specifically incorporates it by reference into such filing.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN AMONG SCHLUMBERGER COMMON STOCK, THE S&P 500 INDEX AND THE PHILADELPHIA OIL SERVICE INDEX (OSX)



Assumes $100 invested on December 31, 2005 in Schlumberger common stock, in the S&P 500 Index and in the Philadelphia Oil Service Index (OSX). Reflects reinvestment of dividends on the last day of the month of payment.

Share Repurchases

On April 17, 2008, the Schlumberger Board of Directors approved an $8 billion share repurchase program for Schlumberger common stock, to be acquired in the open market before December 31, 2011.

Schlumberger's common stock repurchase program activity for the three months ended December 31, 2010 was as follows:

(Stated in thousands, except per share amounts)

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum value of shares that may yet be purchased under the program
October 1 through October 31, 2010	1,931.0	$ 63.04	1,931.0	$5,176,181
November 1 through November 30, 2010	1,050.0	$ 73.46	1,050.0	$5,099,043
December 1 through December 31, 2010	3,074.3	$ 81.35	3,074.3	$4,848,944
	6,055.3	$ 74.14	6,055.3	

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 requiring disclosure under this Item 5 as the number of shares of Schlumberger common stock received from optionholders is not material.

Unregistered Sales of Equity Securities

None.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with both "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" of this Form 10-K in order to understand factors, such as business combinations and charges and credits, which may affect the comparability of the Selected Financial Data:

(Stated in millions, except per share amounts)

Year Ended December 31,	2010	2009	2008	2007	2006
Revenue	**$27,447**	$22,702	$27,163	$23,277	$19,230
Income from Continuing Operations	**$ 4,266**	$ 3,164	$ 5,422	$ 5,177	$ 3,759
Diluted earnings per share from Continuing Operations	**$ 3.38**	$ 2.61	$ 4.42	$ 4.20	$ 3.01
Working capital	**$ 7,233**	$ 6,391	$ 4,811	$ 3,551	$ 2,731
Total assets	**$51,767**	$33,465	$32,094	$27,853	$22,832
Net debt[1]	**$ 2,638**	$ 126	$ 1,129	$ 1,857	$ 2,834
Long-term debt	**$ 5,517**	$ 4,355	$ 3,694	$ 3,794	$ 4,664
Schlumberger stockholders' equity	**$31,226**	$19,120	$16,862	$14,876	$10,420
Cash dividends declared per share	**$ 0.84**	$ 0.84	$ 0.84	$ 0.70	$ 0.50

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis contains forward-looking statements, including, without limitation, statements relating to our plans, strategies, objectives, expectations, intentions and resources. Such forward-looking statements should be read in conjunction with our disclosures under "Item 1A. Risk Factors" of this Report.

Executive Overview

After two consecutive years of falling oil demand in 2008 and 2009 induced by the global economic recession, a strong recovery occurred in 2010. Consumption averaged 87.7 million barrels per day, including an all-time peak of over 89 million barrels per day in December, and made the year-on-year increase the second largest in three decades. Oil prices remained in the range of $65-$85 per barrel for much of 2010, but recorded a spike above $90 at the end of the year. The major demand forecasts released during 2010 have continued to increase as a result of the improving economic outlook – particularly in the developing economies. On the supply side, the adherence to production quota by the OPEC countries helped keep the market balanced, although such adherence diminished slightly as the year progressed. Strength in non-OPEC production, improvement in new project developments following the investment cuts in 2009, and lower production costs helped provide additional assurance to the markets.

Natural gas markets behaved differently. Decreasing gas demand during the recession, increasing unconventional gas production in North America, and the commissioning of a number of new large liquefied natural gas export facilities around the world led to an over-supplied market with consequent pressure on spot prices. Within the United States – the world's largest natural gas market – natural gas storage levels have remained significantly above the five-year range since March 2010 despite lower volumes of Canadian gas imports and some power generation fuel switching from coal to gas. With natural gas price forecasts from the Energy Information Agency for 2011 slipping by nearly a third compared to initial projections made at the beginning of the year, an increasing portion of the drilling and completion activity in shale reservoirs has shifted to liquid and condensate-rich plays in North America.

Within this market, Schlumberger Oilfield Services full-year revenue in 2010 of $22.08 billion grew 8% versus 2009, driven by recovery in the North America natural gas market through increasing demand and stronger pricing for pressure pumping services. The North America Area also benefited from greater activity in liquids-rich plays in a number of basins. Offshore, the tragic Macondo accident in the US Gulf of Mexico led to a shutdown in deepwater operations that severely impacted US offshore activity and led to slowdowns in other parts of the world, although these were being absorbed as the fourth quarter developed. The Middle East and Asia Area revenue climbed 7% from a number of factors including increasing wireline logging and expanded IPM work. Latin America revenue grew by 2%, with rapid growth in Brazil overcoming weaker activity in Mexico as poor weather, increasing security concerns and reduced client budgets impacted operations. Europe/CIS/Africa revenue decreased 4% versus 2009. Among the Technologies, growth was primarily seen in Well Services activities, both in volume and in price although the acquisition of Geoservices also contributed to the increase.

In addition to growing activity, results were underpinned through continuing market penetration of new-technology services such as Scope* advanced logging-while-drilling measurements, Scanner* wireline technologies, and ACTive* coiled-tubing services. Scanner services were boosted by the commercial introduction of the latest family member, the Dielectric Scanner* tool, which was unveiled during the year. As a unique industry service capable of measuring saturation in a variety of reservoir applications, the service completed a two-year pilot project in Saudi Arabia targeted at reservoir monitoring, where 35 logs were recorded in various fields, both on land and offshore, to assess water flooding sweep efficiency as an aid to field development planning.

In reservoir production, ACTive real-time coiled tubing services saw growth, particularly with ACTive conveyance of Wireline Flow Scanner* production logging technology, and with fiber-optic continuous measurements of temperature and pressure along the well bore. Growing deployment of integrated technologies such as these confirms exciting growth possibilities across the Schlumberger technology portfolio particularly in horizontal and extended-reach wells.

It was however drilling services that displayed early evidence of the opportunities provided by the acquisitions of Geoservices and Smith International that were announced during the first quarter. These successes included the completion of a remote three-well exploration project offshore Greenland that used Schlumberger technologies combined with Smith and M-I SWACO products and services as well as Geoservices mud logging. In Brazil, a similar combination of services helped one well record substantial increases in rates of penetration, while meeting all directional drilling goals. In this particular case the integrated nature of the bottomhole assembly demonstrated how technology optimization can impact performance in the high-cost deepwater drilling environment. A third such operation offshore Indonesia further displayed the value of integrated bottomhole assemblies.

WesternGeco revenue of $1.99 billion in 2010 was 6% lower than 2009 primarily as a result of lower Marine activity and weaker pricing. While Land activity was also weaker, strong Multiclient sales, particularly in the fourth quarter, were able to offset some of these effects. New seismic technology scored some significant successes with penetration of marine single-vessel, full-azimuth coil shooting surveys into a number of the major offshore basins around the world. Coil shooting, unique to Schlumberger, brings better illumination of complex pre-salt, sub-salt and sub-basalt formations in a variety of environments.

The integration of Geoservices and Smith International proceeded smoothly during the year. The complementary nature of many of the product and service lines concerned helped the process while a network of integration teams and Area coordinators rapidly identified revenue and cost-synergy opportunities that contributed to results in 2010 and that augur well for 2011. Total Schlumberger 2010 results reflect four months activity from the acquired Smith businesses, which contributed revenue of $3.30 billion.

In a related move, Schlumberger signed a letter of intent with Eurasia to swap certain assets in Russia to build critical mass in drilling services. Under the terms of this agreement, Eurasia will acquire a number of Schlumberger-owned drilling rigs, while Schlumberger will acquire a range of Eurasia service assets including directional drilling, measurement-while-drilling, well cementing and drilling fluids. Further, both companies agreed to enter a strategic alliance upon completion of the transaction whereby Schlumberger will become the preferred supplier of drilling services to Eurasia Drilling for up to 200 rigs for a 5-year period. This agreement not only increases the market for our services across the rig fleet of the largest Russian drilling company, it also encourages the development of fit-for-purpose bottom-hole assembly technology development as drilling intensity increases in Russia in order to sustain hydrocarbon production.

Two years ago we began a program called “Excellence in Execution”. This was designed to create a step change in our service quality and efficiency and, in deepwater, was aimed at enabling clients to reduce the risk and cost of their deepwater operations. The program, in addition to equipment and procedural improvements, provides for competency certification of all personnel involved in deepwater operations. We have been encouraged by the initial results of this multiyear initiative, as well as by our customers’ acceptance of it. While additional control and oversight will undoubtedly add cost, this will be offset in the long run by improvements in operating procedures and technology. We therefore welcome current efforts to better understand and control the risks associated with deepwater operations.

For 2011, economic projections for world real GDP growth are converging towards a median estimate of 4.2%, slightly lower than the 2010 level, and still with a significant level of uncertainty. A large gap exists between GDP growth rates of Organization for Economic Cooperation and Development (OECD) and non-OECD countries – particularly in China and in other developing Asian economies. However there is remarkable agreement on various oil demand forecasts for 2011, which all lie within 1.4 million barrels per day of each other.

As we look forward to 2011 it is therefore important to remember that the primary driver of our business has always been, and will remain, the demand for oil and gas. Oil prices have moved into a range that will encourage increased investment, particularly in exploration, which remains the swing factor in operators’ budgets. While we do not anticipate any substantial recovery in deepwater US Gulf of Mexico, we do expect a marked increase in deepwater activity in the rest of the world. These factors, coupled with increases in development activity and production enhancement in many other areas, promise stronger growth rates as the year unfolds.

For natural gas, activity in the United States is likely to remain strong – at least through the first half of the year – due to the commitments necessary to retain leases, the backlog of wells to be completed, and the contribution of natural gas liquids to overall project economics. Increased service capacity, however, will negatively affect pricing at some stage during the year.

Overseas, the governing factor on gas activity, particularly in the Middle East, will be the ability of many nations to use gas as a substitute for oil to meet increased local energy demand, thus freeing up more liquids for export. Elsewhere the long lead time necessary to execute large gas projects for LNG exports will ensure that a certain level of activity is maintained.

Unconventional gas resources will continue to attract considerable interest outside North America. The leading activity will continue to be in conventional gas in tight, or low permeability, reservoirs, and in coal-bed methane developments. There will be exploration activity around the potential that shale gas offers in many other parts of the world.

Increased activity coupled with the greater technology needs of higher exploration, deepwater, and tight gas activity – particularly outside North America – will make 2011 a stronger year for Schlumberger. The importance of risk reduction and the minimization of drilling cost make the acquisitions of Geoservices and Smith major contributors to our future growth in this scenario.

The following discussion and analysis of results of operations should be read in conjunction with the *Consolidated Financial Statements*.

Fourth Quarter 2010 Results

(Stated in millions)

	Fourth Quarter 2010		Third Quarter 2010	
	Revenue	**Income before taxes**	Revenue	Income before taxes
OILFIELD SERVICES				
North America	**$1,604**	**$ 385**	$1,259	$ 219
Latin America	**1,050**	**174**	1,071	159
Europe/CIS/Africa	**1,783**	**339**	1,734	317
Middle East & Asia	**1,491**	**434**	1,402	425
Elims/Other	**81**	**(1)**	71	(18)
	6,009	**1,331**	5,537	1,102
WESTERNGECO	**560**	**113**	478	40
M-I SWACO(1)	**1,185**	**149**	383	48
SMITH OILFIELD(1)	**729**	**106**	228	27
DISTRIBUTION(1)	**576**	**21**	199	9
	9,059	**1,720**	6,825	1,226
Corporate(2)	**8**	**(156)**	20	(81)
Interest income(3)		**9**		10
Interest expense(4)		**(58)**		(51)
Charges & credits(5)		**(180)**		836
	$9,067	**$1,335**	$6,845	$1,940

(1) The third quarter of 2010 includes one month of post-merger activity following the Smith transaction on August 27, 2010. See Note 4 to the *Consolidated Financial Statements* for further details.

(2) Comprised principally of corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with intangible assets recorded as a result of the merger with Smith and certain other nonoperating items.

(3) Excludes interest income included in the segments' income (fourth quarter 2010 – $1 million; third quarter 2010 – $2 million).

(4) Excludes interest expense included in the segments' income (fourth quarter 2010 - $2 million; third quarter 2010 – $- million).

(5) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Oilfield Services

Fourth-quarter revenue of $6.01 billion increased 9% sequentially. Sequentially, North America Area revenue increased 27% on strong activity on land in the US and Canada as well as from the early payout of an IPM gain share project. In the Middle East & Asia Area, revenue grew on year-end equipment, Schlumberger Information Solutions (SIS) software sales, and on higher activity in the Iraq, East Asia and Indonesia GeoMarkets. Europe/CIS/Africa Area revenue increased from stronger activity in the North Sea, West & South Africa, Caspian and Continental Europe GeoMarkets, as well as from year-end SIS software sales. These increases were partially offset by a decrease in Latin America Area revenue primarily due to continuing weakness in the Mexico/Central America GeoMarket.

All Technologies recorded sequential growth, most notably Well Services due to continuing strong activity in North America, and SIS and Artificial Lift from year-end sales. IPM revenue also increased as a result of the early payout on the IPM project in North America.

Fourth-quarter pretax operating income of $1.33 billion increased 21% sequentially. Pretax operating margin increased 224 bps sequentially to 22.1% primarily driven by the robust performance in North America and strong contributions from the year-end equipment and software sales.

North America

Fourth-quarter revenue of $1.60 billion increased 27% sequentially and pretax operating income of $385 million was 75% higher.

Sequentially, revenue in US land grew 24% versus a 4% increase in rig count due to a combination of additional service capacity, improved utilization, and high service intensity that mostly benefited Well Services technologies. Canada revenue grew from higher land activity for Well Services, although this was partially offset by a slowdown in offshore activity that impacted Drilling & Measurements services. The US Gulf of Mexico revenue increased through a modest improvement in shelf activity and from Completion Systems equipment sales. An $87 million early payout relating to services on an IPM gain share project – triggered by the customer's sale of the field – also contributed to Area growth.

Pretax operating margin for the Area increased 658 bps sequentially to 24.0%. This increase was largely driven by US land through stronger activity and increased efficiency for Well Services operations. The IPM gain share payout contributed approximately $55 million to Area pretax operating income.

Latin America

Fourth-quarter revenue of $1.05 billion decreased 2% versus the prior quarter. Pretax operating income of $174 million increased 9% compared to the third quarter of 2010.

Sequentially, the Brazil GeoMarket achieved record high revenue on strong deepwater activity, while revenue in the Peru/Colombia/Ecuador GeoMarket grew from higher gain share on IPM activity in Colombia and from Testing Services equipment sales in Peru. These increases, however, were insufficient to offset a significant revenue drop in the Mexico/Central America GeoMarket where continuing security issues and client budgetary constraints further reduced IPM activity levels.

Pretax operating margin improved 171 bps sequentially to 16.6% primarily due to a more favorable revenue mix in the Peru/Colombia/Ecuador and Venezuela/Trinidad & Tobago GeoMarkets.

Europe/CIS/Africa

Fourth-quarter revenue of $1.78 billion increased 3% compared to the third quarter of 2010. Pretax operating income of $339 million increased 7% sequentially.

Sequentially, revenue in the North Sea GeoMarket increased primarily from higher activity in Norway and from year-end SIS software sales. In the West & South Africa GeoMarket, revenue grew on stronger activity that benefited Wireline and Drilling & Measurements services and on higher Completion Systems equipment sales. Caspian GeoMarket revenue increased from the startup of several projects that resulted in higher demand for Drilling & Measurements, Testing Services and Wireline technologies as well as from a Well Services equipment sale. Continental Europe revenue grew on higher activity for Well Services and Testing Services technologies and on year-end SIS software sales. These increases, however, were partially offset by a decrease in Nigeria & Gulf of Guinea GeoMarket revenue from lower Completion Systems equipment sales and from delays that reduced demand for Wireline services. Russia revenue was also lower with the onset of the winter slowdown.

Pretax operating margin improved sequentially by 74 bps to 19.0% primarily from a stronger mix of high-margin Wireline and Drilling & Measurements services in the North Sea and West & South Africa GeoMarkets as well as from year-end SIS software sales across much of the Area. These increases were partially offset by the impact of the activity weakness in the Nigeria & Gulf of Guinea GeoMarket.

Middle East & Asia

Fourth-quarter revenue of $1.49 billion increased 6% sequentially. Pretax operating income of $434 million increased 2% sequentially.

Sequentially, revenue growth resulted from the continued ramp up of IPM activity in Iraq and the start of new offshore projects in East Asia. Year-end sales of Artificial Lift and Completion Systems equipment, Well Services products, and SIS software also contributed to Area growth. These increases were partially offset by lower revenue in the Australia/Papua New Guinea GeoMarket resulting from offshore project completions and delays in land activity due to severe flooding, and by lower activity in the Qatar GeoMarket that reduced demand for Wireline and Drilling & Measurements services.

Pretax operating margin decreased 119 bps sequentially to 29.1% as the positive contribution from the year-end sales and a more favorable revenue mix in the Arabian GeoMarket were insufficient to offset the impact of the lower activity in the Australia/Papua New Guinea GeoMarket and startup costs in Iraq.

WesternGeco

Fourth-quarter revenue of $560 million increased 17% sequentially. Pretax operating income of $113 million increased 183% sequentially.

Sequentially, revenue growth was driven by Multiclient, which recorded strong year-end sales from the US Gulf of Mexico. This increase was partially offset by a decrease in Marine revenue due to the seasonal slow-down in activity. Land and Data Processing revenues were flat sequentially.

Pretax operating margin increased 11.8 percentage points sequentially to 20.2% as the result of the high Multiclient sales partially offset by the impact of the lower Marine activity.

Full-Year 2010 Results

(Stated in millions)

	2010		2009	
	Revenue	**Income before taxes**	Revenue	Income before taxes
OILFIELD SERVICES				
North America	**$ 5,010**	**$ 802**	$ 3,707	$ 216
Latin America	**4,321**	**723**	4,225	753
Europe/CIS/Africa	**6,882**	**1,269**	7,150	1,707
Middle East & Asia	**5,586**	**1,696**	5,234	1,693
Elims/Other	**280**	**(15)**	202	(43)
	22,079	**4,475**	20,518	4,326
WESTERNGECO	**1,987**	**267**	2,122	326
M-I SWACO(1)	**1,568**	**197**		
SMITH OILFIELD(1)	**957**	**132**		
DISTRIBUTION(1)	**774**	**29**		
Corporate(2)	**82**	**(405)**	62	(344)
Interest income(3)		**43**		52
Interest expense(4)		**(202)**		(188)
Charges & credits(5)		**620**		(238)
	$27,447	**$5,156**	$22,702	$3,934

(1) 2010 includes four months of post-merger activity following the transaction with Smith on August 27, 2010. See Note 4 to the *Consolidated Financial Statements* for further details.

(2) Comprised principally of corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with intangible assets recorded as a result of the merger with Smith and certain other nonoperating items.

(3) Excludes interest income included in the segments' income (2010 – $7 million; 2009 – $10 million).

(4) Excludes interest expense included in the segments' income (2010 – $5 million; 2009 – $33 million).

(5) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Oilfield Services

Full-year 2010 revenue of $22.08 billion was 8% higher than 2009. Revenue growth was strongest in the North America Area mostly as a result of higher activity and pricing for Well Services technologies in US Land but partially offset by reduced activity in the US Gulf of Mexico. Latin America revenue increased on strong activity in the Brazil and Peru/Ecuador/Colombia GeoMarkets partially offset by reduced IPM activity in Mexico/Central America due to client budgetary constraints. Middle East & Asia Area revenue grew from higher drilling activity in the Australia/Papua New Guinea, China/Japan/Korea and East Asia GeoMarkets as well as from increased IPM activity and strong demand for Well Services technologies in the Middle Eastern GeoMarkets. The addition of Geoservices also contributed to the increased revenue. These increases were partially offset by a decrease in Europe/CIS/Africa revenue as reduced activity in the North Africa, Libya, Caspian and Continental GeoMarkets and generally lower pricing across the Area offset higher activity in Russia.

Year-on-year, pretax operating margin declined 82 bps to 20.3% as a significant improvement in North America Area performance was insufficient to offset the reduced activity and weaker pricing in the Europe/CIS/Africa Area and lower IPM activity in Latin America.

North America

Revenue of $5.01 billion was 35% higher than last year primarily due to strong activity in unconventional oil and gas reservoirs, improved pricing in US Land for Well Services technologies and improved activity levels in oil basins in Canada. These increases were partially offset by a decrease in the US Gulf of Mexico revenue as a six-month moratorium on drilling and lingering uncertainty about rules for operating resulted in the stoppage of deepwater drilling activity.

Year-on-year, pretax operating margin increased 10 percentage points to 16.0% mostly due to the stronger activity and improved pricing in the US land, partially offset by the impact of the activity slow-down in the US Gulf of Mexico.

Latin America

Revenue of $4.32 billion was 2% higher than the previous year. Growth was strongest in the Brazil GeoMarket where higher offshore activity increased demand for Wireline and Drilling & Measurements services technologies. Revenue also increased significantly in the Peru/Ecuador/Colombia GeoMarket due to strong IPM activity and higher Artificial Lift systems sales. The addition of Geoservices also contributed to the growth. These increases were partially offset by a decrease in the Mexico/Central America GeoMarket revenue as client budgetary constraints reduced IPM activity.

Year-on-year, pretax operating margin decreased 110 bps to 16.7% primarily due to the reduced activity levels in Mexico/Central America partially offset by the impact of lower costs in Venezuela/Trinidad & Tobago.

Europe/CIS/Africa

Revenue of $6.88 billion was 4% lower year-on-year. This decrease was largely attributable to lower pricing across much of the Area and reduced activity in the North Africa, Libya, Caspian and Continental Europe GeoMarkets. These decreases were partially offset by increases in Russia due to higher IPM activity. The addition of Geoservices also contributed to Area revenue.

Year-on-year, pretax operating margin decreased 543 bps to 18.4% primarily due to the lower overall activity levels and reduced pricing.

Middle East & Asia

Revenue of $5.59 billion was 7% higher than the previous year primarily due to strong drilling activity in Asia, particularly in the Australia/Papua New Guinea, China/Japan/Korea and East Asia GeoMarkets, and to increased IPM activity and strong demand for Well Services technologies in the Middle Eastern GeoMarkets. The addition of Geoservices also increased Area revenue.

Year-on-year, pretax operating margin decreased 199 bps to 30.4% primarily due the impact of lower pricing across the Area.

WesternGeco

Full-year 2010 revenue of $1.99 billion was 6% lower than the prior year primarily due to reduced activity and pricing in Marine. This decrease was partially offset by an increase in Multiclient revenue as the result of increased acquisition and sales of wide-azimuth surveys in the US Gulf of Mexico.

Year-on-year, pretax operating margin decreased 194 bps to 13.4% as the result of the lower pricing and activity in Marine and reduced profitability in Land and Data Processing. These decreases were partially offset by an improvement in Multiclient margins on the increased activity.

Full-Year 2009 Results

(Stated in millions)

	2009		2008	
	Revenue	**Income before taxes**	Revenue	Income before taxes
OILFIELD SERVICES				
North America	$ 3,707	$ 216	$ 5,914	$1,371
Latin America	4,225	753	4,230	858
Europe/CIS/Africa	7,150	1,707	8,180	2,244
Middle East & Asia	5,234	1,693	5,724	2,005
Elims/Other	202	(43)	234	27
	20,518	4,326	24,282	6,505
WESTERNGECO	2,122	326	2,838	836
Corporate(1)	62	(344)	43	(268)
Interest income(2)		52		112
Interest expense(3)		(188)		(217)
Charges & credits(4)		(238)		(116)
	$22,702	$3,934	$27,163	$6,852

(1) Comprised principally of corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs and certain other nonoperating items.
(2) Excludes interest income included in the segments' income (2009 – $10 million; 2008 – $7 million).
(3) Excludes interest expense included in the segments' income (2009 – $33 million; 2008 – $30 million).
(4) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements.*

Oilfield Services

Full-year 2009 revenue of $20.52 billion declined 16% versus 2008. Lower natural gas prices and unfavorable market fundamentals resulted in a 37% decline in North America revenue, primarily in the US Land and Canada GeoMarkets. Europe/CIS/Africa revenue decreased 13% mainly due to the weakening of local currencies against the US dollar and reduced activity in the Russia, North Sea, West & South Africa and Caspian GeoMarkets as well as in Framo, which was partially offset by increased activity in the North Africa GeoMarket. Middle East & Asia revenue also fell by 9% primarily due to decreases in the East Asia, East Mediterranean, Arabian and Australia/Papua New Guinea GeoMarkets. Latin America revenue was only marginally lower than last year as the impact of the weakening of local currencies against the US dollar and much lower activity in Venezuela/Trinidad & Tobago and Peru/Colombia/Ecuador were nearly offset by stronger activity in Mexico/Central America and Brazil. Weakening of local currencies against the US dollar reduced 2009 revenue by approximately 4%. Across the Areas, all of the Technologies recorded revenue declines except Testing Services. IPM recorded revenue growth compared to the same period last year.

Full-year 2009 pretax operating margin decreased 5.7 percentage points to 21.1%, on the significant drop in activity and pricing pressure experienced across all the Areas, but most notably in North America.

North America

Revenue of $3.71 billion was 37% lower than last year with reductions across the entire Area. The decreases were highest in US Land and Canada, where lower natural gas prices resulted in a steep drop in activity and consequent pressure on pricing. Canada revenue was also lower as the result of the weakening of the Canadian dollar against the US dollar. Revenue in the US Gulf of Mexico GeoMarket was severely impacted by weaker shelf drilling activity and strong pricing pressure.

Pretax operating margin fell 17.3 percentage points to 5.8% due to the significant decline in activity levels across the Area, combined with the severe pricing erosion.

Latin America

Revenue of $4.22 billion was marginally lower compared to 2008. The weakening of local currencies against the US dollar reduced 2009 revenue by approximately 3%. In addition, Venezuela/Trinidad & Tobago revenue fell due to significantly reduced customer spending while Peru/Colombia/Ecuador revenue was lower due to reduced gain share in IPM projects. These decreases were mostly offset by higher IPM activity in Mexico/Central America and increased offshore activity in Brazil.

Pretax operating margin decreased 245 bps to 17.8% primarily as the result of the sharp activity decline in Venezuela/Trinidad & Tobago and the lower gain share in Peru/Colombia/Ecuador.

Europe/CIS/Africa

Revenue of $7.15 billion was 13% lower than last year largely due to the weakening of local currencies against the US dollar, which reduced revenue by approximately 7%. In addition, revenue was negatively impacted by reduced customer spending that resulted in significantly lower activity and pricing erosion in Russia and the North Sea. Revenue in the West & South Africa and Caspian GeoMarkets and in Framo was also negatively impacted by lower activity levels. These decreases were partially offset by a revenue increase in the North Africa GeoMarket due to strong Testing Services product sales.

Pretax operating margins declined 357 bps to 23.9% on a combination of the overall lower activity and heavy pricing pressure across the Area.

Middle East & Asia

Revenue of $5.23 billion was 9% below 2008. Revenue was down across much of the Middle East, especially in the East Mediterranean and Arabian GeoMarkets, due to reduced demand for Drilling & Measurements, Wireline and Testing Services technologies. Revenue in Asia also fell, primarily due to a decrease in offshore exploration activity, which was most significant in the East Asia and Australia/Papua New Guinea GeoMarkets, resulting in lower demand for Testing Services and Wireline technologies as well as Completion Systems products.

Pretax operating margin decreased 268 bps to 32.4% primarily as a result of the lower overall activity and a less favorable revenue mix across the Area.

WesternGeco

Full-year revenue of $2.12 billion was 25% lower than 2008. Revenue decreased across all product lines, with the largest declines experienced in Marine and Multiclient. Marine revenue declined due to lower activity combined with reduced pricing as the result of weak market conditions. Multiclient revenue decreased primarily in North America, as customers continued to reduce discretionary spending. Land revenue fell on lower crew utilization, while Data Processing revenue was down reflecting lower activity primarily in Europe/Africa and in North America.

Pretax margin decreased 14.1 percentage points to 15.4% primarily due to the weaker Marine activity and pricing as well as lower Multiclient sales.

Interest and Other Income

Interest and other income consisted of the following:

(Stated in millions)

	2010	2009	2008
Interest income	**$ 50**	$ 61	$119
Equity in net earnings of affiliated companies:			
M-I SWACO	**78**	131	210
Others	**86**	78	83
Other	–	3	–
	$214	$273	$412

Interest Income

The average return on investments decreased to 1.2% in 2010 from 1.4% in 2009 and the weighted average investment balance of $4.0 billion in 2010 decreased $0.5 billion compared to 2009.

The average return on investments decreased to 1.4% in 2009 from 3.5% in 2008 and the weighted average investment balance of $4.5 billion in 2009 increased $1.1 billion compared to 2008.

Equity in Net Earnings of Affiliated Companies

Equity income from the M-I SWACO joint venture in 2010 represents eight months of equity income through the closing of the Smith transaction. The decrease in equity income relating to this joint venture from 2008 to 2009 was attributable to a significant decline in M-I SWACO activity levels, primarily in its United States and Europe/Africa regions, as well as increased pricing pressures.

Interest Expense

Interest expense of $207 million in 2010 decreased by $14 million compared to 2009 due to a decline in the weighted average borrowing rates, from 3.9% to 3.2%. The weighted average debt balance of $6.4 billion in 2010 increased $0.8 billion compared to 2009.

Interest expense of $221 million in 2009 decreased by $26 million compared to 2008 primarily due to a decline in the weighted average borrowing rates, from 4.5% to 3.9%.

Other

Gross margin was 21.7%, 24.0% and 30.2% in 2010, 2009 and 2008, respectively.

The decline in gross margin in 2010 compared to 2009 was primarily attributable to the inclusion of the acquired Smith businesses as well as pricing pressure for Oilfield Services, particularly in the Europe/CIS/Africa Area, partially offset by improved activity levels and pricing in the North America Area.

The decline in gross margin in 2009 compared to 2008 was primarily attributable to lower activity coupled with the impact of a significant reduction in pricing across all of Oilfield Services, most notably in North America and Europe/CIS/Africa. Weaker Marine activity and pricing and reduced Multiclient sales in WesternGeco also contributed to the margin decline.

Research & engineering and *General & administrative* expenses, as a percentage of *Revenue*, were as follows:

	2010	2009	2008
Research & engineering	**3.3%**	3.5%	3.0%
General & administrative	**2.4%**	2.4%	2.1%

Research & engineering expenditures were as follows:

(Stated in millions)

	2010	2009	2008
Oilfield Services	**$748**	$679	$686
WesternGeco	**103**	108	118
Acquired Smith businesses	**58**	–	–
Other	**10**	15	15
	$919	$802	$819

Income Taxes

The Schlumberger effective tax rate was 17.3% in 2010, 19.6% in 2009, and 20.9% in 2008.

The Schlumberger effective tax rate is sensitive to the geographic mix of earnings. When the percentage of pretax earnings generated outside of North America increases, the Schlumberger effective tax rate will generally decrease. Conversely, when the percentage of pretax earnings generated outside of North America decreases, the Schlumberger effective tax rate will generally increase.

The effective tax rate for 2010 was significantly impacted by the charges and credits described in Note 3 to the *Consolidated Financial Statements*. The effective tax rate for 2009 was also impacted by charges, but to a much lesser extent. Excluding charges and credits, the effective tax rate in 2010 was approximately 20.6% compared to 19.2% in 2009. This increase is largely attributable to the geographic mix of earnings as well as the inclusion of four months results from the merger with Smith. Smith, which as a US company has a US tax rate applicable to its worldwide operations and as such, will serve to increase Schlumberger's overall effective tax rate.

The decrease in the Schlumberger effective tax rate in 2009 as compared to 2008 was primarily attributable to the geographic mix of earnings. Schlumberger generated a lower proportion of its pretax earnings in North America in 2009 as compared to 2008. In addition, outside North America, various GeoMarkets with lower tax rates contributed a greater percentage to pretax earnings in 2009 as compared to 2008.

Charges and Credits

Schlumberger recorded significant charges and credits in continuing operations during 2010, 2009 and 2008. These charges and credits, which are summarized below, are more fully described in Note 3 to the *Consolidated Financial Statements*.

The following is a summary of the 2010 charges and credits:

(Stated in millions)

	Pretax	Tax	Non-controlling Interest	Net	Income Statement Classification
Restructuring and Merger-related Charges:					
Severance and other	$ 90	$ 13	$–	$ 77	*Restructuring & other*
Impairment relating to WesternGeco's first generation Q-Land acquisition system	78	7	–	71	*Restructuring & other*
Other WesternGeco-related charges	63	–	–	63	*Restructuring & other*
Professional fees and other	107	1	–	106	*Merger & integration*
Merger-related employee benefits	58	10	–	48	*Merger & integration*
Inventory fair value adjustments	153	56	–	97	*Cost of revenue*
Mexico restructuring	40	4	–	36	*Restructuring & other*
Repurchase of bonds	60	23		37	*Restructuring & other*
Total restructuring and merger-related charges	649	114	–	535	
Gain on investment in M-I SWACO	(1,270)	(32)	–	(1,238)	*Gain on Investment in M-I SWACO*
Impact of elimination of tax deduction related to Medicare Part D subsidy	–	(40)	–	40	*Taxes on income*
	$ (621)	$ 42	$–	$ (663)	

The following is a summary of the 2009 charges:

(Stated in millions)

	Pretax	Tax	Non-controlling Interest	Net	Income Statement Classification
Workforce reductions	$102	$17	$–	$ 85	*Restructuring & other*
Postretirement benefits curtailment	136	14	–	122	*Restructuring & other*
	$238	$31	$–	$207	

The following is a summary of the 2008 charges:

(Stated in millions)

	Pretax	Tax	Non-controlling Interest	Net	Income Statement Classification
Workforce reductions	$ 74	$ 9	$–	$65	*Restructuring & other*
Provision for doubtful accounts	32	8	6	18	*Restructuring & other*
Other	10	–	–	10	*Interest and other income, net*
	$116	$17	$6	$93	

Cash Flow

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

Details of Net Debt follow:

(Stated in millions)

	2010	**2009**	**2008**
Net Debt, beginning of year	**$ (126)**	$(1,129)	$(1,857)
Net income	**4,266**	3,142	5,460
Depreciation and amortization(1)	**2,759**	2,476	2,269
Gain on M-I SWACO investment	**(1,270)**	–	–
Pension and other postretirement benefits expense	**299**	306	127
Pension and other postretirement benefits curtailment charge	**–**	136	–
Pension and other postretirement benefits funding	**(868)**	(1,149)	(318)
Excess of equity income over dividends received	**(85)**	(103)	(235)
Stock -based compensation expense	**198**	186	172
Other non-cash items	**327**	162	128
Decrease (increase) in working capital	**268**	(204)	(592)
Capital expenditures	**(2,914)**	(2,395)	(3,723)
Multiclient seismic data capitalized	**(326)**	(230)	(345)
Dividends paid	**(1,040)**	(1,006)	(964)
Stock repurchase program	**(1,717)**	(500)	(1,819)
Proceeds from employee stock plans	**401**	206	351
Net debt assumed in merger with Smith	**(1,829)**	–	–
Geoservices acquisition, net of debt acquired	**(1,033)**	–	–
Other business acquisitions and minority interest investments	**(212)**	(514)	(345)
Conversion of debentures	**320**	–	448
Translation effect on net debt	**30**	(59)	166
Other	**(86)**	549	(52)
Net Debt, end of year	**$(2,638)**	$ (126)	$(1,129)

(1) Includes multiclient seismic data costs.

(Stated in millions)

Components of Net Debt	**Dec. 31 2010**	**Dec. 31 2009**	**Dec. 31 2008**
Cash	**$ 1,764**	$ 617	$ 609
Short-term investments	**3,226**	3,999	3,083
Fixed income investments, held to maturity	**484**	738	470
Short-term borrowings and current portion of long-term debt	**(2,595)**	(804)	(1,598)
Convertible debentures	**–**	(321)	(321)
Long-term debt	**(5,517)**	(4,355)	(3,372)
	$(2,638)	$ (126)	$(1,129)

Key liquidity events during 2010, 2009 and 2008 included:

- As a result of the Smith merger, Schlumberger assumed net debt of $1.8 billion. This amount consisted of $2.2 billion of debt (including a $0.4 billion adjustment to increase Smith's long-term fixed rate debt to its estimated fair value) and $0.4 billion of cash.
- During the second quarter of 2010, Schlumberger completed the acquisition of Geoservices for cash of $0.9 billion. Schlumberger assumed net debt of $0.1 billion in connection with this transaction.

- During the third and fourth quarters of 2010, Schlumberger repurchased the following debt:

(Stated in millions)

	Carrying Value
6.50% Notes due 2012	$ 649
6.75% Senior Notes due 2011	224
9.75% Senior Notes due 2019	212
6.00% Senior Notes due 2016	102
8.625% Senior Notes due 2014	88
	$1,275

The premium paid in excess of the carrying value to repurchase the $1.275 billion of debt was approximately $67 million.

- During the first quarter of 2009, Schlumberger entered into a €3.0 billion Euro Medium Term Note program. This program provides for the issuance of various types of debt instruments such as fixed or floating rate notes in Euro, US dollar or other currencies.

  Schlumberger issued €1.0 billion 2.75% Guaranteed Notes due 2015 in the fourth quarter of 2010 under this program. Schlumberger entered into agreements to swap these euro notes for US dollars on the date of issue until maturity, effectively making this a US denominated debt on which Schlumberger will pay interest in US dollars at a rate of 2.56%. The proceeds from these notes will be used for general corporate purposes.

  During the first quarter of 2009, Schlumberger issued €1.0 billion 4.50% Guaranteed Notes due 2014 under this program. Schlumberger entered into agreements to swap these euro notes for US dollars on the date of issue until maturity, effectively making this a US dollar denominated debt on which Schlumberger will pay interest in US dollars at a rate of 4.95%. The proceeds from these notes were used to refinance existing debt obligations and for general corporate purposes.

- During the third quarter of 2009, Schlumberger issued $450 million of 3.00% Guaranteed Notes due 2013. The proceeds from these notes were used to refinance existing debt obligations.

- In September 2008, Schlumberger issued €500 million 5.25% Guaranteed Notes due 2013. Schlumberger entered into agreements to swap these Euro notes for US dollars on the date of issue until maturity, effectively making this a US dollar denominated debt on which Schlumberger will pay interest in US dollars at a rate of 4.74%. The proceeds from these notes were used to repay commercial paper borrowings.

- On April 20, 2006, the Schlumberger Board of Directors approved a share repurchase program of up to 40 million shares of common stock to be acquired in the open market before April 2010, subject to market conditions. This program was completed during the second quarter of 2008.

  On April 17, 2008, the Schlumberger Board of Directors approved an $8 billion share repurchase program for shares of Schlumberger common stock, to be acquired in the open market before December 31, 2011, of which $3.15 billion had been repurchased as of December 31, 2010.

  The following table summarizes the activity under these share repurchase programs during 2010, 2009 and 2008:

(Stated in thousands except per share amounts and prices)

	Total cost of shares purchased	Total number of shares purchased	Average price paid per share
2010	$1,716,675	26,624.8	$64.48
2009	$ 500,097	7,825.0	$63.91
2008	$1,818,841	21,064.7	$86.35

- Cash flow provided by operations was $5.5 billion in 2010, $5.3 billion in 2009 and $6.9 billion in 2008. The decline in cash flow from operations in 2009 as compared to 2008 was primarily driven by the decrease in net income experienced in 2009 and the significant pension plan contributions made during 2009, offset by an improvement in working capital requirements.

At times in recent periods, Schlumberger has experienced delays in payments from certain of its customers. Schlumberger operates in approximately 80 countries. At December 31, 2010, only three of those countries individually accounted for greater than 5% of Schlumberger's accounts receivable balance of which only one, the United States, represented greater than 10%.

- Dividends paid during 2010, 2009 and 2008 were $1.04 billion, $1.01 billion and $0.96 billion, respectively.

  In January 2011, Schlumberger announced that its Board of Directors had approved an increase in the quarterly dividend of 19%, to $0.25.

- Capital expenditures were $2.9 billion in 2010, $2.4 billion in 2009 and $3.7 billion in 2008. Capital expenditures in 2008 reflected the record activity levels experienced in that year. The decrease in capital expenditures in 2009 as compared to 2008 is primarily due to the significant activity decline during 2009. Capital expenditures are expected to approach $4.0 billion for the full year 2011.

- During 2010, 2009 and 2008 Schlumberger made contributions of $868 million, $1.1 billion and $290 million, respectively, to its postretirement benefit plans. The US pension plans were 95% funded at December 31, 2010 based on the projected benefit obligation. This compares to 92% funded at December 31, 2009.

  Schlumberger's international defined benefit pension plans are a combined 92% funded at December 31, 2010 based on the projected benefit obligation. This compares to 85% funded at December 31, 2009.

  Schlumberger currently anticipates contributing approximately $600 million to $650 million to its postretirement benefit plans in 2011, subject to market and business conditions.

- During 2010 and 2008, certain holders of Schlumberger Limited 1.5% Series A Convertible Debentures due June 1, 2023 and 2.125% Series B Convertible Debentures due June 1, 2023 converted their debentures into Schlumberger common stock. The following table summarizes these conversions:

(Stated in millions)

	2010		2008	
	Conversions	**Shares issued**	**Conversions**	**Shares issued**
1.5% Series A debentures	$ –	–	$353	9.76
2.125% Series B debentures	321	8.00	95	2.36
	$321	8.00	$448	12.12

At December 31, 2008, there were no outstanding Series A debentures. There were $321 million outstanding Series B debentures at December 31, 2009. During 2010, $320 million of the 2.125% Series B Convertible Debentures due June 1, 2023 were converted by holders into 8.0 million shares of Schlumberger common stock and the remaining $1 million of outstanding Series B debentures were redeemed for cash.

As of December 31, 2010, Schlumberger had approximately $5.0 billion of cash and short-term investments on hand. Schlumberger had separate committed debt facility agreements aggregating $6.0 billion with commercial banks, of which $3.7 billion was available and unused as of December 31, 2010. This included $4.9 billion of committed facilities which support commercial paper borrowings in the United States and Europe. Schlumberger believes that these amounts are sufficient to meet future business requirements for at least the next twelve months.

Schlumberger's total outstanding debt at December 31, 2010 was $8.1 billion and included approximately $1.9 billion of commercial paper borrowings. The total outstanding debt increased approximately $2.6 billion compared to December 31, 2009.

On January 10, 2011, Schlumberger issued $1.1 billion of 4.200% Senior Notes due 2021 and $500 million of 2.650% Senior Notes due 2016.

Summary of Major Contractual Obligations

(Stated in millions)

		Payment Period			
Contractual Obligations	**Total**	**2011**	**2012 – 2013**	**2014 – 2015**	**After 2015**
Debt[1]	$ 8,112	$2,595	$1,608	$2,915	$ 994
Operating Leases	1,334	325	409	223	377
Purchase Obligations[2]	1,874	1,848	26	–	–
	$11,320	$4,768	$2,043	$3,138	$1,371

(1) Excludes future payments for interest.

(2) Represents an estimate of contractual obligations in the ordinary course of business. Although these contractual obligations are considered enforceable and legally binding, the terms generally allow Schlumberger the option to reschedule and adjust its requirements based on business needs prior to the delivery of goods.

Refer to Note 18 of the *Consolidated Financial Statements* for details regarding Schlumberger's pension and other postretirement benefit obligations.

As discussed in Note 14 of the *Consolidated Financial Statements*, included in the Schlumberger *Consolidated Balance Sheet* at December 31, 2010 is approximately $1.17 billion of liabilities associated with uncertain tax positions in the over 100 jurisdictions in which Schlumberger conducts business. Due to the uncertain and complex application of tax regulations, combined with the difficulty in predicting when tax audits throughout the world may be concluded, Schlumberger cannot make reliable estimates of the timing of cash outflows relating to these liabilities.

Schlumberger has outstanding letters of credit/guarantees which relate to business performance bonds, custom/excise tax commitments, facility lease/rental obligations, etc. These were entered into in the ordinary course of business and are customary practices in the various countries where Schlumberger operates.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires Schlumberger to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. The following accounting policies involve "critical accounting estimates" because they are particularly dependent on estimates and assumptions made by Schlumberger about matters that are inherently uncertain. A summary of all of Schlumberger's significant accounting policies is included in Note 2 to the *Consolidated Financial Statements*.

Schlumberger bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Multiclient Seismic Data

The WesternGeco segment capitalizes the costs associated with obtaining multiclient seismic data. The carrying value of the multiclient seismic data library at December 31, 2010 and 2009 was $394 million and $288 million, respectively. Such costs are charged to *Cost of revenue* based on the percentage of the total costs to the estimated total revenue that Schlumberger expects to receive from the sales of such data. However, under no circumstances will an individual survey carry a net book value greater than a 4-year straight-line amortized value.

The carrying value of surveys is reviewed for impairment annually as well as when an event or change in circumstance indicates an impairment may have occurred. Adjustments to the carrying value are recorded when it is determined that estimated future revenues, which involve significant judgment on the part of Schlumberger, would not be sufficient to recover the carrying value of the surveys. Significant adverse changes in Schlumberger's estimated future cash flows could result in impairment charges in a future period. For purposes of performing the annual impairment test of the multiclient library, future cash flows are analyzed primarily based on two pools of surveys: United States and non-United States. The United States and non-United States pools were determined to be the most appropriate level at which to perform the impairment review based upon a number of factors including (i) various macroeconomic factors that influence the ability to successfully market surveys and (ii) the focus of the sales force and related costs. Certain larger surveys, which are typically prefunded by customers, are analyzed for impairment on a survey by survey basis.

Allowance for Doubtful Accounts

Schlumberger maintains an allowance for doubtful accounts in order to record accounts receivable at their net realizable value. Judgment is involved in recording and making adjustments to this reserve. Allowances have been recorded for receivables believed to be uncollectible, including amounts for the resolution of potential credit and other collection issues such as disputed invoices. Depending on how such potential issues are resolved, or if the financial condition of Schlumberger customers were to deteriorate resulting in an impairment of their ability to make payments, adjustments to the allowance may be required.

Inventory Reserves

Inventory is recorded at the lower of cost or net realizable value. Schlumberger maintains a reserve for excess and obsolete inventory. This requires management to make assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional provisions for excess or obsolete inventory may be required.

Goodwill, Intangible Assets and Long-Lived Assets

Schlumberger records the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired as goodwill. Goodwill is tested for impairment annually as well as when an event or change in circumstance indicates an impairment may have occurred. Goodwill is tested for impairment by comparing the fair value of Schlumberger's individual reporting units to their carrying amount to determine if there is a potential goodwill impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the reporting unit is less than its carrying value.

For purposes of performing the impairment test for goodwill, Schlumberger's reporting units are primarily the geographic areas comprising the Oilfield Services segment in addition to the WesternGeco, M-I SWACO, Smith Oilfield and Distribution segments. Schlumberger estimates the fair value of these reporting units using a discounted cash flow analysis and/or applying various market multiples. Determining the fair value of a reporting unit is a matter of judgment and often involves the use of significant estimates and assumptions. Schlumberger's estimate of the fair value of each of its reporting units comprising Oilfield Services as well as its WesternGeco reporting unit were substantially in excess of their respective carrying values at the time of their annual goodwill impairment tests for 2010. Due to the fact that the M-I SWACO, Smith Oilfield and Distribution reporting units were acquired on August 27, 2010, just prior to their annual goodwill impairment tests, the fair value of these reporting units approximated their carrying value.

Long-lived assets, including fixed assets and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determination of future cash flows as well as the estimated fair value of long-lived assets involves significant estimates on the part of management. If there is a material change in economic conditions or other circumstances influencing the estimate of future cash flows or fair value, Schlumberger could be required to recognize impairment charges in the future. Schlumberger evaluates the remaining useful life of its intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the remaining estimated amortization period.

Income Taxes

Schlumberger's tax filings are subject to regular audit by the tax authorities in most of the over 100 jurisdictions in which it conducts business. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. Tax liabilities are recorded based on estimates of additional taxes which will be due upon the conclusion of these audits. Estimates of these tax liabilities are made based upon prior experience and are updated in light of changes in facts and circumstances. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities which could be materially different from these estimates. In such an event, Schlumberger will record additional tax expense or tax benefit in the period in which such resolution occurs.

Pension and Postretirement Benefits

Schlumberger's pension and postretirement benefit obligations are described in detail in Note 18 to the *Consolidated Financial Statements*. The obligations and related costs are calculated using actuarial concepts, which include critical assumptions related to the discount rate, expected return on plan assets and medical cost trend rates. These assumptions are important elements of expense and/or liability measurement and are updated on an annual basis, or upon the occurrence of significant events.

The discount rate Schlumberger uses reflects the prevailing market rate of a portfolio of high-quality debt instruments with maturities matching the expected timing of the payment of the benefit obligations. The following summarizes the discount rates utilized by Schlumberger for its various pension and postretirement benefit plans:

- The discount rate utilized to determine the liability for Schlumberger's United States pension plans and postretirement medical plans was 5.50% at December 31, 2010 and 6.00% at December 31, 2009.
- The weighted-average discount rate utilized to determine the liability for Schlumberger's international pension plans was 5.47% at December 31, 2010 and 5.89% at December 31, 2009.
- The weighted-average discount rate utilized to determine expense for Schlumberger's United States pension plans and postretirement medical plans decreased from 6.94% in 2009 to 6.00% in 2010.
- The weighted-average discount rate utilized to determine expense for Schlumberger's international pension plans was decreased from 6.81% in 2009 to 5.89% in 2010.

A higher discount rate decreases the present value of benefit obligations and decreases expense.

The expected rate of return for our retirement benefit plans represents the average rate of return expected to be earned on plan assets over the period that benefits included in the benefit obligation are expected to be paid. The expected rate of return for Schlumberger's United States pension plans has been determined based upon expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class. The expected rate of return on plan assets for the United States pension plans was 8.50% in both 2010 and 2009. The weighted average expected rate of return on plan assets for the international plans was 8.00% in 2010 and 8.35% in 2009. A lower expected rate of return would increase pension expense.

Schlumberger's medical cost trend rate assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. The overall medical cost trend rate assumption utilized to determine both the 2010 postretirement medical expense as well as the postretirement medical liability as of December 31, 2010 was 8% graded to 5% over the next six years.

The following illustrates the sensitivity to changes in certain assumptions, holding all other assumptions constant, for the United States and international pension plans:

(Stated in millions)

Change in Assumption	**Effect on 2010 Pretax Pension Expense**	**Effect on Dec. 31, 2010 Liability**
25 basis point decrease in discount rate	+$18	+$261
25 basis point increase in discount rate	-$17	-$246
25 basis point decrease in expected return on plan assets	+$13	–
25 basis point increase in expected return on plan assets	-$13	–

The following illustrates the sensitivity to changes in certain assumptions, holding all other assumptions constant, for Schlumberger's United States postretirement medical plans:

(Stated in millions)

Change in Assumption	**Effect on 2010 Pretax Postretirement Medical Expense**	**Effect on Dec. 31, 2010 Liability**
25 basis point decrease in discount rate	+$4	+$39
25 basis point increase in discount rate	-$4	-$37
100 basis point decrease per annum in medical cost trend rate	-$22	-$145
100 basis point increase per annum in medical cost trend rate	+$26	+$177

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Schlumberger is subject to market risks primarily associated with changes in foreign currency exchange rates, commodity prices and interest rates.

As a multinational company, Schlumberger conducts business in approximately 80 countries. Schlumberger's functional currency is primarily the US dollar, which is consistent with the oil and gas industry. Approximately 80% of Schlumberger's revenue in 2010 was denominated in US dollars. However, outside the United States, a significant portion of Schlumberger's expenses is incurred in foreign currencies. Therefore, when the US dollar weakens in relation to the foreign currencies of the countries in which Schlumberger conducts business, the US dollar-reported expenses will increase.

A 5% increase or decrease in the average exchange rates of all the foreign currencies in 2010 would have changed revenue by approximately 1%. If the 2010 average exchange rates of the US dollar against all foreign currencies had strengthened by 5%, Schlumberger's income from continuing operations would have increased by approximately 2%. Conversely, a 5% weakening of the US dollar average exchange rates would have decreased income from continuing operations by approximately 3%.

Although the functional currency of Schlumberger's operations in Venezuela is the US dollar, a portion of the transactions are denominated in local currency. For financial reporting purposes, such transactions are remeasured into US dollars at the official exchange rate, which until January 2010 was fixed at 2.15 Venezuela bolivares fuertes per US dollar, despite significant inflation in recent periods. In January 2010, Venezuela's currency was devalued and a new exchange rate system was announced. During the first quarter of 2010, Schlumberger began to apply an exchange rate of 4.3 Venezuelan bolivares fuertes per US dollar to its local currency denominated transactions in Venezuela. The devaluation did not have an immediate significant impact to Schlumberger. Further, although this devaluation does result in a reduction in the US dollar reported amount of local currency denominated revenues and expenses, the impact is not material to Schlumberger's consolidated financial statements.

Schlumberger maintains a foreign-currency risk management strategy that uses derivative instruments to protect its interests from unanticipated fluctuations in earnings and cash flows caused by volatility in currency exchange rates. Foreign currency forward contracts and foreign currency options provide a hedge against currency fluctuations either on monetary assets/liabilities denominated in other than a functional currency or on expenses.

At December 31, 2010, contracts were outstanding for the US dollar equivalent of $7.3 billion in various foreign currencies.

Schlumberger is subject to the risk of market price fluctuations of certain commodities, such as metals and fuel. Schlumberger utilizes forward contracts to manage a small percentage of the price risk associated with forecasted metal purchases. As of December 31, 2010, $12 million of commodity forward contracts were outstanding.

Schlumberger is subject to interest rate risk on its debt and its investment portfolio. Schlumberger maintains an interest rate risk management strategy that uses a mix of variable and fixed rate debt combined with its investment portfolio and interest rate swaps to mitigate the exposure to changes in interest rates. At December 31, 2010, Schlumberger had fixed rate debt aggregating approximately $5.4 billion and variable rate debt aggregating approximately $2.8 billion. Schlumberger has entered into interest rate swaps relating to $0.5 billion of its fixed rate debt as of December 31, 2010 whereby Schlumberger will receive interest at a fixed rate and pay interest at a variable rate.

Schlumberger's exposure to interest rate risk associated with its debt is also partially mitigated by its investment portfolio. Both *Short-term investments* and *Fixed income investments*, *held to maturity*, which totaled approximately $3.7 billion at December 31, 2010, are comprised primarily of money market funds, eurodollar time deposits, certificates of deposit, commercial paper, euro notes and Eurobonds and are substantially all denominated in US dollars. The average return on investment was 1.1% in 2010.

The following table represents carrying amounts of Schlumberger's debt at December 31, 2010 by year of maturity:

(Stated in millions)

	Expected Maturity Dates							
	2011	2012	2013	2014	2015	2016	2019	Total
Fixed rate debt								
5.875% Guaranteed Bonds	$ 334							$ 334
5.25% Guaranteed Notes			$ 659					659
3.00% Guaranteed Notes			463					463
4.50% Guaranteed Notes				$ 1,319				1,319
8.625% Senior Notes				272				272
2.75% Guaranteed Notes					$ 1,310			1,310
6.00% Senior Notes						$ 218		218
9.75% Senior Notes							$ 776	776
Total fixed rate debt	**$ 334**	**$ –**	**$1,122**	**$1,591**	**$1,310**	**$218**	**$776**	**$5,351**
Variable rate debt	**2,261**	**445**	**41**	**14**	**–**	**–**	**–**	**2,761**
Total	**$2,595**	**$445**	**$1,163**	**$1,605**	**$1,310**	**$218**	**$776**	**$8,112**

The fair market value of the outstanding fixed rate debt was approximately $5.5 billion as of December 31, 2010. The weighted average interest rate on the variable rate debt as of December 31, 2010 was approximately 1.0%.

Schlumberger does not enter into derivatives for speculative purposes.

Forward-looking Statements

This Form 10-K and other statements we make contain "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts, such as our forecasts or expectations regarding business outlook; growth for Schlumberger as a whole and for each of Oilfield Services and WesternGeco (and for specified products or geographic areas within each segment); the integration of both Smith and Geoservices into our business; the anticipated benefits of those transactions; oil and natural gas demand and production growth; oil and natural gas prices; improvements in operating procedures and technology; capital expenditures by Schlumberger and the oil and gas industry; the business strategies of Schlumberger's customers; future global economic conditions; and future results of operations. These statements are subject to risks and uncertainties, including, but not limited to, the current global economic downturn; 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; pricing erosion; seasonal factors; changes in government regulations and regulatory requirements, including those related to offshore oil and gas exploration, radioactive sources, explosives, chemicals, hydraulic fracturing services and climate-related initiatives; continuing operational delays or program reductions as of result of the lifted drilling moratorium in the Gulf of Mexico; the inability to successfully integrate the merged Smith and Geoservices businesses and to realize expected synergies, the inability to retain key employees; and other risks and uncertainties detailed in the Risk Factors section of this Form 10-K and other filings that we make with the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize (or the consequences of such a development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. 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 8. Financial Statements and Supplementary Data.

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(Stated in millions, except per share amounts)

Year Ended December 31,	**2010**	2009	2008
Revenue	**$27,447**	$22,702	$27,163
Interest and other income, net	**214**	273	412
Gain on investment in M-I SWACO	**1,270**	–	–
Expenses			
Cost of revenue	**21,499**	17,245	18,957
Research & engineering	**919**	802	819
General & administrative	**650**	535	584
Merger & integration	**169**	–	–
Restructuring & other	**331**	238	116
Interest	**207**	221	247
Income from Continuing Operations before taxes	**5,156**	3,934	6,852
Taxes on income	**890**	770	1,430
Income from Continuing Operations	**4,266**	3,164	5,422
Income (Loss) from Discontinued Operations	–	(22)	38
Net Income	**4,266**	3,142	5,460
Net (income) loss attributable to noncontrolling interests	**1**	(8)	(25)
Net Income attributable to Schlumberger	**$ 4,267**	$ 3,134	$ 5,435
Schlumberger amounts attributable to:			
Income from Continuing Operations	**$ 4,267**	$ 3,156	$ 5,397
Income (Loss) from Discontinued Operations	–	(22)	38
Net Income	**$ 4,267**	$ 3,134	$ 5,435
Basic earnings per share of Schlumberger:			
Income from Continuing Operations	**$ 3.41**	$ 2.63	$ 4.51
Income (Loss) from Discontinued Operations	–	(0.02)	0.03
Net Income(1)	**$ 3.41**	$ 2.62	$ 4.54
Diluted earnings per share of Schlumberger:			
Income from Continuing Operations	**$ 3.38**	$ 2.61	$ 4.42
Income (Loss) from Discontinued Operations	–	(0.02)	0.03
Net Income	**$ 3.38**	$ 2.59	$ 4.45
Average shares outstanding			
Basic	**1,250**	1,198	1,196
Assuming dilution	**1,263**	1,214	1,224

(1) Amounts may not add due to rounding

See the *Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Stated in millions)

December 31,	2010	2009
ASSETS		
Current Assets		
Cash	**$ 1,764**	$ 617
Short-term investments	**3,226**	3,999
Receivables less allowance for doubtful accounts (2010 – $185; 2009 – $160)	**8,278**	6,088
Inventories	**3,804**	1,866
Deferred taxes	**51**	154
Other current assets	**975**	926
	18,098	13,650
Fixed Income Investments, held to maturity	**484**	738
Investments in Affiliated Companies	**1,071**	2,306
Fixed Assets less accumulated depreciation	**12,071**	9,660
Multiclient Seismic Data	**394**	288
Goodwill	**13,952**	5,305
Intangible Assets	**5,162**	786
Deferred Taxes	–	376
Other Assets	**535**	356
	$51,767	$33,465
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 6,488**	$ 5,003
Estimated liability for taxes on income	**1,493**	878
Long-term debt – current portion	**2,214**	444
Short-term borrowings	**381**	360
Dividend payable	**289**	253
Convertible debentures	–	321
	10,865	7,259
Long-term Debt	**5,517**	4,355
Postretirement Benefits	**1,262**	1,660
Deferred Taxes	**1,636**	–
Other Liabilities	**1,043**	962
	20,323	14,236
Equity		
Common stock	**11,920**	4,777
Treasury stock	**(3,136)**	(5,002)
Retained earnings	**25,210**	22,019
Accumulated other comprehensive loss	**(2,768)**	(2,674)
Schlumberger stockholders' equity	**31,226**	19,120
Noncontrolling interests	**218**	109
	31,444	19,229
	$51,767	$33,465

See the *Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Stated in millions)

Year Ended December 31,	**2010**	**2009**	**2008**
Cash flows from operating activities:			
Net Income	**$ 4,266**	$ 3,142	$ 5,460
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization[1]	**2,759**	2,476	2,269
Gain on investment in M-I SWACO	**(1,270)**	–	–
Earnings of companies carried at equity, less dividends received	**(85)**	(103)	(235)
Deferred income taxes	**(109)**	373	(6)
Stock-based compensation expense	**198**	186	172
Other non-cash items	**327**	162	128
Pension and other postretirement benefits expense	**299**	306	127
Pension and other postretirement benefits curtailment charge	–	136	–
Pension and other postretirement benefits funding	**(868)**	(1,149)	(318)
Change in operating assets and liabilities:[2]			
(Increase) decrease in receivables	**(289)**	155	(944)
(Increase) decrease in inventories	**(67)**	64	(299)
Decrease (increase) in other current assets	**136**	9	(198)
(Decrease) increase in accounts payable and accrued liabilities	**(103)**	(293)	683
Increase (decrease) in estimated liability for taxes on income	**480**	(361)	(94)
(Decrease) increase in other liabilities	**(89)**	43	97
Other – net	**(91)**	165	57
NET CASH PROVIDED BY OPERATING ACTIVITIES	**5,494**	5,311	6,899
Cash flows from investing activities:			
Capital expenditures	**(2,914)**	(2,395)	(3,723)
Multiclient seismic data capitalized	**(326)**	(230)	(345)
Cash acquired in merger with Smith International, Inc.	**399**	–	–
Acquisition of Geoservices, net of cash acquired	**(889)**	–	–
Other business acquisitions and investments, net of cash acquired	**(212)**	(514)	(345)
Sale (purchase) of investments, net	**1,023**	(1,159)	(604)
Other	**(19)**	228	(132)
NET CASH USED IN INVESTING ACTIVITIES	**(2,938)**	(4,070)	(5,149)
Cash flows from financing activities:			
Dividends paid	**(1,040)**	(1,006)	(964)
Proceeds from employee stock purchase plan	**179**	96	177
Proceeds from exercise of stock options	**222**	110	174
Tax benefit on stock options	**14**	4	137
Stock repurchase program	**(1,717)**	(500)	(1,819)
Proceeds from issuance of long-term debt	**2,815**	1,973	1,281
Repayment of long-term debt	**(1,814)**	(1,754)	(601)
Net decrease in short-term borrowings	**(68)**	(111)	(210)
NET CASH USED IN FINANCING ACTIVITIES	**(1,409)**	(1,188)	(1,825)
Cash flow from discontinued operations – operating activities	–	(45)	63
Net increase (decrease) in cash before translation effect	**1,147**	8	(12)
Translation effect on cash	–	–	(2)
Cash, beginning of year	**617**	609	623
Cash, end of year	**$ 1,764**	$ 617	$ 609

(1) Includes multiclient seismic data costs.
(2) Net of the effect of business acquisitions.

See the *Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Stated in millions)

	Common Stock			Accumulated Other		
	Issued	**In Treasury**	**Retained Earnings**	**Comprehensive Income (Loss)**	**Noncontrolling Interests**	**Total**
Balance, January 1, 2008	$ 4,136	$(3,549)	$15,462	$(1,173)	$ 62	$14,938
Comprehensive income:						
Net income			5,435		25	
Currency translation adjustments				(82)	(1)	
Changes in fair value of derivatives				(135)		
Deferred employee benefits liabilities				(1,511)		
Total comprehensive income						3,731
Shares sold to optionees less shares exchanged	20	154				174
Shares granted to Directors	1					1
Shares issued under employee stock purchase plan	115	57				172
Stock repurchase program		(1,819)				(1,819)
Stock-based compensation cost	172					172
Shares issued on conversions of debentures	86	361				447
Other	1				(14)	(13)
Dividends declared ($0.84 per share)			(1,006)			(1,006)
Tax benefit on stock options	137					137
Balance, December 31, 2008	4,668	(4,796)	19,891	(2,901)	72	16,934
Comprehensive income:						
Net income			3,134		8	
Currency translation adjustments				17	1	
Changes in fair value of derivatives				143		
Deferred employee benefits liabilities				67		
Total comprehensive income						3,370
Shares sold to optionees less shares exchanged	(22)	132				110
Shares granted to Directors		1				1
Vesting of restricted stock	(20)	20				–
Shares issued under employee stock purchase plan	25	141				166
Stock repurchase program		(500)				(500)
Stock-based compensation cost	186					186
Other	(64)				28	(36)
Dividends declared ($0.84 per share)			(1,006)			(1,006)
Tax benefit on stock options	4					4
Balance, December 31, 2009	4,777	(5,002)	22,019	(2,674)	109	19,229
Comprehensive income:						
Net income			4,267		(1)	
Currency translation adjustments				(26)		
Changes in fair value of derivatives				5		
Deferred employee benefits liabilities				(73)		
Total comprehensive income						4,172
Shares sold to optionees less shares exchanged	(8)	230				222
Shares granted to Directors	1	1				2
Vesting of restricted stock	(11)	11				–
Shares issued under employee stock purchase plan	49	130				179
Stock repurchase program		(1,717)				(1,717)
Stock-based compensation cost	198					198
Shares issued on conversions of debentures	17	303				320
Acquisition of Smith International, Inc.	6,880	2,948			111	9,939
Acquisition of noncontrolling interests	3					3
Other		(40)			(1)	(41)
Dividends declared ($0.84 per share)			(1,076)			(1,076)
Tax benefit on stock options	14					14
Balance, December 31, 2010	$11,920	$(3,136)	$25,210	$(2,768)	$218	$31,444

See the *Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

SHARES OF COMMON STOCK

(Stated in millions)

	Issued	In Treasury	Shares Outstanding
Balance, January 1, 2008	1,334	(138)	1,196
Shares sold to optionees less shares exchanged	–	5	5
Shares issued under employee stock purchase plan	–	2	2
Stock repurchase program	–	(21)	(21)
Issued on conversions of debentures	–	12	12
Balance, December 31, 2008	1,334	(140)	1,194
Shares sold to optionees less shares exchanged	–	4	4
Vesting of restricted stock	–	1	1
Shares issued under employee stock purchase plan	–	4	4
Stock repurchase program	–	(8)	(8)
Balance, December 31, 2009	1,334	(139)	1,195
Acquisition of Smith International, Inc.	100	76	176
Shares sold to optionees less shares exchanged	–	6	6
Shares issued under employee stock purchase plan	–	3	3
Stock repurchase program	–	(27)	(27)
Issued on conversions of debentures	–	8	8
Balance, December 31, 2010	1,434	(73)	1,361

See the *Notes to Consolidated Financial Statements*

Notes to Consolidated Financial Statements

1. Business Description

Schlumberger Limited (Schlumberger N.V., incorporated in Curaçao) and its consolidated subsidiaries (collectively, "Schlumberger") form the world's leading supplier of technology, integrated project management, and information solutions to customers in the oil and gas industry worldwide, providing the industry's widest range of oilfield services from exploration to production.

2. Summary of Accounting Policies

The *Consolidated Financial Statements* of Schlumberger have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The accompanying *Consolidated Financial Statements* include the accounts of Schlumberger, its wholly-owned subsidiaries, and subsidiaries over which it exercises a controlling financial interest. All significant intercompany transactions and balances have been eliminated. Investments in entities in which Schlumberger does not have a controlling financial interest, but over which it has significant influence are accounted for using the equity method. Schlumberger's share of the after-tax earnings of equity method investees is included in *Interest and other income, net*. Investments in which Schlumberger does not have the ability to exercise significant influence are accounted for using the cost method. Both equity and cost method investments are classified in *Investments in Affiliated Companies*.

Reclassifications

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, Schlumberger evaluates its estimates, including those related to collectibility of accounts receivable; valuation of inventories and investments; recoverability of goodwill, intangible assets and investments in affiliates; income taxes; multiclient seismic data; contingencies and actuarial assumptions for employee benefit plans. Schlumberger bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Schlumberger recognizes revenue based upon purchase orders, contracts or other persuasive evidence of an arrangement with the customer that include fixed or determinable prices provided that collectibility is reasonably assured. Revenue is recognized for services when they are rendered. Revenue is recognized for products upon delivery, when the customer assumes the risks and rewards of ownership. Certain products may be provided on a consigned basis in which case revenue is recognized when the products are consumed provided that all other revenue recognition criteria have been met.

Revenue from seismic contract services performed on a dayrate basis is recognized as the service is performed. Revenue from other contract services, including pre-funded multiclient surveys, is recognized as the seismic data is acquired and/or processed on a proportionate basis as work is performed. This method requires revenue to be recognized based upon quantifiable measures of progress, such as square kilometers acquired. Multiclient data surveys are licensed or sold to customers on a non-transferable basis. Revenue on completed multiclient data surveys is recognized upon obtaining a signed licensing agreement and providing customers with access to such data.

Revenue is occasionally generated from contractual arrangements that include multiple deliverables. Revenue from these arrangements is recognized as each item is delivered based on their relative fair value and when the delivered items have stand-alone value to the customer.

Revenue derived from the sale of licenses of Schlumberger software may include installation, maintenance, consulting and training services. If services are not essential to the functionality of the software, the revenue for each element of the contract is recognized separately based on its respective vendor specific objective evidence of fair value when all of the following conditions are met: a signed contract is obtained, delivery has occurred, the fee is fixed or determinable and collectibility is probable.

Translation of Non-United States Currencies

The functional currency of Schlumberger is primarily the US dollar. Assets and liabilities recorded in functional currencies other than US dollars are translated at period end exchange rates. The resulting adjustments are charged or credited directly to the *Equity* section of the *Consolidated Balance Sheet*. Revenue and expenses are translated at the weighted-average exchange rates for the period. Realized and unrealized transaction gains and losses are included in income in the period in which they occur. Transaction losses of $27 million net of hedging activities, were recognized in 2010. In 2009 and 2008, transaction gains net of hedging activities of $73 million and $8 million, respectively, were recognized.

Investments

The *Consolidated Balance Sheet* reflects the Schlumberger investment portfolio separated between current and long term, based on maturity. Both *Short-term investments* and *Fixed Income Investments, held to maturity* are comprised primarily of money market funds, eurodollar time deposits, certificates of deposit, commercial paper, euro notes and Eurobonds, and are substantially denominated in US dollars. Under normal circumstances it is the intent of Schlumberger to hold the investments until maturity, with the exception of investments that are considered trading (December 31, 2010 – $189 million; December 31, 2009 – $184 million). Short-term investments that are designated as trading are stated at fair value, which is estimated using quoted market prices for those or similar investments. All other investments are stated at cost plus accrued interest, which approximates market. The unrealized gains/losses on investments designated as trading were not significant at both December 31, 2010 and 2009.

For purposes of the *Consolidated Statement of Cash Flows*, Schlumberger does not consider short-term investments to be cash equivalents as a significant portion have original maturities in excess of three months.

Fixed Income Investments, held to maturity at December 31, 2010 of $484 million mature as follows: $289 million in 2012, $80 million in 2013 and $115 million in 2014.

Inventories

Inventories are stated at average cost or at market, whichever is lower. Costs included in *Inventories* consist of materials, direct labor and manufacturing overhead.

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation, which is provided for by charges to income over the estimated useful lives of the assets using the straight-line method. Fixed assets include the manufacturing cost of oilfield technical equipment manufactured or assembled by subsidiaries of Schlumberger. Expenditures for replacements and improvements are capitalized. Maintenance and repairs are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the balance sheet and the net amount, less proceeds from disposal, is charged or credited to income.

Multiclient Seismic Data

The multiclient library consists of completed and in-process seismic surveys that are licensed on a nonexclusive basis. Multiclient surveys are primarily generated utilizing Schlumberger resources. Schlumberger capitalizes costs directly incurred in acquiring and processing the multiclient seismic data. Such costs are charged to *Cost of revenue* based on the percentage of the total costs to the estimated total revenue that Schlumberger expects to receive from the sales of such data. However, under no circumstance will an individual survey carry a net book value greater than a 4- year straight-line amortized value.

The carrying value of the multiclient library is reviewed for impairment annually as well as when an event or change in circumstance indicating impairment may have occurred. Adjustments to the carrying value are recorded when it is determined that estimated future cash flows, which involves significant judgment on the part of Schlumberger, would not be sufficient to recover the carrying value of the surveys. Significant adverse changes in Schlumberger's estimated future cash flows could result in impairment charges in a future period.

Goodwill, Other Intangibles and Long-lived Assets

Schlumberger records the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired as goodwill. Goodwill is tested for impairment annually as well as when an event or change in circumstance indicates an impairment may have occurred. Goodwill is tested for impairment by comparing the fair value of Schlumberger's individual reporting units to their carrying amount to determine if there is a potential goodwill impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the reporting unit is less than its carrying value.

Long-lived assets, including fixed assets and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determination of future cash flows as well as the estimated fair value of long-lived assets involve significant estimates on the part of management. If there is a material change in economic conditions or other circumstances influencing the estimate of future cash flows or fair value, Schlumberger could be required to recognize impairment charges in the future.

Intangible assets consist primarily of customer relationships, technology/technical know-how and tradenames acquired in business combinations. Customer relationships are generally amortized over periods ranging from 7 to 28 years, acquired technology/technical know-how are generally amortized over periods ranging from 5 to 18 years and tradenames are generally amortized over periods ranging from 5 years to 30 years.

Taxes on Income

Schlumberger computes taxes on income in accordance with the tax rules and regulations of the many taxing authorities where the income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pretax income for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred income taxes is made. Any effect of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of the deferred tax asset will not be realized in the future, Schlumberger provides a corresponding valuation allowance against deferred tax assets.

Schlumberger's tax filings are subject to regular audit by the tax authorities in most of the jurisdictions in which it conducts business. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. Schlumberger recognizes the impact of a tax position in its financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Tax liabilities are recorded based on estimates of additional taxes which will be due upon the conclusion of these audits. Estimates of these tax liabilities are made based upon prior experience and are updated in light of changes in facts and circumstances. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities which could be materially different from these estimates. In such an event, Schlumberger will record additional tax expense or tax benefit in the year in which such resolution occurs.

Schlumberger generally does not provide income taxes relating to undistributed earnings, as the earnings either would not be taxable when remitted or are considered to be indefinitely reinvested.

Concentration of Credit Risk

Schlumberger's assets that are exposed to concentrations of credit risk consist primarily of cash, short-term investments, fixed income investments held to maturity, receivables from clients and derivative financial instruments. Schlumberger places its cash, short-term investments and fixed income investments held to maturity with financial institutions and corporations, and limits the amount of credit exposure with any one of them. Schlumberger regularly evaluates the creditworthiness of the issuers in which it invests. The receivables from clients are spread over many countries and customers. Schlumberger maintains an allowance for uncollectible accounts receivable based on expected collectibility and performs ongoing credit evaluations of its customers' financial condition. By using derivative financial instruments to hedge exposure to changes in exchange rates and commodity prices, Schlumberger exposes itself to some credit risk. Schlumberger minimizes this credit risk by entering into transactions with high-quality counterparties, limiting the exposure to each counterparty and monitoring the financial condition of its counterparties.

Research & Engineering

All research and engineering expenditures are expensed as incurred.

Earnings per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by first adding back to net income the interest expense on any outstanding convertible debentures and then dividing this adjusted net income attributable to Schlumberger by the sum of (i) unvested restricted stock units; and (ii) the weighted average number of common shares outstanding assuming dilution. The weighted average number of common shares outstanding assuming dilution assumes (a) that all stock options which are in the money are exercised at the beginning of the period and that the proceeds are used by Schlumberger to purchase shares at the average market price for the period, and (b) the conversion of any outstanding convertible debentures.

The following is a reconciliation from basic to diluted earnings per share from continuing operations for each of the last three years:

(Stated in million except per share amounts)

	Schlumberger Income from Continuing Operations	Weighted Average Shares Outstanding	Earnings Per Share from Continuing Operations
2010:			
Basic	**$4,267**	**1,250**	**$3.41**
Assumed conversion of debentures	**3**	**2**	
Assumed exercise of stock options	**–**	**9**	
Unvested restricted stock	**–**	**2**	
Diluted	**$4,270**	**1,263**	**$3.38**
2009:			
Basic	$ 3,156	1,198	$ 2.63
Assumed conversion of debentures	8	8	
Assumed exercise of stock options	–	7	
Unvested restricted stock	–	1	
Diluted	$ 3,164	1,214	$ 2.61
2008:			
Basic	$ 5,397	1,196	$ 4.51
Assumed conversion of debentures	12	13	
Assumed exercise of stock options	–	13	
Unvested restricted stock	–	2	
Diluted	$ 5,409	1,224	$ 4.42

Employee stock options to purchase approximately 12.5 million, 17.1 million and 5.8 million shares of common stock at December 31, 2010, 2009 and 2008, respectively, were outstanding but were not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price of the common stock, and therefore, the effect on diluted earnings per share would have been anti-dilutive.

3. Charges and Credits

Schlumberger recorded the following Charges and Credits in continuing operations during 2010, 2009 and 2008:

2010

Fourth quarter of 2010:

- In connection with Schlumberger's merger with Smith International, Inc. ("Smith") (see Note 4 – *Acquisitions*), Schlumberger recorded the following pretax charges: $115 million ($73 million after-tax) relating to the amortization of purchase accounting adjustments associated with the write-up of acquired inventory to its estimated fair value, $17 million ($16 million after-tax) of professional and other fees and $16 million ($12 million after-tax) relating to employee benefits.
- Schlumberger repurchased the following debt:

(Stated in millions)

	Carrying Value
6.50% Notes due 2012	$297
6.75% Senior Notes due 2011	$123
9.75% Senior Notes due 2019	$212
6.00% Senior Notes due 2016	$102
8.625% Senior Notes due 2014	$ 88

As a result of these transactions, Schlumberger incurred pretax charges of $32 million ($20 million after-tax).

Third quarter of 2010:

- As a result of the decision to rationalize support costs across the organization as well as to restructure the North America land operations to provide greater operating efficiency, Schlumberger recorded a pretax charge of $90 million ($77 million after-tax).
- Following the recent successful introduction of UniQ, a new generation single-sensor land acquisition system, Schlumberger recorded a $78 million pretax charge ($71 million after-tax), related to the impairment of WesternGeco's first generation Q-Land system assets.
- A pretax and after-tax charge of $63 million primarily relating to the early termination of a vessel lease associated with WesternGeco's electromagnetic service offering as well as related assets, including a $30 million impairment related to an equity-method investment.
- In connection with the Schlumberger's merger with Smith (see Note 4 – *Acquisitions*), Schlumberger recorded the following pretax charges: $56 million ($55 million after-tax) of merger-related transaction costs including advisory and legal fees, $41 million ($35 million after-tax) relating to employee benefits for change in control payments and retention bonuses and $38 million ($24 million after-tax) relating to the amortization of purchase accounting adjustments associated with the write-up of acquired inventory to its estimated fair value.
- $40 million pretax charge ($36 million after-tax) for the early termination of rig contracts and workforce reductions in Mexico due to the slowdown of project activity.
- Schlumberger repurchased $352 million of its 6.50% Notes due 2012 and, as a result, incurred a pretax charge of $28 million ($18 million after-tax).
- Schlumberger recorded a pretax gain of $1.27 billion ($1.24 billion after-tax) as a result of remeasuring its previously held 40% equity interest in the M-I SWACO joint venture. Refer to Note 4 – *Acquisitions* for further details.

First quarter of 2010:

- Schlumberger incurred $35 million of pretax and after-tax merger-related costs in connection with the Smith and Geoservices transactions (see Note 4 – *Acquisitions*). These costs primarily consisted of advisory and legal fees.
- During March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law in the United States. Among other things, the PPACA eliminates the tax deductibility of retiree prescription drug benefits to the extent of the Medicare Part D subsidy that companies, such as Schlumberger, receive. As a result of this change in law, Schlumberger recorded a $40 million charge to adjust its deferred tax assets to reflect the loss of this future tax deduction.

The following is a summary of 2010 Charges and Credits:

(Stated in millions)

	Pretax	Tax	Non-controlling Interests	Net	Income Statement Classification
Restructuring and Merger-related Charges:					
Severance and other	$ 90	$ 13	$–	$ 77	*Restructuring & other*
Impairment relating to WesternGeco's first generation Q-Land acquisition system	78	7	–	71	*Restructuring & other*
Other WesternGeco-related charges	63	–	–	63	*Restructuring & other*
Professional fees and other	107	1	–	106	*Merger & integration*
Merger-related employee benefits	58	10	–	48	*Merger & integration*
Inventory fair value adjustments	153	56	–	97	*Cost of revenue*
Mexico restructuring	40	4	–	36	*Restructuring & other*
Repurchase of bonds	60	23		37	*Restructuring & other*
Total restructuring and merger-related charges	649	114	–	535	
Gain on investment in M-I SWACO	(1,270)	(32)	–	(1,238)	*Gain on Investment in M-I SWACO*
Impact of elimination of tax deduction related to Medicare Part D subsidy	–	(40)	–	40	*Taxes on income*
	$ (621)	$ 42	$–	$ (663)	

Approximately $165 million of the $649 million of pretax restructuring and merger-related charges described above represent non-cash charges. The vast majority of the balance of the charges have either been paid or are expected to be paid within the next three months.

2009

Second quarter of 2009:

- Schlumberger continued to reduce its global workforce as a result of the slowdown in oil and gas exploration and production spending and its effect on activity in the oilfield services sector. As a result of these actions, Schlumberger recorded a pretax charge of $102 million ($85 million after-tax). These workforce reductions were completed by the end of 2009.
- As a consequence of these workforce reductions, Schlumberger recorded pretax non-cash pension and other postretirement benefit curtailment charges of $136 million ($122 million after-tax). Refer to Note 18 – *Pension and Other Benefit Plans* for further details.

The following is a summary of these charges:

(Stated in millions)

	Pretax	Tax	Non-controlling Interests	Net	Income Statement Classification
Workforce reductions	$102	$17	$–	$ 85	*Restructuring & other*
Postretirement benefits curtailment	136	14	–	122	*Restructuring & other*
	$238	$31	$–	$207	

2008

Fourth quarter of 2008:

- Due to the continuing slowdown in oil and gas exploration and production spending and its effect on activity in the oilfield services sector, Schlumberger took actions to reduce its global workforce. As a result of these actions, Schlumberger recorded a pretax charge of $74 million ($65 million after-tax).

- Schlumberger wrote off certain assets, primarily accounts receivable relating to one client with liquidity issues. Accordingly, Schlumberger recorded a pretax charge of $42 million ($28 million after-tax and noncontrolling interest).

The following is a summary of these charges:

(Stated in millions)

	Pretax	Tax	Non-controlling Interests	Net	Income Statement Classification
Workforce reductions	$ 74	$ 9	$–	$65	*Restructuring & other*
Provision for doubtful accounts	32	8	6	18	*Restructuring & other*
Other	10	–	–	10	*Restructuring & other*
	$116	$17	$6	$93	

4. Acquisitions

Merger with Smith International, Inc.

On August 27, 2010, Schlumberger acquired all of the outstanding shares of Smith, a leading supplier of premium products and services to the oil and gas exploration and production industry. The merger brings together the complementary drilling and measurements technologies and expertise of Schlumberger and Smith in order to facilitate the engineering of complete drilling systems which optimize all of the components of the drill string. Such systems will enable Schlumberger's customers to achieve improved drilling efficiency, better well placement and increased wellbore assurance as they face increasingly more challenging environments. In addition, Schlumberger's geographic footprint will facilitate the extension of joint offerings on a worldwide basis.

Under the terms of the merger agreement, Smith became a wholly-owned subsidiary of Schlumberger. Each share of Smith common stock issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive 0.6966 shares of Schlumberger common stock, with cash paid in lieu of fractional shares.

At the effective time of the merger, each outstanding option to purchase Smith common stock was converted pursuant to the merger agreement into a stock option to acquire shares of Schlumberger common stock on the same terms and conditions as were in effect immediately prior to the completion of the merger. The number of shares of Schlumberger common stock underlying each converted Smith stock option was determined by multiplying the number of Smith stock options by the 0.6966 exchange ratio, and rounding down to the nearest whole share. The exercise price per share of each converted Smith stock option was determined by dividing the per share exercise price of such stock option by the 0.6966 exchange ratio, and rounded up to the nearest whole cent. Smith stock options, whether or not then vested and exercisable, became fully vested and exercisable and assumed by Schlumberger at the effective date of the merger in accordance with preexisting change-in-control provisions. Smith stock options were converted into 0.6 million of Schlumberger stock options.

At the effective time of the merger, Smith restricted stock units, whether or not then vested, became fully vested (except for grants between the date of the merger agreement and closing, which were not significant and did not automatically vest) and were converted into shares of Schlumberger common stock in connection with the merger, determined by multiplying the number of shares of Smith common stock subject to each award by the 0.6966 exchange ratio, rounded to the nearest whole share (assuming, in the case of performance-based Smith restricted stock unit awards, the deemed attainment of the performance goals under the award at the target level).

Calculation of Consideration Transferred

The following details the fair value of the consideration transferred to effect the merger with Smith.

(Stated in millions, except exchange ratio and per share amounts)	
Number of shares of Smith common stock outstanding as of the acquisition date	248
Number of Smith unvested restricted stock units outstanding as of the acquisition date	4
	252
Multiplied by the exchange ratio	0.6966
Equivalent Schlumberger shares of common stock issued	176
Schlumberger closing stock price on August 27, 2010	$ 55.76
Common stock equity consideration	$ 9,812
Fair value of Schlumberger equivalent stock options issued	$ 16
Total fair value of the consideration transferred	$ 9,828

Certain amounts reflect rounding adjustments

Preliminary Allocation of Consideration Transferred to Net Assets Acquired

The following amounts represent the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed in the merger. The final determination of fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained. These amounts will be finalized as soon as possible, but no later than one year from the acquisition date.

(Stated in millions)	
Cash	$ 399
Accounts receivable	1,831
Inventory(1)	2,013
Fixed assets	2,017
Intangible assets:	
Tradenames (weighted-average life of 25 years)	1,560
Technology (weighted-average life of 16 years)	1,170
Customer relationships (weighted average life of 23 years)	1,360
Other assets	429
Accounts payable and accrued liabilities	(1,460)
Long-term debt(2)	(2,141)
Deferred taxes(3)	(1,936)
Other liabilities	(528)
sub-total	$ 4,714
Less:	
Investment in M-I SWACO(4)	(1,429)
Noncontrolling interests	(111)
Total identifiable net assets	$ 3,174
Gain on investment in M-I SWACO(4)	(1,238)
Goodwill(5)	7,892
Total consideration transferred	$ 9,828

(1) Schlumberger recorded an adjustment of approximately $155 million to write-up the acquired inventory to its estimated fair value. Schlumberger's cost of revenue reflected this increased valuation as this inventory was sold. Accordingly, Schlumberger's margins were temporarily reduced in the initial periods subsequent to the merger.

(2) In connection with the merger, Schlumberger assumed all of the debt obligations of Smith including its long-term fixed rate notes consisting of the following: $220 million 6.75% Senior Notes due 2011, $300 million 8.625% Senior Notes due 2014, $275 million 6.00% Senior Notes due 2016 and $700 million 9.75% Senior Notes due 2019. Schlumberger recorded a $417 million adjustment to increase the carrying amount of these notes to their estimated fair value. This adjustment will be amortized as a reduction of interest expense over the remaining term of the respective obligations.

(3) In connection with the acquisition accounting, Schlumberger provided deferred taxes related to, among other items, the estimated fair value adjustments for acquired inventory, intangible assets and assumed debt obligations. Included in the provisions for deferred taxes are amounts relating to the outside basis difference associated with shares in certain Smith non-US subsidiaries for which no taxes have previously been provided. Schlumberger expects to reverse the outside basis difference primarily through the reorganization of those subsidiaries as well as through repatriating earnings in lieu of permanently reinvesting them. In this regard, Schlumberger is in the process of assessing certain factors that impact the ultimate amount of deferred taxes to be recorded. The amount of deferred taxes recorded will likely be revised after this assessment is completed. Any revision to the amount of deferred taxes recorded will impact the amount of goodwill recorded.

(4) Prior to the completion of the merger, Smith and Schlumberger operated M-I SWACO, a drilling fluids joint venture that was 40% owned by Schlumberger and 60% owned by Smith. Effective at the closing of the merger, M-I SWACO is now owned 100% by Schlumberger. As a result of obtaining control of this joint venture, Schlumberger was required under generally accepted accounting principles to remeasure its previously held equity interest in the joint venture at its merger-date fair value and recognize the resulting pretax gain of $1.3 billion ($1.2 billion after-tax) in earnings. This gain is classified as *Gain on Investment in M-I SWACO* in the *Consolidated Statement of Income*.
Prior to acquiring Smith, Schlumberger recorded income relating to this venture using the equity method of accounting. The carrying value of Schlumberger's investment in the joint venture on December 31, 2009 was $1.4 billion, and was included within *Investments in Affiliated Companies* on the *Consolidated Balance Sheet*. Schlumberger's equity income from this joint venture was $78 million in 2010 (representing the period from January 1, 2010 to August 27, 2010), $131 million in 2009 and $210 million in 2008. Schlumberger received cash distributions from the joint venture of $50 million in 2010, $106 million in 2009 and $57 million in 2008.

(5) The goodwill recognized is primarily attributable to expected synergies that will result from combining the operations of Schlumberger and Smith as well as intangible assets that do not qualify for separate recognition. Approximately $0.2 billion of the goodwill is deductible for income tax purposes.

Acquisition of Geoservices

On April 23, 2010, Schlumberger completed the acquisition of Geoservices, a privately owned oilfield services company specializing in mud logging, slickline and production surveillance operations, for $915 million in cash.

The purchase price has been allocated to the net assets acquired upon their estimated fair values as follows:

(Stated in millions)

Cash	$ 26
Other assets	184
Fixed assets	90
Goodwill	599
Intangible assets	377
Long-term debt	(145)
Deferred tax liabilities	(64)
Other liabilities	(152)
	$ 915

The long-term debt was repaid at the time of closing.

Intangible assets recorded in connection with this transaction, which primarily relate to customer relationships, will be amortized over a weighted average period of approximately 17 years. The amount allocated to goodwill represents the excess of the purchase price over the fair value of the net assets acquired and is not tax deductible for income tax purposes.

Other Acquisitions

Schlumberger has made other acquisitions and minority investments, none of which were significant on an individual basis, for cash payments, net of cash acquired, of $212 million during 2010, $514 million during 2009, and $345 million during 2008.

Supplemental Pro Forma Data

Smith's results of operations have been included in Schlumberger's financial statements for periods subsequent to the effective date of the merger. Smith contributed revenues of $3.3 billion and net income of $160 million (including the recurring effects of purchase accounting) to Schlumberger for the period from the closing of the merger through December 31, 2010. The following unaudited supplemental pro forma data ("pro forma data") presents consolidated information as if the merger with Smith and the acquisition of Geoservices had been completed on January 1, 2009:

(Stated in millions, except per share data)

	2010	**2009**
Revenue	$33,468	$31,182
Net income	$ 3,376	$ 3,271
Net income attributable to Schlumberger	$ 3,370	$ 3,244
Diluted earnings per share	$ 2.44	$ 2.34

The pro forma data was prepared based on the historical financial information of Schlumberger, Smith and Geoservices and has been adjusted to give effect to pro forma adjustments that are (i) directly attributable to the transactions, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results. The pro forma data is not necessarily indicative of what Schlumberger's results of operations actually would have been had the transactions been completed on January 1, 2009. Additionally, the pro forma data does not purport to project the future results of operations of the combined company nor do they reflect the expected realization of synergies associated with the transactions. The pro forma data reflects the application of the following adjustments:

- Elimination of the gain resulting from Schlumberger's remeasurement of its previously held 40% equity interest in M-I SWACO, which is considered non-recurring.
- Additional depreciation and amortization expense associated with fair value adjustments to acquired identifiable intangible assets and property, plant and equipment.
- Elimination of charges incurred in 2010 related to the fair value adjustments to Smith's inventory that has been sold as they will not have a long-term continuing impact.
- Reductions in interest expense as a result of increasing the carrying value of acquired debt obligations to its estimated fair value.
- Elimination of transaction costs incurred in 2010 that are directly related to the transactions, and do not have a continuing impact on the combined company's operating results.
- The issuance of 176 million of shares of Schlumberger common stock.

Included in the 2010 and 2009 pro forma net income attributable to Schlumberger and diluted earnings per share presented above are the following significant charges and credits:

(Stated in millions, except per share data)

	2010		2009	
	Net Income Impact	**Diluted EPS Impact ***	Net Income Impact	Diluted EPS Impact
Severance and other(1)	**$ 77**	**$ 0.06**	$ 85	$0.06
Impairment relating to WesternGeco's first generation Q-Land acquisition system(1)	**71**	**0.05**	–	–
Other WesternGeco-related charges(1)	**63**	**0.05**	–	–
Impact of elimination of tax deduction related to Medicare Part D subsidy(1)	**40**	**0.03**	–	–
Mexico restructuring(1)	**36**	**0.03**	–	–
Venezuelan currency-related losses(2)	**35**	**0.03**	–	–
Repurchase of bonds(1)	**37**	**0.03**	–	–
Gain on remeasurement of investment in @Balance(2)	**(18)**	**(0.01)**	–	–
Postretirement benefits curtailment(1)	–	–	122	0.09
Employee severance(2)	–	–	32	0.02
	$341	**$ 0.25**	$239	$0.17

* Does not add due to rounding
(1) Relates to Schlumberger's historical operations and is more fully described in Note 3 – *Charges and Credits*.
(2) Relates to Smith's historical operations.

5. Inventory

A summary of inventory follows:

(Stated in millions)

As at December 31,	**2010**	**2009**
Raw materials & field materials	**$1,833**	$1,646
Work in process	**249**	74
Finished goods	**1,722**	146
	$3,804	$1,866

6. Fixed Assets

A summary of fixed assets follows:

(Stated in millions)

As at December 31,	2010	2009
Land	**$ 314**	$ 141
Buildings & improvements	**2,631**	1,806
Machinery & equipment	**21,873**	17,939
Seismic vessels and related equipment	**1,861**	924
Seismic vessels under construction	**–**	695
	26,679	21,505
Less accumulated depreciation	**14,608**	11,845
	$12,071	$ 9,660

The estimated useful lives of Buildings & improvements are primarily 30 to 40 years. The estimated useful lives of Machinery & equipment are primarily 5 to 10 years. Seismic vessels are depreciated over periods ranging from 20 to 30 years with the related equipment generally depreciated over 5 years.

Depreciation expense relating to fixed assets was $2.4 billion, $2.1 billion and $1.9 billion in 2010, 2009 and 2008, respectively.

7. Multiclient Seismic Data

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

(Stated in millions)

	2010	2009
Balance at beginning of year	**$ 288**	$ 287
Capitalized in year	**326**	230
Charged to expense	**(220)**	(229)
	$ 394	$ 288

8. Goodwill

The changes in the carrying amount of goodwill by business segment were as follows:

(Stated in millions)

	Oilfield Services	Western Geco	M-I SWACO	Smith Oilfield	Distribution	Total
Balance, January 1, 2009	$4,174	$1,015	$–	$–	$–	$5,189
Additions	121	–	–	–	–	121
Impact of change in exchange rates	(5)	–	–	–	–	(5)
Balance, December 31, 2009	4,290	1,015	–	–	–	5,305
Acquisition of Smith	1,030	–	3,443	3,349	70	7,892
Additions	740	17	4	–	–	761
Transfers	58	(58)	–	–	–	–
Impact of change in exchange rates	(6)	–	–	–	–	(6)
Balance, December 31, 2010	$6,112	$974	$3,447	$3,349	$70	$13,952

9. Intangible Assets

Intangible assets principally comprise technology/technical know-how, tradenames and customer relationships. At December 31, the gross book value and accumulated amortization of intangible assets were as follows:

(Stated in millions)

	2010			2009		
	Gross Book Value	Accumulated Amortization	Net Book Value	Gross Book Value	Accumulated Amortization	Net Book Value
Technology/Technical Know-How	**$1,846**	**$215**	**$1,631**	$527	$163	$364
Tradenames	**1,678**	**61**	**1,617**	84	32	52
Customer Relationships	**1,963**	**129**	**1,834**	355	80	275
Other	**378**	**298**	**80**	376	281	95
	$5,865	**$703**	**$5,162**	$1,342	$556	$786

Amortization expense was $190 million in 2010, $114 million in 2009 and $124 million in 2008.

The weighted average amortization period for all intangible assets is approximately 21 years.

Amortization expense for the subsequent five years is estimated to be as follows: 2011 – $323 million, 2012 – $316 million, 2013 – $298 million, 2014 – $292 million and 2015 – $277 million.

10. Long-term Debt and Debt Facility Agreements

Long-term Debt consists of the following:

(Stated in millions)

As at December 31,	2010	2009
4.50% Guaranteed Notes due 2014	**$1,319**	$1,449
2.75% Guranteed Notes due 2015	**1,310**	–
5.25% Guaranteed Notes due 2013	**659**	727
9.75% Senior Notes due 2019(1)	**776**	–
3.00% Guaranteed Notes due 2013	**450**	449
8.625% Senior Notes due 2014(1)	**272**	–
6.00% Senior Notes due 2016(1)	**218**	–
6.5% Notes due 2012	–	649
5.875% Guaranteed Bonds due 2011	–	362
Commercial paper borrowings	**367**	358
Other variable rate debt	**133**	360
	5,504	4,354
Fair value adjustment – hedging	**13**	1
	$5,517	$4,355

(1) Represents long-term fixed rate debt obligations assumed in connection with the merger of Smith, net of amounts repurchased subsequent to the closing of the transaction.

The fair value adjustment presented above represents changes in the fair value of the portion of Schlumberger's fixed rate debt that is hedged through the use of interest rate swaps.

During the third and fourth quarters of 2010, Schlumberger repurchased all of its $650 million 6.50% Notes due 2012.

During the first quarter of 2009, Schlumberger entered into a €3.0 billion Euro Medium Term Note program. This program provides for the issuance of various types of debt instruments such as fixed or floating rate notes in euro, US dollar or other currencies.

Schlumberger issued €1.0 billion 2.75% Guaranteed Notes due 2015 in the fourth quarter of 2010 under this program. Schlumberger entered into agreements to swap these euro notes for US dollars on the date of issue until maturity, effectively making this a US dollar denominated debt on which Schlumberger will pay interest in US dollars at a rate of 2.56%. Schlumberger also issued €1.0 billion 4.50% Guaranteed Notes due 2014 in the first quarter of 2009 under this program. Schlumberger entered into agreements to swap these euro notes for US dollars on the date of issue until maturity, effectively making this a US dollar denominated debt on which Schlumberger will pay interest in US dollars at a rate of 4.95%.

During the third quarter of 2009, Schlumberger issued $450 million of 3.00% Guaranteed Notes due 2013.

In September 2008, Schlumberger issued €500 million 5.25% Guaranteed Notes due 2013. Schlumberger entered into agreements to swap these euro notes for US dollars on the date of issue until maturity, effectively making this a US dollar denominated debt on which Schlumberger will pay interest in US dollars at a rate of 4.74%.

Commercial paper borrowings outstanding at December 31, 2010 and 2009 include certain notes issued in currencies other than the US dollar which were swapped for US dollars and pounds sterling on the date of issue until maturity. Commercial paper borrowings are classified as long-term debt to the extent of their backup by available and unused committed credit facilities maturing in more than one year and to the extent it is Schlumberger's intent to maintain these obligations for longer than one year.

At December 31, 2010, Schlumberger had separate committed debt facility agreements aggregating $6.0 billion with commercial banks, of which $3.7 billion was available and unused. This included $4.9 billion of committed facilities which support commercial paper programs in the United States and Europe, of which $2.5 billion mature in December 2011 and $2.4 billion mature in April 2012. Interest rates and other terms of borrowing under these lines of credit vary from country to country. Borrowings under the commercial paper programs at December 31, 2010 were $1.9 billion ($0.4 billion at December 31, 2009). At December 31, 2010, $1.5 billion of the commercial paper borrowings were classified within *Long-term debt – current portion* in the *Consolidated Balance Sheet*.

On January 10, 2011, Schlumberger issued $1.1 billion of 4.200% Senior Notes due 2021 and $500 million of 2.650% Senior Notes due 2016.

A summary of *Long-term Debt* by currency, analyzed by Bonds and Notes, Commercial Paper (CP) and Other, at December 31 follows. As described in further detail above, the currencies are presented after taking into account currency swaps entered into on the date of issuance until maturity.

(Stated in millions)

	2010				**2009**			
	Bonds and Notes	**CP**	**Other**	**Total**	**Bonds and Notes**	**CP**	**Other**	**Total**
US dollar	**$5,017**	$ –	**$104**	**$5,121**	$3,275	$ –	$ 59	$3,334
Euro	–	**183**	–	**183**	362	135	231	728
Pound sterling	–	**184**	–	**184**	–	223	51	274
Norwegian kroner	–	–	**17**	**17**	–	–	19	19
Other	–	–	**12**	**12**	–	–	–	–
	$5,017	**$367**	**$133**	**$5,517**	$3,637	$358	$360	$4,355

The weighted average interest rate on variable rate debt as of December 31, 2010 was 1.0%.

Long-term Debt as of December 31, 2010, is due as follows: $445 million in 2012, $1.163 billion in 2013, $1.605 billion in 2014, $1.310 billion in 2015 and $994 million after 2015.

The fair value of Schlumberger's *Long-term Debt* at December 31, 2010 and December 31, 2009 was $5.6 billion and $4.6 billion, respectively, and was estimated based on quoted market prices.

Convertible Debentures

During 2003, Schlumberger Limited issued $975 million aggregate principal amount of 1.5% Series A Convertible Debentures due June 1, 2023 and $450 million aggregate principal amount of 2.125% Series B Convertible Debentures due June 1, 2023. The Series A debentures were convertible, at the holders' option, into shares of common stock of Schlumberger Limited at a conversion rate of 27.651 shares for each $1,000 of principal amount (equivalent to an initial conversion price of $36.165 per share) while the Series B debentures were convertible into common stock at a conversion rate of 25.000 shares for each $1,000 of principal (equivalent to an initial conversion price of $40.00 per share).

During 2008, all of the remaining $353 million of outstanding Series A debentures were converted into 9.8 million shares of Schlumberger common stock.

During 2008, $95 million of the Series B debentures were converted into 2.4 million shares of Schlumberger common stock. At December 31, 2009, there were $321 million of the Series B debentures outstanding. During 2010, $320 million of these debentures were converted by holders into 8.0 million shares of Schlumberger common stock and the remaining

$1 million of outstanding Series B convertible debentures were redeemed for cash. Consequently, there are no convertible debentures outstanding at December 31, 2010.

11. Derivative Instruments and Hedging Activities

Schlumberger is exposed to market risks related to fluctuations in foreign currency exchange rates, commodity prices and interest rates. To mitigate these risks, Schlumberger utilizes derivative instruments. Schlumberger does not enter into derivatives for speculative purposes.

Foreign Currency Exchange Rate Risk

As a multinational company, Schlumberger conducts its business in approximately 80 countries. Schlumberger's functional currency is primarily the US dollar, which is consistent with the oil and gas industry. Approximately 80% of Schlumberger's revenue in 2010 was denominated in US dollars. However, outside the United States, a significant portion of Schlumberger's expenses is incurred in foreign currencies. Therefore, when the US dollar weakens (strengthens) in relation to the foreign currencies of the countries in which Schlumberger conducts business, the US dollar – reported expenses will increase (decrease).

Schlumberger is exposed to risks on future cash flows to the extent that local currency expenses exceed revenues denominated in local currency that are other than the functional currency. Schlumberger uses foreign currency forward contracts and foreign currency options to provide a hedge against a portion of these cash flow risks. These contracts are accounted for as cash flow hedges, with the effective portion of changes in the fair value of the hedge recorded on the *Consolidated Balance Sheet* and in *Other Comprehensive Income (Loss).* Amounts recorded in *Other Comprehensive Income (Loss)* are reclassified into earnings in the same period or periods that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of hedging instruments, if any, is recorded directly to earnings.

At December 31, 2010, Schlumberger recognized a cumulative net $45 million gain in *Accumulated other comprehensive loss* relating to revaluation of foreign currency forward contracts and foreign currency options designated as cash flow hedges, the majority of which is expected to be reclassified into earnings within the next twelve months.

Schlumberger is also exposed to changes in the fair value of assets and liabilities, including certain of its long-term debt, which are denominated in currencies other than the functional currency. Schlumberger uses foreign currency forward contracts and foreign currency options to hedge this exposure as it relates to certain currencies. These contracts are accounted for as fair value hedges with the fair value of the contracts recorded on the *Consolidated Balance Sheet* and changes in the fair value recognized in the *Consolidated Statement of Income* along with the change in fair value of the hedged item.

At December 31, 2010, contracts were outstanding for the US dollar equivalent of $7.3 billion in various foreign currencies.

Commodity Price Risk

Schlumberger is exposed to the impact of market fluctuations in the price of certain commodities, such as metals and fuel. Schlumberger utilizes forward contracts to manage a small percentage of the price risk associated with forecasted metal purchases. The objective of these contracts is to reduce the variability of cash flows associated with the forecasted purchase of those commodities. These contracts do not qualify for hedge accounting treatment and therefore, changes in the fair value of the forward contracts are recorded directly to earnings.

At December 31, 2010, $12 million of commodity forward contracts were outstanding.

Interest Rate Risk

Schlumberger is subject to interest rate risk on its debt and its investment portfolio. Schlumberger maintains an interest rate risk management strategy that uses a mix of variable and fixed rate debt combined with its investment portfolio and interest rate swaps to mitigate the exposure to changes in interest rates.

During the third quarter of 2009, Schlumberger entered into interest rate swaps relating to two of its debt instruments. The first swap was for a notional amount of $450 million in order to hedge changes in the fair value of

Schlumberger's $450 million 3.00% Notes due 2013. Under the terms of this swap, Schlumberger receives interest at a fixed rate of 3.0% annually and will pay interest quarterly at a floating rate of three-month LIBOR plus a spread of 0.765%. This interest rate swap is designated as a fair value hedge of the underlying debt. This derivative instrument is marked to market with gains and losses recognized currently in income to offset the respective losses and gains recognized on changes in the fair value of the hedged debt. This results in no net gain or loss being recognized in the *Consolidated Statement of Income*.

The second swap was for a notional amount of $600 million in order to hedge a portion of the changes in fair value of Schlumberger's $650 million 6.50% Notes due 2012. Under the terms of this swap agreement, Schlumberger received interest at a fixed rate of 6.50% semi-annually and paid interest semi-annually at a floating rate of one-month LIBOR plus a spread of 4.84%. During the third and fourth quarters of 2010, Schlumberger repurchased all of the outstanding $650 million 6.50% Notes due 2012. Accordingly, this interest rate swap, which had previously been designated as a fair value hedge of the underlying debt, was settled during the fourth quarter and resulted in Schlumberger receiving proceeds of approximately $10 million.

At December 31, 2010, Schlumberger had fixed rate debt aggregating approximately $4.9 billion and variable rate debt aggregating approximately $3.2 billion, after taking into account the effects of the interest rate swaps.

The fair values of outstanding derivative instruments are summarized as follows:

(Stated in millions)

	Fair Value of Derivatives		Classification
Derivative assets	**Dec. 31 2010**	**Dec. 31 2009**	
Derivative designated as hedges:			
Foreign exchange contracts	**$4**	$14	*Other current assets*
Foreign exchange contracts	**37**	216	*Other Assets*
Interest rate swaps	**14**	–	*Other Assets*
	$55	$230	
Derivative not designated as hedges:			
Commodity contracts	**$3**	$1	*Other current assets*
Foreign exchange contracts	**9**	11	*Other current assets*
Foreign exchange contracts	**9**	28	*Other Assets*
	$21	$40	
	$76	$270	
Derivative Liabilities			
Derivative designated as hedges:			
Foreign exchange contracts	**$9**	$15	*Accounts payable and accrued liabilities*
Foreign exchange contracts	**77**	51	*Other Liabilities*
Interest rate swaps	**7**	–	*Accounts payable and accrued liabilities*
	$93	$66	
Derivative not designated as hedges:			
Commodity contracts	$–	$3	*Accounts payable and accrued liabilities*
Foreign exchange contracts	**14**	–	*Accounts payable and accrued liabilities*
Foreign exchange contracts	–	25	*Other Liabilities*
	$14	$28	
	$107	$94	

The fair value of all outstanding derivatives is determined using a model with inputs that are observable in the market or can be derived from or corroborated by observable data.

The effect of derivative instruments designated as fair value hedges and not designated as hedges on the *Consolidated Statement of Income* was as follows:

(Stated in millions)

	Gain/(Loss) Recognized in Income		
	2010	**2009**	**Classification**
Derivatives designated as fair value hedges:			
Foreign exchange contracts	**$(8)**	$105	*Cost of revenue*
Interest rate swaps	**22**	6	*Interest expense*
	$14	$111	
Derivatives not designated as hedges:			
Foreign exchange contracts	**$(13)**	$32	*Cost of revenue*
Commodity contracts	**1**	2	*Cost of revenue*
	$(12)	$34	

The effect of derivative instruments in cash flow hedging relationships on income and other comprehensive income (OCI) was as follows:

(Stated in millions)

	Gain (Loss) Reclassified from Accumulated OCI into Income		
	2010	**2009**	**Classification**
Foreign exchange contracts	**$(260)**	$95	*Cost of revenue*
Foreign exchange contracts	**(14)**	(15)	*Research & engineering*
	$(274)	$80	

(Stated in millions)

	Gain (Loss) Recognized in OCI	
	2010	**2009**
Foreign exchange contracts	**$(269)**	$223

12. Stockholders' Equity

Schlumberger is authorized to issue 3,000,000,000 shares of common stock, par value $0.01 per share, of which 1,361,171,428 and 1,194,812,901 shares were outstanding on December 31, 2010 and 2009, respectively. Schlumberger is also authorized to issue 200,000,000 shares of preferred stock, par value $0.01 per share, which may be issued in series with terms and conditions determined by the Board of Directors. No shares of preferred stock have been issued. Holders of common stock are entitled to one vote for each share of stock held.

The following is a reconciliation of *Accumulated Other Comprehensive Income (Loss)*:

(Stated in millions)

	Accumulated Other Comprehensive Income (Loss)			
	Currency Translation Adjustments	**Fair Value of Derivatives**	**Deferred Employee Benefits Liabilities**	**Total**
Balance, January 1, 2008	$(821)	$32	$(384)	$(1,173)
Currency translation adjustments	(82)			(82)
Changes in fair value of derivatives		(135)		(135)
Amortization of prior service cost			(20)	(20)
Amortization of actuarial net loss			34	34
Unrecognized prior service cost arising in the year			(1,077)	(1,077)
Actuarial net losses arising in the year			(725)	(725)
Deferred taxes			277	277
Balance, December 31, 2008	(903)	(103)	(1,895)	(2,901)
Currency translation adjustments	17			17
Changes in fair value of derivatives		143		143
Amortization of prior service cost			97	97
Amortization of actuarial net loss			32	32
Impact of curtailment			96	96
Unrecognized prior service cost arising in the year			27	27
Actuarial net losses arising in the year			(237)	(237)
Deferred taxes			52	52
Balance, December 31, 2009	(886)	40	(1,828)	(2,674)
Currency translation adjustments	(26)			(26)
Changes in fair value of derivatives		5		5
Amortization of prior service cost			96	96
Amortization of actuarial net loss			90	90
Unrecognized prior service cost arising in the year			(162)	(162)
Actuarial net losses arising in the year			(117)	(117)
Deferred taxes			20	20
Balance, December 31, 2010	$(912)	$45	$(1,901)	$(2,768)

13. Stock Compensation Plans

Schlumberger has three types of stock-based compensation programs: stock options, a restricted stock and restricted stock unit program (collectively referred to as “restricted stock”) and a discounted stock purchase plan (“DSPP”).

Stock Options

Key employees are granted stock options under Schlumberger stock option plans. For all of the stock options granted, the exercise price equals the average of the high and low sales prices of Schlumberger stock on the date of grant; an option’s maximum term is ten years, and options generally vest in increments over four or five years.

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions and resulting weighted-average fair value per share:

	2010	**2009**	**2008**
Dividend yield	**1.3%**	1.2%	1.0%
Expected volatility	**35%**	34%	31%
Risk free interest rate	**2.9%**	2.2%	3.2%
Expected option life in years	**6.9**	6.9	7.0
Weighted-average fair value per share	**$24.13**	$13.92	$29.33

The following table summarizes information concerning options outstanding and options exercisable by five ranges of exercise prices as of December 31, 2010:

(Shares stated in thousands)

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Exercise prices range	**Options Outstanding**	**Weighted-average remaining contractual life (in years)**	**Weighted-average exercise price**	**Options Exercisable**	**Weighted-average exercise price**
$16.87-$32.46	5,281	1.78	$27.41	5,281	$27.41
$32.62-$37.85	6,907	7.50	$37.25	1,887	$35.65
$38.53-$55.69	7,714	5.83	$52.60	6,197	$53.25
$56.61-$74.00	12,289	8.03	$64.86	2,546	$60.96
$84.93-$110.78	5,308	7.05	$88.57	2,083	$89.33
	37,499	6.47	$55.33	17,994	$49.09

The weighted average remaining contractual life of stock options exercisable as of December 31, 2010 was 4.6 years.

The following table summarizes stock option activity during the years ended December 31, 2010, 2009 and 2008:

(Shares stated in thousands)

	2010		2009		2008	
	Shares	**Weighted-average exercise price**	**Shares**	**Weighted-average exercise price**	**Shares**	**Weighted-average exercise price**
Outstanding at beginning of year	**35,500**	**$50.30**	32,301	$50.36	35,719	$41.02
Granted	**8,283**	**$66.67**	7,981	$40.87	5,422	$84.95
Assumed in Smith transaction	**581**	**$28.77**	–	$ –	–	$ –
Exercised	**(5,962)**	**$37.60**	(3,851)	$29.00	(5,444)	$32.69
Forfeited	**(903)**	**$61.28**	(931)	$58.82	(3,396)	$42.68
Outstanding at year-end	**37,499**	**$55.33**	35,500	$50.30	32,301	$50.36

The aggregate intrinsic value of stock options outstanding as of December 31, 2010 was approximately $1.08 billion. The aggregate intrinsic value of stock options exercisable as of December 31, 2010 was approximately $630 million.

The total intrinsic value of options exercised during the years ended December 31, 2010, 2009 and 2008, was $188 million, $103 million and $119 million, respectively.

Restricted Stock

Restricted stock awards generally vest at the end of three years. There have not been any grants to date that are subject to performance-based vesting.

The following table summarizes information about restricted stock transactions:

(Shares stated in thousands)

	2010		2009		2008	
	Restricted Stock	**Weighted Average Grant Date Fair Value**	**Restricted Stock**	**Weighted Average Grant Date Fair Value**	**Restricted Stock**	**Weighted Average Grant Date Fair Value**
Unvested at beginning of year	**1,343**	**$62.75**	1,701	$66.49	885	$65.14
Granted	**1,261**	**65.79**	304	48.14	863	68.04
Vested	**(286)**	**63.92**	(580)	65.15	(18)	65.35
Forfeited	**(95)**	**64.16**	(82)	69.23	(29)	72.44
Unvested at end of year	**2,223**	**$64.27**	1,343	$62.75	1,701	$66.49

Discounted Stock Purchase Plan

Under the terms of the DSPP, employees can choose to have a portion of their earnings withheld, subject to certain restrictions, to purchase Schlumberger common stock. The purchase price of the stock is 92.5% of the lower of the stock price at the beginning or end of the plan period at six-month intervals.

The fair value of the employees' purchase rights under the DSPP was estimated using the Black-Scholes model with the following assumptions and resulting weighted average fair value per share:

	2010	2009	2008
Dividend yield	**1.6%**	1.1%	0.9%
Expected volatility	**36%**	44%	34%
Risk free interest rate	**0.3%**	0.3%	2.7%
Weighted average fair value per share	**$10.30**	$9.76	$17.21

Total Stock-based Compensation Expense

The following summarizes stock-based compensation expense recognized in income:

(Stated in millions)

	2010	2009	2008
Stock options	**$121**	$118	$111
Restricted stock	**44**	32	31
DSPP	**33**	36	30
	$198	$186	$172

At December 31, 2010, there was $382 million of total unrecognized compensation cost related to nonvested stock-based compensation arrangements. Approximately $156 million is expected to be recognized in 2011, $122 million is expected to be recognized in 2012, $65 million in 2013, $35 million in 2014 and $4 million in 2015.

14. Income Taxes

Schlumberger operates in more than 100 jurisdictions, where statutory tax rates generally vary from 0% to 50%.

Income from Continuing Operations before taxes which were subject to United States and non-United States income taxes for each of the three years ended December 31, was as follows:

(Stated in millions)

	2010	2009	2008
United States	**$ 638**	$ 86	$1,432
Outside United States	**4,518**	3,848	5,420
	$5,156	$3,934	$6,852

Schlumberger recorded $621 million of net pretax credits in 2010 ($226 million of net charges in the US and $847 million of net credits outside the US). Schlumberger recorded $238 million of pretax charges in 2009 ($73 million in the US and $165 million outside the US) and $116 million in 2008 ($15 million in the US and $101 million outside the US). These charges and credits are included in the table above and are more fully described in Note 3 – *Charges and Credits*.

The components of net deferred tax assets (liabilities) were as follows:

(Stated in millions)

	2010	2009
Postretirement benefits	**$ 327**	$ 447
Multiclient seismic data	**43**	104
Intangible assets	**(1,674)**	(122)
Investments in non-US subsidiaries	**(353)**	–
Other, net	**72**	101
	$(1,585)	$ 530

The above deferred balances at December 31, 2010 and 2009 are net of valuation allowances relating to net operating losses in certain countries of $263 million and $251 million, respectively. The deferred tax balances at December 31, 2009 were net of a valuation allowance relating to a foreign tax credit carryforward of $30 million.

The components of *Taxes on income* were as follows:

(Stated in millions)

	2010	2009	2008
Current:			
United States – Federal	**$ 76**	$(191)	$ 453
United States – State	**14**	(6)	34
Outside United States	**909**	594	949
	$ 999	$ 397	$1,436
Deferred:			
United States – Federal	**$ 183**	$ 247	$ 23
United States – State	**2**	13	1
Outside United States	**(281)**	86	(12)
Valuation allowance	**(13)**	27	(18)
	$(109)	$ 373	$ (6)
Consolidated taxes on income	**$ 890**	$ 770	$1,430

A reconciliation of the United States statutory federal tax rate (35%) to the consolidated effective tax rate is:

	2010	2009	2008
US statutory federal rate	**35%**	35%	35%
US state income taxes	–	–	1
Non-US income taxed at different rates	**(14)**	(16)	(13)
Effect of equity method investment	–	–	(1)
Charges and Credits (See Note 3)	**(3)**	1	–
Other	**(1)**	–	(1)
Effective income tax rate	**17%**	20%	21%

Schlumberger conducts business in more than 100 jurisdictions, a number of which have tax laws that are not fully defined and are evolving. Due to the geographic breadth of the Schlumberger operations, numerous tax audits may be ongoing throughout the world at any point in time. Tax liabilities are recorded based on estimates of additional taxes which will be due upon the conclusion of these audits. Estimates of these tax liabilities are made based upon prior experience and are updated in light of changes in facts and circumstances. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities which could be materially different from these estimates. In such an event, Schlumberger will record additional tax expense or tax benefit in the period in which such resolution occurs.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax positions for the years ended December 31, 2010, 2009 and 2008 is as follows:

(Stated in millions)

	2010	2009	2008
Balance at beginning of year	**$1,026**	$ 877	$ 858
Additions based on tax positions related to the current year	**190**	178	217
Additions for tax positions of prior years	**8**	36	19
Additions related to acquisitions	**115**	–	6
Impact of changes in exchange rates	**(3)**	39	(72)
Settlements with tax authorities	**(36)**	(16)	(20)
Reductions for tax positions of prior years	**(99)**	(68)	(111)
Reductions due to the lapse of the applicable statute of limitations	**(36)**	(20)	(20)
Balance at end of year	**$1,165**	$1,026	$ 877

The amounts above exclude accrued interest and penalties of $210 million, $168 million and $136 million at December 31, 2010, 2009 and 2008 respectively. All of the unrecognized tax benefits, if recognized, would impact the Schlumberger effective tax rate.

Schlumberger classifies interest and penalties relating to uncertain tax positions within *Taxes on income* in the *Consolidated Statement of Income*. During 2010, 2009 and 2008, Schlumberger recognized approximately $42 million, $32 million and $25 million in interest and penalties, respectively.

The following table summarizes the tax years that are either currently under audit or remain open and subject to examination by the tax authorities in the most significant jurisdictions in which Schlumberger operates:

Brazil	2004 – 2010
Canada	2003 – 2010
Mexico	2005 – 2010
Norway	2003 – 2010
Russia	2007 – 2010
Saudi Arabia	2001 – 2010
United Kingdom	2008 – 2010
United States	2005 – 2010

In certain of the jurisdictions noted above, Schlumberger operates through more than one legal entity, each of which has different open years subject to examination. The table above presents the open years subject to examination for the most material of the legal entities in each jurisdiction. Additionally, it is important to note that tax years are technically not closed until the statute of limitations in each jurisdiction expires. In the jurisdictions noted above, the statute of limitations can extend beyond the open years subject to examination.

15. Leases and Lease Commitments

Total rental expense was $1.2 billion in 2010, $1.0 billion in 2009, and $1.1 billion in 2008. Future minimum rental commitments under noncancelable operating leases for each of the next five years are as follows:

(Stated in millions)

2011	$ 325
2012	242
2013	167
2014	124
2015	99
Thereafter	377
	$1,334

16. Contingencies

In 2007, Schlumberger received an inquiry from the United States Department of Justice (“DOJ”) related to the DOJ’s investigation of whether certain freight forwarding and customs clearance services of Panalpina, Inc., and other companies provided to oil and oilfield service companies, including Schlumberger, violated the Foreign Corrupt Practices Act. Schlumberger is cooperating with the DOJ. Schlumberger is cooperating with the governmental authorities and is currently unable to predict the outcome of this matter.

In 2009, Schlumberger learned that United States officials began a grand jury investigation and an associated regulatory inquiry, both related to certain Schlumberger operations in specified countries that are subject to United States trade and economic sanctions. Also in 2009, Smith received an administrative subpoena with respect to its historical business practices in certain countries that are subject to United States trade and economic sanctions. Schlumberger is cooperating with the governmental authorities and is currently unable to predict the outcome of these matters.

On April 20, 2010, a fire and explosion occurred onboard the semisubmersible drilling rig *Deepwater Horizon*, owned by Transocean Ltd. and under contract to a subsidiary of BP plc. Pursuant to a contract between M-I SWACO and BP, M-I SWACO provided certain services under the direction of BP. A number of legal actions, certain of which name an M-I SWACO entity as a defendant, have been filed in connection with the *Deepwater Horizon* incident, and additional legal actions may be filed in the future. Based on information currently known, the amount of any potential loss attributable to M-I SWACO with respect to potential liabilities related to the incident would not be material to Schlumberger's consolidated financial position.

Schlumberger and its subsidiaries are party to various other legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss is remote and, as such, that any liability that might ensue would not be material in relation to Schlumberger's consolidated financial position. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of these proceedings.

17. Segment Information

Schlumberger operates five business segments as of December 31, 2010: Oilfield Services, WesternGeco, M-I SWACO, Smith Oilfield and Distribution.

The Oilfield Services segment falls into four clearly defined economic and geographical areas and is evaluated on the following basis: North America, Latin America, Europe including the CIS and Africa, and Middle East & Asia. The Oilfield Services segment provides virtually all exploration and production services required during the life of an oil and gas reservoir.

WesternGeco provides comprehensive worldwide reservoir imaging, monitoring and development services with extensive seismic crews and data processing centers, as well as a large multiclient seismic library. Services range from 3D and time-lapse (4D) seismic surveys to multi-component surveys for delineating prospects and reservoir management.

M-I SWACO is a leading supplier of drilling fluid systems engineered to improve wellbore quality and increase drilling performance. It also offers a broad range of waste management equipment and services, provides completion fluid and related tools and supplies oilfield production chemicals.

The Smith Oilfield segment provides a comprehensive suite of premium products and services used in oil and natural gas development activities. It is comprised of drilling and completion services operations, which include drill bits, directional drilling services and downhole tools.

Distribution consists of the Wilson International Inc. distribution operations and a majority-owned interest in CE Franklin Ltd., a publicly traded Canadian distribution company. It provides products and services to the energy, refining, petrochemical, power generation and mining industries.

Financial information for the years ended December 31, 2010, 2009 and 2008, by segment, is as follows:

(Stated in millions)

	2010				
	Revenue	**Income before taxes**	**Assets**	**Depn. & Amortn.**	**Capital Expenditures**
OILFIELD SERVICES					
North America	$ 5,010	$ 802	$ 2,725	$ 412	$ 451
Latin America	4,321	723	2,947	289	417
Europe/CIS/Africa	6,882	1,269	4,917	715	849
Middle East & Asia	5,586	1,696	3,509	517	597
Elims/Other(1)	280	(15)	1,639	31	131
	22,079	4,475	15,737	1,964	2,445
WESTERNGECO	1,987	267	2,896	579	276
M-I SWACO	1,568	197	2,786	43	80
SMITH OILFIELD	957	132	2,329	76	110
DISTRIBUTION	774	29	780	2	2
Goodwill and intangible assets			19,114		
All other assets			1,580		
Corporate(2)	82	(405)	6,545	95	1
Interest income(3)		43			
Interest expense(4)		(202)			
Charges & credits(5)		620			
	$27,447	$5,156	$51,767	$2,759	$2,914

(Stated in millions)

	2009				
	Revenue	**Income before taxes**	**Assets**	**Depn. & Amortn.**	**Capital Expenditures**
OILFIELD SERVICES					
North America	$ 3,707	$ 216	$ 2,264	$ 433	$ 272
Latin America	4,225	753	3,117	261	393
Europe/CIS/Africa	7,150	1,707	4,603	653	824
Middle East & Asia	5,234	1,693	3,162	531	417
Elims/Other(1)	202	(43)	1,630	1	21
	20,518	4,326	14,776	1,879	1,927
WESTERNGECO	2,122	326	3,065	566	463
Goodwill and intangible assets			6,091		
All other assets			1,873		
Corporate(2)	62	(344)	7,660	31	5
Interest income(3)		52			
Interest expense(4)		(188)			
Charges & credits(5)		(238)			
	$22,702	$3,934	$33,465	$2,476	$2,395

(Stated in millions)

	2008				
	Revenue	Income before taxes	Assets	Depn. & Amortn.	Capital Expenditures
OILFIELD SERVICES					
North America	$ 5,914	$1,371	$ 2,728	$ 433	$ 750
Latin America	4,230	858	2,529	223	414
Europe/CIS/Africa	8,180	2,244	4,410	600	988
Middle East & Asia	5,724	2,005	3,503	496	762
Elims/Other(1)	234	27	2,014	(9)	128
	24,282	6,505	15,184	1,743	3,042
WESTERNGECO	2,838	836	2,956	518	680
Goodwill and intangible assets			6,009		
All other assets			1,914		
Corporate(2)	43	(268)	6,031	8	1
Interest income(3)		112			
Interest expense(4)		(217)			
Charges & credits(5)		(116)			
	$27,163	$6,852	$32,094	$2,269	$3,723

(1) Includes certain headquarter administrative costs which are not allocated geographically, manufacturing and certain other operations, and other cost and income items maintained at the Oilfield Services level.

(2) Comprised principally of corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with intangible assets recorded as a result of the merger with Smith and certain other nonoperating items. Corporate assets consist of cash, short-term investments, fixed income investments, held to maturity and investments in affiliates.

(3) Interest income excludes amounts which are included in the segments' income (2010 - $7 million: 2009 – $10 million; 2008 – $7 million).

(4) Interest expense excludes amounts which are included in the segments' income (2010 - $5 million; 2009 – $33 million; 2008 – $30 million).

(5) See Note 3 – *Charges and Credits*.

Segment assets consist of receivables, inventories, fixed assets and multiclient seismic data.

Depreciation & Amortization includes multiclient seismic data costs.

During each of the three years ended December 31, 2010, 2009 and 2008, no single customer exceeded 10% of consolidated revenue.

Schlumberger did not have revenue from third-party customers in its country of domicile during the last three years. Revenue in the United States in 2010, 2009 and 2008 was $6.5 billion, $3.7 billion and $5.9 billion, respectively.

18. Pension and Other Benefit Plans

Pension Plans

Schlumberger sponsors several defined benefit pension plans that cover substantially all US employees hired prior to October 1, 2004. The benefits are based on years of service and compensation, on a career-average pay basis.

In addition to the United States defined benefit pension plans, Schlumberger sponsors several other international defined benefit pension plans. The most significant of these international plans are the International Staff Pension Plan, which was converted from a defined contribution plan to a defined benefit pension plan during the fourth quarter of 2008, and the UK pension plan (collectively, the "International plans"). The International Staff Pension Plan covers certain international employees and is based on years of service and compensation on a career-average pay basis. The UK plan covers employees hired prior to April 1, 1999, and is based on years of service and compensation, on a final salary basis.

The weighted-average assumed discount rate, compensation increases and the expected long-term rate of return on plan assets used to determine the net pension cost for the US and International plans were as follows:

	US			International		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Discount rate	**6.00%**	6.94%	6.50%	**5.89%**	6.81%	5.80%
Compensation increases	**4.00%**	4.00%	4.00%	**4.93%**	4.93%	4.90%
Return on plan assets	**8.50%**	8.50%	8.50%	**8.00%**	8.00%	8.00%

Net pension cost for 2010, 2009 and 2008 included the following components:

(Stated in millions)

	US			International		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Service cost – benefits earned during the period	**$ 56**	$ 52	$ 56	**$ 51**	$ 67	$ 33
Interest cost on projected benefit obligation	**142**	143	130	**208**	189	58
Expected return on plan assets	**(191)**	(166)	(162)	**(228)**	(181)	(75)
Amortization of net loss	**60**	29	13	**19**	–	11
Amortization of prior service cost	**4**	5	7	**113**	117	1
	71	63	44	**163**	192	28
Curtailment charge	**–**	32	–	**–**	98	–
	$ 71	$ 95	$ 44	**$ 163**	$ 290	$ 28

During 2009, due to the actions taken by Schlumberger to reduce its global workforce (See Note 3 – *Charges and Credits*), Schlumberger experienced a significant reduction in the expected aggregate years of future service of its employees in certain of its pension plans and its postretirement medical plan. Accordingly, Schlumberger recorded a curtailment charge of $136 million during the second quarter of 2009 ($130 million relating to the pension plans and $6 million relating to the postretirement medical plan). The curtailment charge includes recognition of the change in benefit obligations as well as a portion of the previously unrecognized prior service costs, reflecting the reduction in expected future service for the impacted plans. As a result of the curtailment, Schlumberger performed a remeasurement of the impacted plans using a discount rate of 7.25% (as compared to 6.50% at December 31, 2008). All other significant assumptions were unchanged from December 31, 2008 measurement date.

As the International Staff Pension Plan was converted to a defined benefit pension plan during the fourth quarter of 2008, the net pension cost for this plan was not significant in 2008.

The weighted-average assumed discount rate and compensation increases used to determine the projected benefit obligations for the US and International plans were as follows:

	US		International	
	2010	**2009**	**2010**	**2009**
Discount rate	**5.50%**	6.00%	**5.47%**	5.89%
Compensation increases	**4.00%**	4.00%	**4.91%**	4.93%

The changes in the projected benefit obligation, plan assets and funded status of the plans were as follows:

(Stated in millions)

	US		International	
	2010	**2009**	**2010**	**2009**
Change in Projected Benefit Obligations				
Projected benefit obligation at beginning of year	**$2,439**	$2,150	**$3,518**	$2,767
Service cost	**56**	52	**51**	67
Interest cost	**142**	143	**208**	189
Contributions by plan participants	**–**	–	**76**	61
Actuarial losses	**172**	191	**310**	449
Currency effect	**–**	–	**(28)**	69
Benefits paid	**(122)**	(110)	**(121)**	(97)
Plan amendments	**82**	–	**74**	16
Impact of curtailment	**–**	13	**–**	(3)
Projected benefit obligation at end of year	**$2,769**	$2,439	**$4,088**	$3,518
Change in Plan Assets				
Plan assets at fair value at beginning of year	**$2,254**	$1,490	**$2,976**	$1,913
Actual return on plan assets	**316**	358	**426**	444
Currency effect	**–**	–	**(26)**	69
Company contributions	**187**	516	**433**	586
Contributions by plan participants	**–**	–	**76**	61
Benefits paid	**(122)**	(110)	**(121)**	(97)
Plan assets at fair value at end of year	**$2,635**	$2,254	**$3,764**	$2,976
Unfunded Liability	**$ (134)**	$ (185)	**$ (324)**	$ (542)
Amounts Recognized in Balance Sheet				
Postretirement Benefits	**$ (134)**	$ (185)	**$ (367)**	$ (542)
Other Assets	**–**	–	**43**	–
	$ (134)	$(185)	**$ (324)**	$(542)
Amounts Recognized in Accumulated Other Comprehensive Income				
Actuarial losses	**$ 819**	$ 833	**$ 447**	$ 335
Prior service cost	**114**	36	**840**	881
	$ 933	$ 869	**$1,287**	$1,216
Accumulated benefit obligation	**$2,568**	$2,226	**$3,785**	$3,257

The funded status position represents the difference between the plan assets and the projected benefit obligation ("PBO"). The PBO represents the actuarial present value of benefits based on employee service and compensation and includes an assumption about future compensation levels. The accumulated benefit obligation represents the actuarial present value of benefits based on employee service and compensation, but does not include an assumption about future compensation levels.

The weighted-average allocation of plan assets and the target allocation by asset category are as follows:

	US			International		
	Target	**2010**	**2009**	**Target**	**2010**	**2009**
Equity securities	**50 – 60%**	**52%**	48%	**55 – 70%**	**61%**	59%
Debt securities	**28 – 38**	**40**	38	**20 – 35**	**31**	32
Cash and cash equivalents	**–**	**2**	8	**–**	**3**	4
Other investments	**0 – 12**	**6**	6	**0 – 10**	**5**	5
	100%	**100%**	100%	**100%**	**100%**	100%

Schlumberger's investment policy includes various guidelines and procedures designed to ensure that assets are prudently invested in a manner necessary to meet the future benefit obligation of the pension plans. The policy does not permit the direct investment of plan assets in any Schlumberger security. Schlumberger's investment horizon is long-term and accordingly the target asset allocations encompass a strategic, long-term perspective of capital markets, expected risk and return behavior and perceived future economic conditions. The key investment principles of diversification, assessment of risk and targeting the optimal expected returns for given levels of risk are applied. The target asset allocation is reviewed periodically and is determined based on a long-term projection of capital market outcomes, inflation rates, fixed income yields, returns, volatilities and correlation relationships. The inclusion of any given asset class in the target asset allocation is considered in relation to its impact on the overall risk/return characteristics as well as its impact on the overall investment return. As part of its strategy, Schlumberger may utilize certain derivative instruments, such as options, futures, swaps and forwards, within the plans to manage risks (currency, interest rate, etc.) or as a substitute for physical securities or to obtain exposure to different markets.

Asset performance is monitored frequently with an overall expectation that plan assets will meet or exceed the weighted index of its target asset allocation and component benchmark over rolling five year periods.

The expected long-term rate of return on assets assumptions reflect the average rate of earnings expected on funds invested or to be invested. The assumptions have been determined by reflecting expectations regarding future rates of return for the portfolio considering the asset allocation and related historical rates of return. The appropriateness of the assumptions is reviewed annually.

The fair value of Schlumberger's pension plan assets at December 31, 2010, by asset category, was as follows:

The fair values presented below were determined based on valuation techniques categorized as follows:

- Level one: The use of quoted prices in active markets for identical instruments.
- Level two: The use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or other inputs that are observable in the market or can be corroborated by observable market data.
- Level three: The use of significantly unobservable inputs that typically require the use of management's estimates of assumptions that market participants would use in pricing.

(Stated in millions)

	US Plan Assets							
	2010				2009			
	Total	Level One	Level Two	Level Three	Total	Level One	Level Two	Level Three
Asset Category:								
Cash and Cash Equivalents	**$ 67**	**$ 35**	**$ 32**	**$ –**	$ 191	$ 191	$ –	$ –
Equity Securities:								
US[a]	**885**	**885**			710	710		
International[b]	**473**	**370**	**103**		355	280	75	
Debt securities:								
Corporate bonds[c]	**220**		**220**		193		193	
Government and government-related debt securities[d]	**554**	**148**	**406**		462	161	301	
Government agency collateralized mortgage obligations and mortgage backed securities[e]	**201**		**201**		136		136	
Other collateralized mortgage obligations and mortgage-backed securities[f]	**67**		**67**		71		71	
Other Investments:								
Private equity[g]	**128**			**128**	99			99
Real estate[h]	**40**			**40**	37			37
Total	**$2,635**	**$1,438**	**$1,029**	**$168**	$2,254	$1,342	$776	$136

(Stated in millions)

	International Plan Assets							
	2010				2009			
	Total	Level One	Level Two	Level Three	Total	Level One	Level Two	Level Three
Asset Category:								
Cash and Cash Equivalents	**$ 106**	**$ 106**	**$ –**	**$ –**	$ 111	$ 111	$ –	$ –
Equity Securities:								
US[a]	**1,268**	**1,268**			1,113	1,113		
International[b]	**1,031**	**1,031**			643	643		
Debt securities:								
Corporate bonds[c]	**289**	**15**	**274**		257	11	246	
Government and government-related[d]	**693**	**522**	**171**		492	378	114	
Government agency collateralized mortgage obligations and mortgage backed securities[e]	**125**	**44**	**81**		137	20	117	
Other collateralized mortgage obligations and mortgage-backed securities[f]	**74**		**74**		70		70	
Other Investments:								
Private equity[g]	**114**			**114**	87			87
Real estate[h]	**64**			**64**	66			66
Total	**$3,764**	**$2,986**	**$600**	**$178**	$2,976	$2,276	$547	$153

(a) US equities include companies that are well diversified by industry sector and equity style (i.e., growth and value strategies). Active and passive management strategies are employed. Investments are primarily in large capitalization stocks and, to a lesser extent, mid- and small-cap stocks.

(b) International equities are invested in companies that are traded on exchanges outside the US and are well diversified by industry sector, country and equity style. Active and passive strategies are employed. The vast majority of the investments are made in companies in developed markets with a small percentage in emerging markets.

(c) Corporate bonds consist primarily of investment grade bonds from diversified industries.

(d) Government and government-related debt securities are comprised primarily of inflation protected US treasuries and, to a lesser extent, other government-related securities.

(e) Government agency collateralized mortgage obligations and mortgage backed-securities are debt obligations that represent claims to the cash flows from pools of mortgage loans which are purchased from banks, mortgage companies, and other originators and then assembled into pools by governmental and quasi-governmental entities.

(f) Other collateralized mortgage obligations and mortgage-backed securities are debt obligations that represent claims to the cash flows from pools of mortgage loans which are purchased from banks, mortgage companies, and other originators and then assembled into pools by private entities.

(g) Private equity includes investments in several fund of funds limited partnerships.

(h) Real estate primarily includes investments in real estate limited partnerships, concentrated in commercial real estate.

The funding policy is to annually contribute amounts that are based upon a number of factors including the actuarial accrued liability, amounts that are deductible for income tax purposes, legal funding requirements and available cash flow. Schlumberger currently anticipates contributing approximately $600 million to $650 million to its postretirement benefit plans in 2011, subject to market and business conditions.

Postretirement Benefits Other than Pensions

Schlumberger provides certain health care benefits to former US employees who have retired.

The actuarial assumptions used to determine the accumulated postretirement benefit obligation and net periodic benefit cost for the US postretirement medical plan were as follows:

	Benefit Obligation at December 31,		Net Periodic Benefit Cost for the year		
	2010	2009	2010	2009	2008
Discount rate	**5.50%**	6.00%	**6.00%**	6.94%	6.50%
Return on plan assets	–	–	**8.00%**	8.00%	8.00%
Current medical cost trend rate	**8.00%**	8.00%	**8.00%**	8.00%	9.00%
Ultimate medical cost trend rate	**5.00%**	5.00%	**5.00%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**2017**	2016	**2016**	2015	2012

The net periodic benefit cost for the US postretirement medical plan included the following components:

(Stated in millions)

	2010	2009	2008
Service cost – benefits earned during the period	**$ 23**	$ 19	$ 23
Interest cost on projected benefit obligation	**58**	56	52
Expected return on plan assets	**(6)**	(2)	(3)
Amortization of prior service credit	**(21)**	(25)	(27)
Amortization of net loss	**11**	3	10
	65	51	55
Curtailment charge	**–**	6	–
	$ 65	$ 57	$ 55

The changes in the accumulated postretirement benefit obligation, plan assets and funded status were as follows:

(Stated in millions)

	2010	2009
Change in Accumulated Postretirement Benefit Obligation		
Benefit obligation at beginning of year	**$ 991**	$ 862
Service cost	**23**	19
Interest cost	**58**	56
Contributions by plan participants	**4**	5
Actuarial losses	**8**	67
Benefits paid	**(33)**	(31)
Impact of curtailment	**–**	13
Benefit obligation at end of year	**$1,051**	$ 991
Change in Plan Assets		
Plan assets at fair value at beginning of year	**$ 58**	$ 29
Company contributions	**248**	47
Contributions by plan participants	**5**	5
Benefits paid	**(33)**	(31)
Actual return on plan assets	**12**	8
Plan assets at fair value at end of year	**$ 290**	$ 58
Unfunded Liability	**$ (761)**	$(933)
Amounts Recognized in Accumulated Other Comprehensive Income		
Actuarial losses	**$ 212**	$ 223
Prior service cost	**(35)**	(56)
	$ 177	$ 167

The unfunded position is included in *Postretirement Benefits* in the *Consolidated Balance Sheet.*

The assets of the US postretirement medical plan are invested 60% in US equity securities and 40% in government and government-related debt securities. The fair value of these assets were determined based on quoted prices in active markets for identical instruments.

Assumed health care cost trend rates have a significant effect on the amounts reported for the US postretirement medical plan. A one percentage point change in assumed health care cost trend rates would have the following effects:

(Stated in millions)

	One percentage point increase	One percentage point decrease
Effect on total service and interest cost components	**$ 15**	**$ (12)**
Effect on accumulated postretirement benefit obligation	**$177**	**$(145)**

Other Information

The expected benefits to be paid under the US and International pension plans as well as the postretirement medical plan (which is disclosed net of the annual Medicare Part D subsidy, which ranges from $3 million to $7 million per year) were as follows:

(Stated in millions)

	Pension Benefits		Postretirement
	US	International	Medical Plan
2011	$125	$ 134	$ 40
2012	129	146	43
2013	134	158	46
2014	139	170	50
2015	145	182	53
2016- 2020	856	1,083	312

Included in *Accumulated Other Comprehensive Income* at December 31, 2010 are non-cash pretax charges which have not yet been recognized in net periodic benefit cost. The estimated amounts that will be amortized from the estimated portion of each component of *Accumulated Other Comprehensive Income* which is expected to be recognized as a component of net periodic benefit cost during the year-ending December 31, 2011 are as follows:

(Stated in millions)

	Pension Plans	Postretirement Medical Plan
Net actuarial losses	$ 89	$ 11
Prior service cost/(credit)	$132	$(12)

In addition to providing defined pension benefits and a postretirement medical plan, Schlumberger and its subsidiaries have other deferred benefit programs, primarily profit sharing and defined contribution pension plans. Expenses for these programs were $403 million, $418 million and $482 million in 2010, 2009 and 2008, respectively.

19. Supplementary Information

Cash paid for interest and income taxes was as follows:

(Stated in millions)

	2010	2009	2008
Interest	**$234**	$249	$ 289
Income taxes	**$571**	$665	$1,158

Accounts payable and accrued liabilities are summarized as follows:

(Stated in millions)

	2010	2009
Payroll, vacation and employee benefits	**$1,414**	$1,047
Trade	**2,649**	1,793
Other	**2,425**	2,163
	$6,488	$5,003

Interest and other income, net includes the following:

(Stated in millions)

	2010	2009	2008
Interest income	**$ 50**	$ 61	$119
Equity in net earnings of affiliated companies:		–	
M-I SWACO	**78**	131	210
Others	**86**	78	83
Other	**–**	3	–
	$214	$273	$412

Allowance for doubtful accounts is as follows:

(Stated in millions)

	2010	2009	2008
Balance at beginning of year	**$160**	$133	$ 86
Provision	**38**	54	65
Amounts written off	**(13)**	(27)	(18)
Balance at end of year	**$185**	$160	$133

Discontinued Operations

During the fourth quarter of 2009, Schlumberger recorded a net $22 million charge related to the resolution of a customs assessment pertaining to its former offshore contract drilling business, as well as the resolution of certain contingencies associated with other previously disposed of businesses. This amount is included in *Income (Loss) from Discontinued Operations* in the *Consolidated Statement of Income*.

During the first quarter of 2008, Schlumberger recorded a gain of $38 million related to the resolution of a contingency associated with a previously disposed of business. This gain is included in *Income (Loss) from Discontinued Operations* in the *Consolidated Statement of Income*.

Management's Report on Internal Control Over Financial Reporting

The management of Schlumberger Limited is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a – 15(f) of the Securities Exchange Act of 1934, as amended. Schlumberger Limited's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Schlumberger Limited management assessed the effectiveness of its internal control over financial reporting as of December 31, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.* Based on this assessment Schlumberger Limited management has concluded that, as of December 31, 2010, its internal control over financial reporting is effective based on those criteria.

The effectiveness of Schlumberger Limited's internal control over financial reporting as of December 31, 2010, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Schlumberger Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Schlumberger Limited and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Houston, Texas
February 4, 2011

Quarterly Results

(Unaudited)

The following table summarizes Schlumberger's results by quarter for the years ended December 31, 2010 and 2009.

(Stated in millions except per share amounts)

	Revenue	Gross Margin[1,2]	Net Income attributable to Schlumberger[2]	Earnings per share of Schlumberger[2] Basic	Earnings per share of Schlumberger[2] Diluted
Quarters-2010					
First[3]	$ 5,598	$1,256	$ 672	$0.56	$0.56
Second	5,937	1,361	818	0.69	0.68
Third[4]	6,845	1,461	1,734	1.39	1.38
Fourth[5]	9,067	1,870	1,043	0.76	0.76
	$27,447	$5,948	$4,267	$3.41	$3.38
Quarters-2009					
First	$ 6,000	$1,490	$ 938	$0.78	$0.78
Second[6]	5,528	1,333	613	0.51	0.51
Third	5,430	1,286	787	0.66	0.65
Fourth	5,744	1,346	795	0.66	0.65
	$22,702	$5,457	$3,134	$2.62	$2.59

1. Gross margin equals *Revenue* less *Cost of revenue*.
2. Amounts may not add due to rounding.
3. Net income in the first quarter of 2010 includes after-tax charges of $75 million.
4. Net income in the third quarter of 2010 includes net after-tax credits of $859 million.
5. Net income in the fourth quarter of 2010 includes after-tax charges of $121 million.
6. Net income in the second quarter of 2009 includes after-tax charges of $207 million.

* Mark of Schlumberger

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Schlumberger has carried out an evaluation under the supervision and with the participation of Schlumberger's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of Schlumberger's disclosure controls and procedures. Based upon Schlumberger's evaluation, the CEO and the CFO have concluded that, as of December 31, 2010, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports Schlumberger files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

There has been no change in Schlumberger's internal control over financial reporting that occurred during the quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, Schlumberger's internal control over financial reporting.

See Management's Report on Internal Control Over Financial Reporting.

Item 9B. *Other Information.*

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance of Schlumberger.

See "Item 4. Submission of Matters to a Vote of Security Holders – Executive Officers of Schlumberger" of this Report for Item 10 information regarding executive officers of Schlumberger. The information under the captions "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance – Director Nominations" and "Corporate Governance – Board Committees – Audit Committee" in Schlumberger's 2011 Proxy Statement is incorporated herein by reference.

Schlumberger has adopted a Code of Ethics that applies to all of its directors, officers and employees, including its principal executive, financial and accounting officers, or persons performing similar functions. Schlumberger's Code of Ethics is posted on its corporate governance website located at www.slb.com/ir. In addition, amendments to the Code of Ethics and any grant of a waiver from a provision of the Code of Ethics requiring disclosure under applicable SEC rules will be disclosed on Schlumberger's corporate governance website located at www.slb.com/ir.

Item 11. Executive Compensation.

The information set forth under the captions "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Report" and "Director Compensation" in Schlumberger's 2011 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information under the captions "Security Ownership by Certain Beneficial Owners" and "Security Ownership by Management" in Schlumberger's 2011 Proxy Statement is incorporated herein by reference.

Equity Compensation Plan Information

The table below sets forth the following information as of December 31, 2010 for (1) all compensation plans previously approved by our stockholders and (2) all compensation plans not previously approved by our stockholders.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of such outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans *
Equity compensation plans approved by security holders	39,721,715	$52.24	31,458,983
Equity compensation plans not approved by security holders	N/A	N/A	N/A
	39,721,715	$52.24	31,458,983

* Excluding securities reflected in column (a)

Equity compensation plans approved by Schlumberger stockholders include the Schlumberger 1994 Stock Option Plan, as amended; the Schlumberger 1998 Stock Option Plan, as amended; the Schlumberger 2001 Stock Option Plan, as amended; the Schlumberger 2005 Stock Incentive Plan, as amended; the Schlumberger 2008 Stock Incentive Plan, as amended; the 2010 Schlumberger Omnibus Stock Incentive Plan; the Schlumberger Discounted Stock Purchase Plan, as amended and the Schlumberger 2004 Stock and Deferral Plan for Non-Employee Directors.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information under the captions "Corporate Governance – Director Independence" and "Corporate Governance – Policies and Procedures for Approval of Related Person Transactions" in Schlumberger's 2011 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information under the caption "Appointment of Independent Registered Public Accounting Firm" in Schlumberger's 2011 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

Financial statements of 20%-50% owned companies accounted for under the equity method and unconsolidated subsidiaries have been omitted because they do not meet the materiality tests for assets or income.

(2) Financial Statement Schedules not required

(3) Exhibits: the exhibits listed in the accompanying "Index to Exhibits" are filed or incorporated by reference as part of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 4, 2011

SCHLUMBERGER LIMITED

By: /s/ HOWARD GUILD
Howard Guild
Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title
* Andrew Gould	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ SIMON AYAT Simon Ayat	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ HOWARD GUILD Howard Guild	Chief Accounting Officer (Principal Accounting Officer)
* Philippe Camus	Director
* Peter L.S. Currie	Director
* Tony Isaac	Director
* K.V. Kamath	Director
* Nikolay Kudryavtsev	Director
* Adrian Lajous	Director
* Michael E. Marks	Director
* Elizabeth Moler	Director
* Leo Rafael Reif	Director

Name	Title
* Tore Sandvold	Director
* Henri Seydoux	Director
/s/ ALEXANDER C. JUDEN *By Alexander C. Juden Attorney-in-Fact	February 4, 2011

INDEX TO EXHIBITS

	Exhibit
Articles of Incorporation of Schlumberger Limited (Schlumberger N.V.), as last amended on April 12, 2006 (incorporated by reference to Exhibit 3.1 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006)	3.1
Amended and Restated By-Laws of Schlumberger Limited (Schlumberger N.V.), as last amended on April 21, 2005 (incorporated by reference to Exhibit 3.1 to Schlumberger's Current Report on Form 8-K filed on April 22, 2005)	3.2
Indenture dated as of June 9, 2003, by and between Schlumberger Limited and Citibank, N.A., as Trustee (incorporated by reference to Exhibit 4.3 to Schlumberger's Registration Statement on Form S-3 filed on September 12, 2003)	4.1
First Supplemental Indenture dated as of June 9, 2003, by and between Schlumberger Limited and Citibank, N.A., as Trustee (incorporated by reference to Exhibit 4.4 to Schlumberger's Registration Statement on Form S-3 filed on September 12, 2003)	4.2
Schlumberger 1994 Stock Option Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.1 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.1
Schlumberger Limited Supplementary Benefit Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.2 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.2
Schlumberger Limited Restoration Savings Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.3 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.3
Schlumberger 1998 Stock Option Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.4 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.4
Schlumberger 2001 Stock Option Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.5 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.5
Schlumberger 2005 Stock Incentive Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.6 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.6
Schlumberger Limited 2004 Stock and Deferral Plan for Non-Employee Directors, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.7 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.7
Schlumberger 2008 Stock Incentive Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.8 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2008) (+)	10.8
Form of Option Agreement, Capped Incentive Stock Option (incorporated by reference to Exhibit 10.1 to Schlumberger's Current Report on Form 8-K filed on January 19, 2006) (+)	10.9
Form of Option Agreement, Capped Non-Qualified Stock Option (incorporated by reference to Exhibit 10.2 to Schlumberger's Current Report on Form 8-K filed on January 19, 2006) (+)	10.10
Form of Option Agreement, Uncapped Incentive Stock Option (for 2001, 2005 and 2008 stock plans) (incorporated by reference to Exhibit 10.11 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2009) (+)	10.11

	Exhibit
Form of Option Agreement, Uncapped Non-Qualified Stock Option (for 2001, 2005 and 2008 stock plans) (incorporated by reference to Exhibit 10.12 to Schlumberger's Annual Report on Form 10-K for year ended December 31, 2009) (+)	10.12
Form of Smith International, Inc. 2010 Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010) (+)	10.13
Employment Agreement dated March 9, 2010 and effective as of February 9, 2010, between Schlumberger Limited and Chakib Sbiti (incorporated by reference to Exhibit 10.3 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010) (+)	10.14
Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to Schlumberger's Current Report on Form 8-K filed on April 22, 2005)	10.15
Subsidiaries (*)	21
Consent of Independent Registered Public Accounting Firm (*)	23
Powers of Attorney (*) Philippe Camus — dated: January 20, 2011 Peter L.S. Currie Andrew Gould Tony Isaac K.V. Kamath Nikolay Kudryavtsev Adrian Lajous Michael E. Marks Elizabeth Moler Leo Rafael Reif Tore I. Sandvold Henri Seydoux	24
Certification of Chief Executive Officer pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)	31.1
Certification of Chief Financial Officer pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)	31.2
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 (*)	32.1
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 (*)	32.2
The following materials from Schlumberger Limited's Annual Report on Form 10-K for the year ended December 31, 2010, formatted in XBRL: (i) Consolidated Statement of Income, (ii) Consolidated Balance Sheet, (iii) Consolidated Statement of Cash Flows, (iv) Consolidated Statement of Equity and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. (*)	101

(*) Exhibits physically filed with this Form 10-K. All other exhibits are incorporated by reference.

(+) Management contracts or compensatory plans or arrangements.

Exhibit 21

Significant Subsidiaries

Listed below are the significant first tier subsidiaries of the Registrant, along with the total number of active subsidiaries directly or indirectly owned by each as of December 31, 2010. Certain second and third tier subsidiaries, though included in the numbers, are also shown by name. Ownership is 100% unless otherwise indicated. The business activities of the subsidiaries have been keyed as follows: (a) Oilfield Services, (b) WesternGeco, (c) General/Multiple Segments.

	U.S.	Non-U.S.
Schlumberger B.V., Netherlands (c)	6(a)	79(a)[1]
		22(b)[2]
		12(c)
Schlumberger Canada Limited, Ontario (c)		
Schlumberger SA, France (c)		
Services Petroliers Schlumberger, France (a)		
Schlumberger Norge AS (c)		
Schlumberger Holdings Corporation, Delaware (c)		
Schlumberger Technology Corporation, Texas (c)		
Smith International Inc (c)		
Schlumberger UK Limited		
Schlumberger Plc, UK (c)		
Schlumberger Oilfield UK Plc, UK (a)		
WesternGeco Limited, UK(b)		
Schlumberger Antilles N.V., Curaçao (a)		2(a)
Schlumberger Oilfield Holdings Limited, BVI (c)	1(a)	136(a)[3]
		28(b)[4]
Schlumberger Holdings Limited, BVI (a)		11(c)[5]
Dowell Schlumberger Corporation, BVI (a)		
Schlumberger Middle East S.A., Panama (a)		
Schlumberger Offshore Services Limited, BVI (a)		
Schlumberger Overseas, S.A., Panama (a)		
Schlumberger Seaco, Inc., Panama (a)		
Schlumberger Surenco, S.A., Panama (a)		
WesternGeco Seismic Holdings Limited, BVI (b)		
Schlumberger Technology Corporation, Texas (c)	11(a)[6]	
	1(b)	2(b)
	4(c)	
WesternGeco L.L.C., Delaware (b)		

1 Includes eight majority-owned subsidiaries and two 50%-owned subsidiary.
2 Includes one majority-owned subsidiary and one 50%-owned subsidiary.
3 Includes three majority-owned subsidiaries and two 50%-owned subsidiaries.
4 Includes one majority-owned subsidiaries.
5 Includes one majority-owned subsidiary.
6 Includes one majority-owned subsidiary and one 50%-owned subsidiary

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-36364; 333-67330; 333-115277; 333-124534; and 333-151920), and on Form S-4 (Nos. 333-97899 and 333-166326, as amended by post-effective amendment on Form S-8) of Schlumberger Limited of our report dated February 4, 2011 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Houston, Texas
February 4, 2011

Exhibit 24

Power of Attorney

Each of the undersigned, in the capacity or capacities set forth below his or her signature as a member of the Board of Directors and/or an officer of Schlumberger Limited, a Curaçao corporation ("the Corporation"), hereby appoints Simon Ayat, Howard Guild and Alexander C. Juden, or either of them, the attorney or attorneys of the undersigned, with full power of substitution and revocation, for and in the name, place and stead of the undersigned to execute and file with the Securities and Exchange Commission the Annual Report on Form 10-K under the Securities Exchange Act of 1934 (the "Exchange Act") for the fiscal year ending December 31, 2010, and any amendment or amendments to any such Annual Report on Form 10-K, and any agreements, consents or waivers relative thereto, and to take any and all such other action for and in the name and place and stead of the undersigned as may be necessary or desirable in order to comply with the Exchange Act or the rules and regulations thereunder.

/s/ Philippe Camus Philippe Camus Director	/s/ Michael E. Marks Michael E. Marks Director
/s/ Peter L.S. Currie Peter L.S. Currie Director	/s/ Elizabeth Moler Elizabeth Moler Director
/s/ Andrew Gould Andrew Gould Chairman and Chief Executive Officer	/s/ Leo Rafael Reif Leo Rafael Reif Director
/s/ Tony Isaac Tony Isaac Director	/s/ Tore Sandvold Tore Sandvold Director
/s/ K.V. Kamath K.V. Kamath Director	/s/ Henri Seydoux Henri Seydoux Director
/s/ Nikolay Kudryavtsev Nikolay Kudryavtsev Director	/s/ Adrian Lajous Adrian Lajous Director

Date: January 20, 2011

Board of Directors

Philippe Camus [1,3]
Co-Managing Partner
Société Lagardère
Senior Managing Director
Evercore Partners Inc.
New York, New York

Peter L. S. Currie [1]
President, Currie Capital LLC
Palo Alto, California

Andrew Gould
Chairman and Chief Executive Officer
Schlumberger

Tony Isaac [2,4]
Retired
Former Chief Executive
The BOC Group plc
Surrey, United Kingdom

K. Vaman Kamath [1,3]
Non-Executive Chairman
of the Board
ICICI Bank Limited
Mumbai, India

Nikolay Kudryavtsev [1,5]
Rector
Moscow Institute of
Physics and Technology
Moscow, Russia

Adrian Lajous [1,2,4]
Senior Energy Advisor
McKinsey & Company
Houston, Texas
President, Petrometrica
Mexico City, Mexico

Michael E. Marks [2,4]
Managing Partner
Riverwood Capital, LLC
Palo Alto, California

Elizabeth Anne Moler [2]
Retired
Former Executive Vice President,
Government Affairs and Policy
Exelon Corporation
McLean, Virginia

Leo Rafael Reif [4,5]
Provost, Chief Academic Officer
and Chief Budget Officer
Massachusetts Institute of
Technology
Cambridge, Massachusetts

1 Member, Audit Committee
2 Member, Compensation Committee
3 Member, Finance Committee
4 Member, Nominating and Governance Committee
5 Member, Technology Committee

Tore I. Sandvold [3,4]
Chairman
Sandvold Energy AS
Oslo, Norway

Henri Seydoux [3,5]
Chairman and Chief Executive Officer
Parrot S.A.
Paris, France

Corporate Officers

Andrew Gould
Chairman and Chief Executive Officer

Paal Kibsgaard
Chief Operating Officer

Simon Ayat
Executive Vice President and
Chief Financial Officer

Alexander C. Juden
Secretary and General Counsel

Satish Pai
Vice President Operations

Kjell-Erik Oestdahl
Vice President Operations

Ashok Belani
Vice President Technology

Doug Pferdehirt
Vice President Corporate
Development and Communication

Patrick Schorn
President, Reservoir
Production Group

Jean-Francois Poupeau
President, Drilling Group

Krishna Shivram
Vice President Treasurer

Stephanie Cox
Vice President Personnel

Clive Eckersley
Vice President

Mark Danton
Vice President – Director of Taxes

Rodney Nelson
Vice President Communications,
Innovation and Collaboration

Malcolm Theobald
Vice President Investor Relations

Howard Guild
Chief Accounting Officer

Saul Laureles
Assistant Secretary

Eileen Hardell
Assistant Secretary

Corporate Information

Stockholder Information
Schlumberger common stock is listed on the New York Stock Exchange, trading symbol SLB, and on the Euronext Paris, London and SIX Swiss Stock Exchanges.

For quarterly earnings, dividend announcements and other information, call 1-800-99-SLB-99 from the US and Canada and 1-813-774-5043 for callers outside North America, or visit www.slb.com/ir and sign up to receive email alerts.

Stock Transfer Agent and Registrar
Computershare Trust
Company, N.A.
P.O. Box 43078
Providence, Rhode Island
02940-3078
1-877-785-9341 or 1-781-575-2707

General stockholder information is available on the Computershare Web site at www.computershare.com

Form 10-K
The Schlumberger 2010 annual report on Form 10-K filed with the Securities and Exchange Commission is available without charge. To obtain a copy, call 1-800-997-5299 from North America and 1-813-774-5043 from outside North America. Alternatively, you can view all of our SEC filings online at www.slb.com/ir or write to the Secretary, Schlumberger Limited, 5599 San Felipe, 17th Floor, Houston, Texas 77056.

Email Alerts
To receive Schlumberger press releases, headlines, and daily industry news headlines, register at www.slb.com/ir.

Duplicate Mailings
When a stockholder owns shares in more than one account, or when stockholders live at the same address, duplicate mailings may result. If you receive duplicate reports, you can help eliminate the added expense by requesting that only one copy be sent. To eliminate duplicate mailings, contact Computershare Trust Company, N.A., Stock Transfer Agent and Registrar.

World Wide Web
For information on Schlumberger technology, services and solutions and the latest industry news, visit www.slb.com.

Recruitment
For more information on careers and job opportunities at Schlumberger, visit www.careers.slb.com.

Non-Profit Community Development Programs
Schlumberger supports and encourages a range of community development programs—both global and local—which are often initiated and implemented by employees. We have chosen to focus on education and social development. To learn more about these programs, please visit www.seed.slb.com and www.foundation.slb.com.

* Mark of Schlumberger

Photography by John Amedick (front cover), John Borowski (pages 4–5, 10), Philippe Charliat (page 12, back cover), Ken Childress (pages 6, 8, 13, 14, 15), Ramon Fernandez Reyes (page 3), Paul Swen (page 9), Publius Vergilius (page 16), and Schlumberger archives.

Back Cover
On August 27, 2010, Schlumberger completed the acquisition of Smith International. The companies' complementary products and services will lead to the development of engineered drilling systems to enable a step change in drilling performance.

Schlumberger Limited

42 rue Saint-Dominique
75007 Paris

5599 San Felipe, 17th Floor
Houston, Texas 77056

Parkstraat 83
2514 JG The Hague

www.slb.com

Schlumberger