

SCHLUMBERGER LTD /NV/

Form 10-Q

October 26, 2011

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

**FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended:
September 30, 2011
Commission file No.:
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 (I.R.S. Employer Identification No.)
42 RUE SAINT-DOMINIQUE PARIS, FRANCE	75007
5599 SAN FELIPE, 17 th FLOOR HOUSTON, TEXAS, U.S.A.	77056
PARKSTRAAT 83 THE HAGUE, THE NETHERLANDS	2514 JG

(Addresses of principal executive offices) (Zip Codes)

Registrant's telephone number: (713) 375-3400

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 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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YES NO

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

Class	Outstanding at September 30, 2011
COMMON STOCK, \$0.01 PAR VALUE PER SHARE	1,342,125,999

SCHLUMBERGER LIMITED
Third Quarter 2011 Form 10-Q
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(Unaudited)

	Third Quarter		Nine Months	
	2011	2010	2011	2010
	<i>(Stated in millions, except per share amounts)</i>			
<i>Revenue</i>				
Oilfield Services	\$ 9,546	\$ 6,646	\$ 26,658	\$ 18,180
Distribution	683	199	1,908	199
	10,229	6,845	28,566	18,379
<i>Interest & other income</i>	34	54	94	169
<i>Gain on investment in M-I SWACO</i>		1,270		1,270
<i>Expenses</i>				
Cost of Revenue:				
Oilfield Services	7,440	5,281	20,945	14,347
Distribution	652	190	1,831	190
Research & engineering	266	240	800	662
General & administrative	91	75	326	221
Merger & integration	27	97	93	131
Restructuring & other		299		299
Interest	70	47	212	146
<i>Income from continuing operations before taxes</i>	1,717	1,940	4,453	3,822
Taxes on income	410	209	1,079	600
<i>Income from continuing operations</i>	1,307	1,731	3,374	3,222
<i>Income from discontinued operations</i>			220	
<i>Net income</i>	1,307	1,731	3,594	3,222
Net income (loss) attributable to noncontrolling interests	6	(3)	10	(2)
<i>Net income attributable to Schlumberger</i>	\$ 1,301	\$ 1,734	\$ 3,584	\$ 3,224
Schlumberger amounts attributable to:				
Income from continuing operations	\$ 1,301	\$ 1,734	\$ 3,364	\$ 3,224
Income from discontinued operations			220	
Net income	\$ 1,301	\$ 1,734	\$ 3,584	\$ 3,224
Basic earnings per share of Schlumberger:				
Income from continuing operations	\$ 0.97	\$ 1.39	\$ 2.49	\$ 2.66

Income from discontinued operations			0.16	
Net income	\$ 0.97	\$ 1.39	\$ 2.65	\$ 2.66
Diluted earnings per share of Schlumberger:				
Income from continuing operations	\$ 0.96	\$ 1.38	\$ 2.46	\$ 2.63
Income from discontinued operations			0.16	
Net income	\$ 0.96	\$ 1.38	\$ 2.62	\$ 2.63
Average shares outstanding:				
Basic	1,345	1,249	1,352	1,212
Assuming dilution	1,357	1,258	1,365	1,227

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	Sept. 30, 2011	Dec. 31, 2010
<i>(Stated in millions)</i>		
ASSETS		
<i>Current Assets</i>		
Cash	\$ 1,732	\$ 1,764
Short-term investments	4,332	3,226
Receivables less allowance for doubtful accounts (2011 - \$182; 2010 - \$185)	9,493	8,278
Inventories	4,469	3,804
Deferred taxes	148	51
Other current assets	1,086	975
	21,260	18,098
<i>Fixed Income Investments, held to maturity</i>	255	484
<i>Investments in Affiliated Companies</i>	1,222	1,071
<i>Fixed Assets less accumulated depreciation</i>	12,583	12,071
<i>Multiclient Seismic Data</i>	444	394
<i>Goodwill</i>	14,118	13,952
<i>Intangible Assets</i>	4,927	5,162
<i>Other Assets</i>	772	535
	\$ 55,581	\$ 51,767
LIABILITIES AND EQUITY		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 7,023	\$ 6,488
Estimated liability for taxes on income	1,207	1,493
Long-term debt - current portion	2,395	2,214
Short-term borrowings	348	381
Dividends payable	334	289
	11,307	10,865
<i>Long-term Debt</i>	8,740	5,517
<i>Postretirement Benefits</i>	1,034	1,262
<i>Deferred Taxes</i>	1,662	1,636
<i>Other Liabilities</i>	1,215	1,043
	23,958	20,323

Equity

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Common stock	11,606	11,920
Treasury stock	(5,088)	(3,136)
Retained earnings	27,780	25,210
Accumulated other comprehensive loss	(2,798)	(2,768)
Schlumberger stockholders equity	31,500	31,226
Noncontrolling interests	123	218
	31,623	31,444
	\$ 55,581	\$ 51,767

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	<i>(Stated in millions)</i>	
	Nine Months Ended Sept.	
	2011	2010
	30,	
Cash flows from operating activities:		
Net income	\$ 3,594	\$ 3,222
Less: Income from discontinued operations	(220)	
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization ⁽¹⁾	2,420	1,951
Gain on investment in M-I SWACO		(1,270)
Non-cash charges		144
Earnings of companies carried at equity, less dividends received	(59)	(79)
Deferred income taxes	40	146
Stock-based compensation expense	203	145
Pension and other postretirement benefits expense	274	224
Pension and other postretirement benefits funding	(359)	(615)
Change in assets and liabilities: ⁽²⁾		
Increase in receivables	(1,273)	(539)
Increase in inventories	(743)	(21)
Increase in other current assets	(103)	(129)
Increase (decrease) in accounts payable and accrued liabilities	207	(128)
(Decrease) increase in estimated liability for taxes on income	(510)	224
Increase (decrease) in other liabilities	129	(26)
Other net	144	(153)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,744	3,096
Cash flows from investing activities:		
Capital expenditures	(2,763)	(1,907)
Multiclient seismic data capitalized	(206)	(241)
Business acquisitions, net of cash acquired	(148)	(154)
Cash acquired in merger with Smith International, Inc.		399
Acquisition of Geoservices, net of cash acquired		(889)
(Purchase) sale of investments, net	(866)	2,620
Other	231	(84)
NET CASH USED IN INVESTING ACTIVITIES	(3,752)	(256)
Cash flows from financing activities:		
Dividends paid	(968)	(756)
Proceeds from employee stock purchase plan	208	179
Proceeds from exercise of stock options	218	113
Stock repurchase program	(2,362)	(1,268)
Proceeds from issuance of long-term debt	6,825	646

Repayment of long-term debt	(3,600)	(1,267)
Net decrease in short-term borrowings	(112)	(3)
Other	(616)	14
NET CASH USED IN FINANCING ACTIVITIES	(407)	(2,342)
Cash flows from discontinued operations investing activities	385	
Net (decrease) increase in cash before translation effect	(30)	498
Translation effect on cash	(2)	(1)
Cash, beginning of period	1,764	617
Cash, end of period	\$ 1,732	\$ 1,114

(1) Includes multiclient seismic data costs.

(2) Net of the effect of business acquisitions and divestitures.

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)

(Stated in millions)

	Common Stock		Retained Earnings	Accumulated	Noncontrolling	Total
	Issued	In Treasury		Other		
January 1, 2011 - September 30, 2011						
Balance, January 1, 2011	\$ 11,920	\$ (3,136)	\$ 25,210	\$ (2,768)	\$ 218	\$ 31,444
Comprehensive income						
Net income			3,584		10	
Currency translation adjustments				(51)		
Changes in fair value of derivatives				(119)		
Deferred employee benefits liabilities				140		
Total comprehensive income						3,564
Shares sold to optionees, less shares exchanged	(22)	240				218
Shares granted to Directors	1	1				2
Vesting of restricted stock	(14)	14				
Shares issued under employee stock purchase plan	53	155				208
Stock repurchase program		(2,362)				(2,362)
Stock-based compensation cost	203					203
Acquisition of noncontrolling interest	(547)				(81)	(628)
Dividends declared (\$0.75 per share)			(1,014)			(1,014)
Tax benefits on stock options	12					12
Other					(24)	(24)
Balance, September 30, 2011	\$ 11,606	\$ (5,088)	\$ 27,780	\$ (2,798)	\$ 123	\$ 31,623

(Stated in millions)

	Common Stock		Retained Earnings	Accumulated	Noncontrolling	Total
	Issued	In Treasury		Other		
January 1, 2010 - September 30, 2010						
Balance, January 1, 2010	\$ 4,777	\$ (5,002)	\$ 22,019	\$ (2,674)	\$ 109	\$ 19,229
Comprehensive income						
Net income			3,224		(2)	
Currency translation adjustments				(29)		
Changes in fair value of derivatives				(44)		
Deferred employee benefits liabilities				120		
Total comprehensive income						3,269
	(3)	116				113

Shares sold to optionees, less shares exchanged						
Shares granted to Directors	1	1				2
Vesting of restricted stock	(9)	9				
Shares issued under employee stock purchase plan	49	129				178
Stock repurchase program		(1,268)				(1,268)
Stock-based compensation cost	145					145
Shares issued on conversion of debentures	17	303				320
Acquisition of Smith International, Inc.	6,880	2,948		114		9,942
Acquisition of noncontrolling interests	3			(8)		(5)
Dividends declared (\$0.63 per share)			(789)			(789)
Tax benefits on stock options	14					14
Other		(39)		5		(34)
Balance, September 30, 2010	\$ 11,874	\$ (2,803)	\$ 24,454	\$ (2,627)	\$ 218	\$ 31,116

SHARES OF COMMON STOCK
(Unaudited)

				<i>(Stated in millions)</i>
				Shares
			In	
		Issued	Treasury	Outstanding
Balance, January 1, 2011		1,434	(73)	1,361
Shares sold to optionees, less shares exchanged			6	6
Shares issued under employee stock purchase plan			3	3
Stock repurchase program			(28)	(28)
Balance, September 30, 2011		1,434	(92)	1,342

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Schlumberger Limited and its subsidiaries (Schlumberger) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Schlumberger management, all adjustments considered necessary for a fair statement have been included in the accompanying unaudited financial statements. All intercompany transactions and balances have been eliminated in consolidation. Operating results for the nine-month period ended September 30, 2011 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011. The December 31, 2010 balance sheet information has been derived from the Schlumberger 2010 financial statements. For further information, refer to the *Consolidated Financial Statements* and notes thereto, included in the Schlumberger Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on February 4, 2011.

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

2. Charges and Credits

Schlumberger recorded the following charges and credits during the first nine months of 2011 and 2010:

2011

Third quarter of 2011:

Schlumberger recorded \$27 million of pretax merger and integration-related charges (\$23 million after-tax) in connection with the acquisitions of Smith International, Inc. (Smith) and Geoservices. This amount is classified in *Merger & integration* in the *Consolidated Statement of Income*.

Second quarter of 2011:

Schlumberger made a \$50 million grant to the Schlumberger Foundation to support the Foundation's Faculty for the Future program. This program supports talented women scientists from the developing world by helping them pursue advanced graduate studies in scientific disciplines at leading universities worldwide. This \$50 million charge (\$40 million after-tax) is classified in *General & administrative* in the *Consolidated Statement of Income*.

Schlumberger recorded \$32 million of pretax merger and integration-related charges (\$24 million after-tax) in connection with the acquisitions of Smith and Geoservices. This amount is classified in *Merger & integration* in the *Consolidated Statement of Income*.

First quarter of 2011:

Schlumberger recorded \$34 million of pretax merger and integration-related charges (\$28 million after-tax) in connection with the acquisitions of Smith and Geoservices. This amount is classified in *Merger & integration* in the *Consolidated Statement of Income*.

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The following is a summary of the charges recorded during the first nine months of 2011:

(Stated in millions)

	Pretax	Tax	Net	Consolidated Statement of Income Classification
Merger and integration-related costs	\$ 93	\$ 17	\$ 76	Merger & integration
Donation to the Schlumberger Foundation	50	10	40	General & administrative
	\$ 143	\$ 27	\$ 116	

2010

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 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 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) for the amortization of purchase accounting adjustments associated with the write-up of acquired inventory to its estimated fair value.

\$40 million pretax (\$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 \$650 million 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.

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The following is a summary of the charges and credits recorded during the third quarter of 2010:

	<i>(Stated in millions)</i>			
	Pretax	Tax	Net	<i>Consolidated Statement of Income Classification</i>
<i>Restructuring and Merger-related Charges:</i>				
Severance and other	\$ 90	\$ 13	\$ 77	<i>Restructuring & other</i>
Impairment relating to WesternGeco's first generation Q-Land acquisition system	78	7	71	<i>Restructuring & other</i>
Other WesternGeco-related charges	63		63	<i>Restructuring & other</i>
Professional fees and other	56	1	55	<i>Merger & integration</i>
Merger-related employee benefits	41	6	35	<i>Merger & integration</i>
Inventory fair value adjustments	38	14	24	<i>Cost of revenue</i>
Mexico restructuring	40	4	36	<i>Restructuring & other</i>
Repurchase of bonds	28	10	18	<i>Restructuring & other</i>
<i>Total restructuring and merger-related charges</i>	434	55	379	
<i>Gain on investment in M-I SWACO</i>	(1,270)	(32)	(1,238)	<i>Gain on Investment in M-I SWACO</i>
	\$ (836)	\$ 23	\$ (859)	

First quarter of 2010:

Schlumberger incurred \$35 million of pretax and after-tax merger-related costs in connection with the Smith and Geoservices transactions. These costs primarily consisted of legal and other advisory 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 eliminated 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 the charges and credits recorded during the first nine months of 2010:

	<i>(Stated in millions)</i>			
	Pretax	Tax	Net	<i>Consolidated Statement of Income Classification</i>
<i>Restructuring and Merger-related Charges:</i>				
Severance and other	\$ 90	\$ 13	\$ 77	<i>Restructuring & other</i>
Impairment relating to WesternGeco's first generation Q-Land acquisition system	78	7	71	<i>Restructuring & other</i>
Other WesternGeco-related charges	63		63	<i>Restructuring & other</i>
Professional fees and other	91	1	90	<i>Merger & integration</i>
Merger-related employee benefits	41	6	35	<i>Merger & integration</i>
Inventory fair value adjustments	38	14	24	<i>Cost of revenue</i>

Mexico restructuring	40	4	36	<i>Restructuring & other</i>
Repurchase of bonds	28	10	18	<i>Restructuring & other</i>
<i>Total restructuring and merger-related charges</i>	469	55	414	
Impact of elimination of tax deduction related to Medicare Part D subsidy		(40)	40	<i>Taxes on income</i>
<i>Gain on investment in M-I SWACO</i>	(1,270)	(32)	(1,238)	<i>Gain on Investment in M-I SWACO</i>
	\$ (801)	\$ (17)	\$ (784)	

3. Earnings Per Share

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

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(Stated in millions, except per share amounts)

	2011		Earnings per Share from	2010		Earnings per Share from
	Schlumberger Income from	Average		Schlumberger Income from	Average	
	Continuing Operations	Shares Outstanding		Continuing Operations	Shares Outstanding	
Third Quarter						
Basic	\$ 1,301	1,345	\$ 0.97	\$ 1,734	1,249	\$ 1.39
Assumed exercise of stock options		9			7	
Unvested restricted stock		3			2	
Diluted	\$ 1,301	1,357	\$ 0.96	\$ 1,734	1,258	\$ 1.38
	2011		Earnings per Share from	2010		Earnings per Share from
	Schlumberger Income from	Average		Schlumberger Income from	Average	
	Continuing Operations	Shares Outstanding		Continuing Operations	Shares Outstanding	

	2011		Earnings per Share from	2010		Earnings per Share from
	Schlumberger Income from	Average		Schlumberger Income from	Average	
	Continuing Operations	Shares Outstanding		Continuing Operations	Shares Outstanding	
Nine Months						
Basic	\$ 3,364	1,352	\$ 2.49	\$ 3,224	1,212	\$ 2.66
Assumed conversion of debentures				3	5	
Assumed exercise of stock options		10			8	
Unvested restricted stock		3			2	
Diluted	\$ 3,364	1,365	\$ 2.46	\$ 3,227	1,227	\$ 2.63

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

(Stated in millions)

	2011	2010
Third Quarter	14	14
Nine Months	6	13

4. Acquisitions

On August 27, 2010, Schlumberger acquired all of the outstanding shares of Smith, a leading supplier of premium products and services to the oil industry. Schlumberger issued approximately 176 million shares of its common stock which were valued at \$9.8 billion at the time of closing, to effect this transaction. Smith reported revenue of approximately \$6.8 billion during the first nine months of 2010.

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. During the first nine months of 2011, Schlumberger made certain acquisitions and investments, none of which were significant on an individual basis, for cash payments, net of cash acquired, of \$148 million.

5. Inventory

A summary of inventory follows:

	<i>(Stated in millions)</i>	
	Sept. 30, 2011	Dec. 31, 2010
Raw materials & field materials	\$ 1,971	\$ 1,833
Work in process	355	249
Finished goods	2,143	1,722
	\$ 4,469	\$ 3,804

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A summary of fixed assets follows:

	<i>(Stated in millions)</i>	
	Sept. 30, 2011	Dec. 31, 2010
Property, plant & equipment	\$28,960	\$ 27,212
Less: Accumulated depreciation	16,377	15,141
	\$12,583	\$ 12,071

Depreciation expense relating to fixed assets was as follows:

	<i>(Stated in millions)</i>	
	2011	2010
Third Quarter	\$ 689	\$ 603
Nine Months	\$ 2,019	\$ 1,708

7. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data for the nine months ended September 30, 2011 was as follows:

	<i>(Stated in millions)</i>	
Balance at December 31, 2010	\$	394
Capitalized in period		206
Charged to expense		(156)
Balance at September 30, 2011	\$	444

8. Goodwill

In connection with the change in reportable segments as discussed in Note 14 *Segment Information*, Schlumberger reallocated the goodwill that existed as of December 31, 2010 to the new reporting units on a relative fair value basis. The changes in the carrying amount of goodwill by reporting unit for the nine months ended September 30, 2011 were as follows:

	<i>(Stated in millions)</i>				
	Reservoir Characterization	Reservoir Production	Drilling	Distribution	Total
Balance at January 1, 2011	\$ 3,381	\$ 2,351	\$ 8,150	\$ 70	\$ 13,952
Adjustments relating to Smith acquisition		13	175	6	194
Other acquisitions			47		47
Divestiture of business	(51)				(51)
Impact of changes in exchange rates	(10)	(8)	(6)		(24)
Balance at September 30, 2011	\$ 3,320	\$ 2,356	\$ 8,366	\$ 76	\$ 14,118

9. Intangible Assets

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

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	Sept. 30, 2011			(Stated in millions) Dec. 31, 2010		
	Gross Book Value	Accumulated Amortization	Net Book Value	Gross Book Value	Accumulated Amortization	Net Book Value
Technology/Technical						
Know-How	\$ 1,835	\$ 303	\$ 1,532	\$ 1,846	\$ 215	\$ 1,631
Tradenames	1,671	107	1,564	1,678	61	1,617
Customer Relationships	1,954	185	1,769	1,963	129	1,834
Other	361	299	62	378	298	80
	\$ 5,821	\$ 894	\$ 4,927	\$ 5,865	\$ 703	\$ 5,162

Amortization expense charged to income was as follows:

	(Stated in millions)	
	2011	2010
Third Quarter	\$ 81	\$ 46
Nine Months	\$ 245	\$ 109

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

Based on the net book value of intangible assets at September 30, 2011, amortization charged to income for the subsequent five years is estimated to be: remainder of 2011 \$81 million; 2012 \$303 million; 2013 \$295 million; 2014 \$286 million; 2015 \$265 million; and 2016 \$255 million.

10. 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 derivative transactions for speculative purposes.

Foreign Currency Exchange Rate Risk

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. 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 *Accumulated Other Comprehensive Loss*. Amounts recorded in *Accumulated Other Comprehensive 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 September 30, 2011, Schlumberger recognized a cumulative net \$74 million loss in *Equity* 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 September 30, 2011, contracts were outstanding for the US dollar equivalent of \$7.4 billion in various foreign currencies.

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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 September 30, 2011, \$38 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 occasionally interest rate swaps to mitigate the exposure to changes in interest rates.

During the third quarter of 2009, Schlumberger entered into an interest rate swap 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 3.00% annually and pays 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 gains and losses 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*.

At September 30, 2011, Schlumberger had fixed rate debt aggregating \$8.0 billion and variable rate debt aggregating \$3.4 billion, after taking into account the effects of the interest rate swaps.

Short-term investments and *Fixed income investments, held to maturity*, totaled \$4.6 billion at September 30, 2011, and were comprised primarily of money market funds, eurodollar time deposits, certificates of deposit, commercial paper, euro notes and Eurobonds, and were substantially all denominated in US dollars. The carrying value of these investments approximated fair value, which was estimated using quoted market prices for those or similar investments.

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

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

	<i>(Stated in millions)</i>		
	Fair Value of Derivatives		
	Sept. 30,	Dec. 31,	
	2011	2010	Consolidated Balance Sheet Classification
Derivative Assets			
Derivatives designated as hedges:			
Foreign exchange contracts	\$ 9	\$ 4	<i>Other current assets</i>
Foreign exchange contracts		37	<i>Other Assets</i>
Interest rate swaps	12	14	<i>Other Assets</i>
	\$ 21	\$ 55	
Derivatives not designated as hedges:			
Commodity contracts	\$	\$ 3	<i>Other current assets</i>
Foreign exchange contracts	25	9	<i>Other current assets</i>
Foreign exchange contracts	23	9	<i>Other Assets</i>
	\$ 48	\$ 21	
	\$ 69	\$ 76	
Derivative Liabilities			
Derivatives designated as hedges:			
Foreign exchange contracts	\$ 19	\$ 9	<i>Accounts payable and accrued liabilities</i>
Foreign exchange contracts	134	77	<i>Other Liabilities</i>
Interest rate swaps		7	<i>Accounts payable and accrued liabilities</i>
	\$ 153	\$ 93	
Derivatives not designated as hedges:			
Foreign exchange contracts	\$ 20	\$ 14	<i>Accounts payable and accrued liabilities</i>
Commodity contacts	6		<i>Accounts payable and accrued liabilities</i>
	\$ 26	\$ 14	
	\$ 179	\$ 107	

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

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

	<i>(Stated in millions)</i>				<i>Consolidated Statement of Income Classification</i>	
	Gain (Loss) Recognized in Income					
	Third Quarter		Nine Months			
	2011	2010	2011	2010		
Derivatives designated as fair value hedges:						
Foreign exchange contracts	\$ 1	\$ 5	\$ 8	\$ (8)	<i>Cost of revenue</i>	<i>Oilfield</i>
Interest rate swaps	2	10	7	19	<i>Services</i>	
	\$ 3	\$ 15	\$ 15	\$ 11	<i>Interest expense</i>	
Derivatives not designated as hedges:						
Foreign exchange contracts	\$ (12)	\$ 43	\$ 3	\$ (2)	<i>Cost of revenue</i>	<i>Oilfield</i>
Commodity contracts	(5)	1	(7)	(1)	<i>Services</i>	<i>Oilfield</i>
	\$ (17)	\$ 44	\$ (4)	\$ (3)		

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

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	<i>(Stated in millions)</i>				
	Gain (Loss) Reclassified from Accumulated OCI into Income				
	Third Quarter		Nine Months		Consolidated Statement of Income Classification
	2011	2010	2011	2010	
Foreign exchange contracts	\$ (171)	\$ 186	\$ 143	\$ (149)	<i>Cost of revenue Oilfield Services Research & engineering</i>
Foreign exchange contracts	6	(6)	14	(12)	
	\$ (165)	\$ 180	\$ 157	\$ (161)	

	<i>(Stated in millions)</i>			
	Gain (Loss) Recognized in OCI			
	Third Quarter		Nine Months	
	2011	2010	2011	2010
Foreign exchange contracts	\$ (258)	\$ 217	\$ 38	\$ (205)

11. Long-term Debt

A summary of *Long-term Debt* follows:

	<i>(Stated in millions)</i>	
	Sept. 30, 2011	Dec. 31, 2010
3.30% Senior Notes due 2021	\$ 1,595	\$
4.50% Guaranteed Notes due 2014	1,364	1,319
2.75% Guaranteed Notes due 2015	1,357	1,310
1.95% Senior Notes due 2016	1,099	
4.20% Guaranteed Notes due 2021	1,099	
5.25% Guaranteed Notes due 2013	682	659
2.65% Guaranteed Notes due 2016	498	
3.00% Guaranteed Notes due 2013	450	450
Floating Rate Senior Notes due 2014	299	
9.75% Senior Notes due 2019		776
8.625% Senior Notes due 2014		272
6.00% Senior Notes due 2016		218
Commercial paper borrowings		367
Other variable rate debt	287	133
	8,730	5,504
Fair value adjustment hedging	10	13
	\$ 8,740	\$ 5,517

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 quarter of 2011 Schlumberger issued \$1.1 billion of 1.95% Senior Notes due 2016, \$1.6 billion of 3.30% Senior Notes due 2021 and \$300 million of Floating Rate Senior Notes due 2014 that bear interest at a rate equal to three-month LIBOR plus 55 basis points per year.

During the first quarter of 2011, Schlumberger repurchased all of the outstanding 9.75% Senior Notes due 2019, the 8.625% Senior Notes due 2014 and the 6.00% Senior Notes due 2016 for approximately \$1.26 billion. These transactions did not result in any significant gains or losses.

During the first quarter of 2011, Schlumberger issued \$1.1 billion of 4.20% Guaranteed Notes due 2021.

During the first quarter of 2011, Schlumberger issued \$500 million of 2.65% Guaranteed Notes due 2016.

Schlumberger entered into agreements to swap these dollar notes for euros on the date of issue until maturity, effectively making this a euro denominated debt on which Schlumberger will pay interest in euros at a rate of 2.39%.

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At September 30, 2011, Schlumberger had separate committed debt facility agreements aggregating \$5.6 billion with commercial banks, of which \$3.4 billion was available and unused. This includes \$5.0 billion of committed facilities which support commercial paper programs in the United States and Europe, of which \$2.0 billion mature in December 2011 and \$3.0 billion mature in July 2016. Interest rates and other terms of borrowing under these lines of credit vary from country to country. Borrowings under the commercial paper programs at September 30, 2011 were \$2.0 billion (\$1.9 billion at December 31, 2010). At September 30, 2011 all of the commercial paper borrowings were classified within *Long-term debt – current portion* in the *Consolidated Balance Sheet*.

The estimated fair value of Schlumberger's *Long-term Debt* at September 30, 2011 and December 31, 2010, based on quoted market prices, was \$9.0 billion and \$5.6 billion, respectively.

12. Income Tax

Income from continuing operations before taxes which was subject to US and non-US income taxes was as follows:

	<i>(Stated in millions)</i>			
	Third Quarter		Nine Months	
	2011	2010	2011	2010
United States	\$ 651	\$ 168	\$ 1,575	\$ 312
Outside United States	1,066	1,772	2,878	3,510
	\$ 1,717	\$ 1,940	\$ 4,453	\$ 3,822

During the third quarter of 2011, Schlumberger recorded pretax charges of \$27 million (\$23 million in the US and \$4 million outside of the US).

During the third quarter of 2010, Schlumberger recorded a net pretax credit of \$836 million, consisting of net charges in the US of \$63 million and a net pretax credit of \$899 million outside of the US.

Schlumberger recorded pretax charges of \$143 million during the nine months ended September 30, 2011 (\$91 million in the US and \$52 million outside of the US).

During the nine months ended September 30, 2010, Schlumberger recorded net pretax charges in the US of \$63 million and a net pretax credit of \$864 million outside of the US.

These charges are included in the table above and are more fully described in Note 2 *Charges*.

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

	<i>(Stated in millions)</i>	
	Sept. 30, 2011	Dec. 31, 2010
Postretirement benefits, net	\$ 273	\$ 327
Intangible assets	(1,523)	(1,674)
Investments in non-US subsidiaries	(325)	(353)
Other, net	61	115
	\$ (1,514)	\$ (1,585)

The above deferred tax balances at September 30, 2011 and December 31, 2010 were net of valuation allowances relating to net operating losses in certain countries of \$274 million and \$263 million, respectively.

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

	Third Quarter		<i>(Stated in millions)</i> Nine Months	
	2011	2010	2011	2010
Current:				
United States Federal	\$ 102	\$ (60)	\$ 553	\$ (12)
United States State	16	4	28	10
Outside United States	224	150	458	456
	\$ 342	\$ 94	\$ 1,039	\$ 454
Deferred:				
United States Federal	\$ 86	\$ 96	\$ (39)	\$ 135
United States State	4	3	(7)	5
Outside United States	(20)	16	93	16
Valuation allowance	(2)		(7)	(10)
	\$ 68	\$ 115	\$ 40	\$ 146
Consolidated taxes on income	\$ 410	\$ 209	\$ 1,079	\$ 600

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

	Third Quarter		Nine Months	
	2011	2010	2011	2010
US federal statutory rate	35%	35%	35%	35%
US state income taxes	1			
Non-US income taxed at different rates	(10)	(12)	(10)	(14)
Charges (See Note 2)		(10)		(4)
Other	(2)	(2)	(1)	(1)
Effective income tax rate	24%	11%	24%	16%

13. 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 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, prior to being acquired by 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. 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 statements.

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. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of these proceedings.

14. Segment Information

Schlumberger previously reported its results on the basis of five business segments – Schlumberger Oilfield Services, WesternGeco, M-I SWACO, Smith Oilfield and Distribution and by geographical areas within Schlumberger Oilfield Services. As a result of the acquisitions of Smith and Geoservices, the range of Schlumberger's activities comprising exploration and production services is so broad that it has changed the primary way in which it allocates resources and

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assesses performance. Consequently, effective with the first quarter of 2011, Schlumberger changed its primary reporting to product group segments (the Groups).

The Groups are as follows:

Reservoir Characterization Group Consists of the principal technologies involved in the finding and defining of hydrocarbon deposits. These include WesternGeco, Wireline, Testing Services, Schlumberger Information Services and Data & Consulting Services.

Drilling Group Consists of the principal technologies involved in the drilling and positioning of oil and gas wells and is comprised of Bits & Advanced Technologies, M-I SWACO, Geoservices, Drilling and Measurements, Pathfinder, Drilling Tools and Remedial Services, Dynamic Pressure Management and Integrated Project Management well construction projects.

Reservoir Production Group Consists of the principal technologies involved in the lifetime production of oil and gas reservoirs and includes Well Services, Completions and Artificial Lift, together with the Subsea and Water and Carbon Services activities and the Schlumberger Production Management field production projects.

The Groups are collectively referred to as Oilfield Services. Additionally, Schlumberger also reports the Distribution business, acquired in the Smith transaction, as a separate segment.

All prior period segment disclosures have been recast to reflect the new segments.

	Third Quarter 2011		<i>(Stated in millions)</i> Third Quarter 2010	
	Revenue	Income before taxes	Revenue	Income before taxes
Oilfield Services				
Reservoir Characterization	\$ 2,488	\$ 610	\$ 2,282	\$ 525
Drilling	3,676	613	2,049	307
Reservoir Production	3,373	707	2,300	378
Eliminations & other	9	1	15	9
	9,546	1,931	6,646	1,219
Distribution	698	31	199	9
Eliminations	(15)			
	683	31	199	9
Corporate & other		(158)		(83)
Interest income ⁽¹⁾		9		10
Interest expense ⁽²⁾		(69)		(51)
Charges and credits (see Note 2)		(27)		836
	\$ 10,229	\$ 1,717	\$ 6,845	\$ 1,940

⁽¹⁾ Excludes interest income included in the segment results (\$1 million in 2011; \$2 million in 2010).

- (2) Excludes interest expense included in the segment results (\$1 million in 2011; \$- million in 2010).

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	Nine Months 2011		<i>(Stated in millions)</i> Nine Months 2010	
	Revenue	Income before taxes	Revenue	Income before taxes
Oilfield Services				
Reservoir Characterization	\$ 7,142	\$ 1,672	\$ 6,831	\$ 1,647
Drilling	10,339	1,618	5,028	867
Reservoir Production	9,150	1,848	6,271	786
Eliminations & other	27	(2)	50	73
	26,658	5,136	18,180	3,373
Distribution	1,935	77	199	9
Eliminations	(27)			
	1,908	77	199	9
Corporate & other		(437)		(251)
Interest income ⁽¹⁾		28		34
Interest expense ⁽²⁾		(208)		(144)
Charges and credits (see Note 2)		(143)		801
	\$ 28,566	\$ 4,453	\$ 18,379	\$ 3,822

(1) Excludes interest income included in the segment results (\$1 million in 2011; \$10 million in 2010).

(2) Excludes interest expense included in the segment results (\$4 million in 2011; \$2 million in 2010).

15. Pension and Other Postretirement Benefits

Net pension cost for the Schlumberger pension plans included the following components:

	Third Quarter				<i>(Stated in millions)</i> Nine Months			
	2011		2010		2011		2010	
	US	Int 1	US	Int 1	US	Int 1	US	Int 1
Service cost benefits earned during period	\$ 14	\$ 15	\$ 15	\$ 15	\$ 44	\$ 49	\$ 43	\$ 39
Interest cost on projected benefit obligation	37	56	35	53	112	169	106	156
Expected return on plan assets	(42)	(69)	(48)	(59)	(127)	(210)	(143)	(174)
Amortization of prior service cost	3	30	1	28	9	91	3	85
	23	7	14	5	67	23	45	15

Amortization of net
loss

\$ 35 \$ 39 \$ 17 \$ 42 \$ 105 \$ 122 \$ 54 \$ 121

During the first nine months of 2011, Schlumberger made contributions to its US and international defined benefit pension plans of \$204 million.

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

	Third Quarter		<i>(Stated in millions)</i> Nine Months	
	2011	2010	2011	2010
Service cost – benefits earned during period	\$ 6	\$ 6	\$ 18	\$ 17
Interest cost on accumulated postretirement benefit obligation	14	14	43	43
Expected return on plan assets	(5)	(1)	(15)	(4)
Amortization of prior service cost	(3)	(5)	(9)	(15)
Amortization of net loss	4	2	10	8
	\$ 16	\$ 16	\$ 47	\$ 49

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During the first nine months of 2011, Schlumberger made contributions to its US postretirement medical plan of \$155 million.

16. Discontinued Operations

During the second quarter of 2011, Schlumberger completed the divestiture of its Global Connectivity Services business for approximately \$385 million in cash. An after-tax gain of \$220 million was recognized in connection with this transaction, and is classified in *Income from Discontinued Operations* in the *Consolidated Statement of Income*. The historical results of this business were not significant to Schlumberger's consolidated financial statements and, as such, have not been reclassified to discontinued operations.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
Third Quarter 2011 Compared to Second Quarter 2011
Product Groups

	Third Quarter 2011		<i>(Stated in millions)</i> Second Quarter 2011	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Oilfield Services				
Reservoir Characterization	\$ 2,488	\$ 610	\$ 2,461	\$ 602
Drilling	3,676	613	3,458	538
Reservoir Production	3,373	707	3,060	613
Eliminations & other	9	1	11	(3)
	9,546	1,931	8,990	1,750
Distribution	698	31	637	24
Eliminations	(15)		(6)	
	683	31	631	24
Corporate & Other		(158)		(135)
Interest Income		9		10
Interest Expense		(69)		(69)
Charges		(27)		(82)
	\$ 10,229	\$ 1,717	\$ 9,621	\$ 1,498

Geographic Areas

	Third Quarter 2011		<i>(Stated in millions)</i> Second Quarter 2011	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Oilfield Services				
North America	\$ 3,304	\$ 836	\$ 2,864	\$ 673
Latin America	1,655	270	1,579	283
Europe/CIS/Africa	2,494	408	2,374	332
Middle East & Asia	2,003	444	2,078	518
Eliminations & other	90	(27)	95	(56)
	9,546	1,931	8,990	1,750
Distribution	698	31	637	24

Eliminations	(15)		(6)	
	683	31	631	24
Corporate & Other		(158)		(135)
Interest Income		9		10
Interest Expense		(69)		(69)
Charges		(27)		(82)
	\$ 10,229	\$ 1,717	\$ 9,621	\$ 1,498

Pretax operating income represents the segments' income before taxes and noncontrolling interests. The pretax operating income excludes such items as corporate expenses and interest income and interest expense not allocated to the segments as well as the charges described in detail in Note 2 to the *Consolidated Financial Statements*, interest on postretirement medical benefits, stock-based compensation costs and amortization expense associated with intangible assets recorded as a result of the merger with Smith International, Inc. (Smith).

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Third-quarter revenue of \$9.55 billion increased 6% sequentially. Revenue increased in all Groups and across all geographical Areas with the exception of the Middle East & Asia Area.

On a geographical basis, North America Area revenue increased sequentially following the seasonal rig count recovery in Canada, higher activity on land in the US, and increased deepwater work in the US Gulf of Mexico. All Product Groups registered significant rebounds from the spring break-up in Canada. Reservoir Production, particularly Well Services, posted the highest increase as the rebound was augmented by higher rig count and land activity in the US. Reservoir Characterization and Drilling activities increased from a better mix of key services in the unconventional plays in US land and higher deepwater work in the US Gulf of Mexico. WesternGeco grew on higher Multiclient and Data Processing sales. In the Latin America Area, strong revenue growth was posted in the Mexico GeoMarket* due to higher Integrated Project Management (IPM) well construction project activities on land and on higher Drilling & Measurements work offshore. Argentina grew from strong unconventional gas activities that benefited Well Services. Meanwhile, Brazil experienced strong deepwater and exploration activity that led to expanded Wireline, Testing Services, Drilling & Measurements and M-I SWACO services in the GeoMarket although this was offset by the decline in WesternGeco proprietary marine surveys and multiclient sales. In the Europe/CIS/Africa Area, results were driven by higher revenue in the Continental Europe GeoMarket on a combination of strong drilling activity and fracturing work on unconventional plays in Poland. Russia/Central Asia saw strong land and offshore exploration activity benefiting Wireline, Testing Services, Drilling & Measurements and M-I SWACO Technologies in addition to the full-quarter effect of the activity increase generated from the strategic alliance formed with the Eurasia Drilling Company Limited. The North Sea GeoMarket grew on higher exploration activity in the UK, Greenland and Denmark. In the Middle East & Asia Area, revenue declined sequentially due to decreased WesternGeco activity. The effect of this was partially mitigated by strong Wireline and Testing Services revenues in the East Asia and China GeoMarkets. Excluding WesternGeco, the Middle East & Asia Area increased sequentially driven by strong drilling and production activity in the Saudi Arabia, Bahrain; Iraq; and East Asia GeoMarkets.

Third-quarter pretax operating income of \$1.93 billion increased 10% sequentially. Pretax operating margin increased 77 basis points (bps) sequentially to 20.2% primarily due to increasing higher-margin exploration activities that benefited Wireline, Testing Services, Drilling & Measurements and M-I SWACO. The rebound from the spring break-up in Canada also contributed significantly to margin improvements for Well Services and for all Drilling Group Technologies. These improvements, however, were partially offset by the lower WesternGeco activity during the quarter.

The current financial turmoil has already resulted in a lower outlook for oil demand growth in 2012, although demand is still expected to exceed that of 2011. Recent production data, as well as forward projections indicate that there is a tight cushion of excess oil supply that will continue to support activity. Therefore, while financial turmoil introduces some uncertainty over near-term activity, Schlumberger remains confident that any reductions will be short-lived, and that the outlook for the service industry remains very positive. Schlumberger further believes that its customers' needs to renew reserves, as evidenced by the recent string of exploration successes particularly in deepwater offshore areas, favors Schlumberger's broad international footprint. In addition, the balance between our reservoir characterization, drilling and production technologies both in North America and overseas will enable us to weather any activity fluctuations.

With respect to Libya, the carrying value of Schlumberger's assets in the country was approximately \$0.3 billion as of September 30, 2011. This consists primarily of accounts receivable, inventories and fixed assets. Schlumberger's ability to recover these assets will ultimately depend on how the current situation evolves.

Reservoir Characterization

Third-quarter revenue of \$2.49 billion was 1% higher compared to the second quarter of 2011. Pretax operating income of \$610 million was 1% higher versus the second quarter of 2011.

Wireline and Testing Services posted significant sequential increases with revenue and margins up on stronger offshore exploration activities in Brazil, East Asia, Russia and the North Sea as well as from increased deepwater work in the US Gulf of Mexico. WesternGeco activity decreased, however, from lower marine vessel utilization due

to higher transit and docking times while moving between contracts. WesternGeco also declined from reduced land seismic activity while mobilizing crews and equipment in preparation for a large contract survey in the Middle East. Sequentially, pretax operating margins remained unchanged at 24.5% as significant margin improvements in Wireline and Testing Services from strong exploration activities were largely offset by the margin declines in WesternGeco.

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Drilling

Third-quarter revenue of \$3.68 billion was 6% higher sequentially. Pretax operating income of \$613 million increased 14% over the prior quarter.

Among Drilling Group Technologies, M-I SWACO recorded the largest sequential revenue increase through continued growth in unconventional shale plays on land in the US with higher asset utilization, as well as from the seasonal rig count recovery in Canada and Russia, and the increased deepwater activity in the US Gulf of Mexico and Brazil. Drilling & Measurements revenue increased sequentially on the strong summer drilling campaign in Russia and stronger deepwater activities in the US Gulf of Mexico and Brazil and increased shelf activity in Mexico. Pathfinder reported increased revenue from a more favorable technology mix on land in the US. In addition, Pathfinder, Geoservices and Bits & Advanced Technologies registered activity rebounds following the spring break-up in Canada.

Sequentially, pretax operating margins grew 111 bps to 16.7% driven by the rebound in activity in Canada, an improved technology mix, and further integration and expansion of Smith and Schlumberger drilling technologies. Bits & Advanced Technologies contributed to this improvement with increased sales and rentals of higher-margin drill bits while Pathfinder improved on higher-technology integration with Drilling & Measurements. M-I SWACO margins improved through increased exploration activities in the US Gulf of Mexico, Russia and Brazil, as well as through the seasonal rig count recovery in Canada. Better pricing on IPM land projects in Mexico and improved efficiencies on a well construction project in Algeria further contributed to this result.

Reservoir Production

Third-quarter revenue of \$3.37 billion increased 10% sequentially. Pretax operating income of \$707 million was 16% higher sequentially.

Among Reservoir Production Group Technologies, Well Services sequential revenue growth in North America was driven by the rebound from the spring break-up in Canada, stronger activity in liquids-rich unconventional plays, capacity additions and continuing improvements in asset utilization. Internationally, Well Services posted high double-digit growth in Latin America from higher stimulation and coiled-tubing activities in Argentina, Mexico, Venezuela and Brazil. Europe/CIS/Africa increased significantly from shale fracturing services in Poland, increased deepwater cementing work in the Black Sea, and strong land activities in Russia. In addition, strong stimulation vessel activity was seen in the Nigeria and the Gulf of Guinea Africa GeoMarket. Artificial Lift revenue grew sequentially across all Areas led by the North America and the Middle East & Asia Areas.

Sequentially, third-quarter pretax operating margins increased 96 bps to 21.0% as Well Services activity in Canada rebounded following the end of the spring break-up. In addition, Well Services achieved better cost efficiency and asset utilization on land in the US and in Russia and recorded increased higher-margin stimulation activities in the Europe/CIS/Africa Area.

DISTRIBUTION

Distribution revenue of \$698 million increased 10% sequentially. Pretax segment income of \$31 million improved 28% sequentially. These increases were primarily driven by strong activity in the shale plays in the US and the seasonal improvement in Canada.

Table of ContentsThird Quarter 2011 Compared to Third Quarter 2010
Product Groups

	Third Quarter 2011		<i>(Stated in millions)</i> Third Quarter 2010	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Oilfield Services				
Reservoir Characterization	\$ 2,488	\$ 610	\$ 2,282	\$ 525
Drilling	3,676	613	2,049	307
Reservoir Production	3,373	707	2,300	378
Eliminations & other	9	1	15	9
	9,546	1,931	6,646	1,219
Distribution	698	31	199	9
Eliminations	(15)			
	683	31	199	9
Corporate & Other		(158)		(83)
Interest Income		9		10
Interest Expense		(69)		(51)
Charges and credits		(27)		836
	\$ 10,229	\$ 1,717	\$ 6,845	\$ 1,940

Geographic Areas

	Third Quarter 2011		<i>(Stated in millions)</i> Third Quarter 2010	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Oilfield Services				
North America	\$ 3,304	\$ 836	\$ 1,635	\$ 274
Latin America	1,655	270	1,235	189
Europe/CIS/Africa	2,494	408	2,058	370
Middle East & Asia	2,003	444	1,634	433
Eliminations & other	90	(27)	84	(47)
	9,546	1,931	6,646	1,219
Distribution	698	31	199	9
Eliminations	(15)			
	683	31	199	9

Corporate & Other	(158)		(83)
Interest Income	9		10
Interest Expense	(69)		(51)
Charges and credits	(27)		836
	\$ 10,229	\$ 1,717	\$ 6,845
			\$ 1,940

OILFIELD SERVICES

Third-quarter 2011 revenue of \$9.55 billion was 44% higher than the same period last year largely due to the acquisition of Smith on August 27, 2010, as well as to the significantly improved activity of Well Services technologies in North America and an increase in Wireline and Drilling & Measurements exploration activities in a number of GeoMarkets.

Third-quarter 2011 pretax operating margin increased 190 bps to 20.2% primarily due to strong contribution from Well Services Technologies, particularly in North America, as a result of increased capacity and improved efficiency, higher-margin exploration activities that benefited Wireline and to improvements at WesternGeco.

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Table of Contents**Reservoir Characterization**

Third-quarter 2011 revenue of \$2.49 billion was 9% higher than the same period last year led by Wireline in North America, where offshore revenues improved considerably following the resumption of activity in the US Gulf of Mexico combined with a strong performance on land. Testing Services and Schlumberger Information Solutions also increased, mainly in the Latin America and Europe/CIS/Africa Areas, while WesternGeco was higher as improved multiclient sales more than offset the drop in land seismic revenues.

Pretax operating margin increased 151 bps to 24.5% largely due to the higher-margin exploration activities that benefited Wireline and improvements at WesternGeco.

Drilling

Third-quarter 2011 revenue of \$3.68 billion was 79% higher than the previous year primarily due to the fact that the comparable period in the prior year only reflected one month of activity from the acquired Smith businesses following the closing of the transaction on August 27, 2010. Additionally, Drilling and Measurements revenue increased on higher activity across most Areas, most notably in North America as a result of the resumption of activity in the US Gulf of Mexico.

Year-on-year, pretax operating margin increased 167 bps to 16.7% largely due to improved pricing and operating efficiencies on IPM projects in Mexico and Algeria.

Reservoir Production

Third-quarter 2011 revenue of \$3.37 billion increased 47% year-on-year, particularly in North America, due to a combination of capacity additions and continuing improvements in asset utilization of Well Services Technologies. Well Services also posted significant growth internationally. The addition of Production Wireline and Completion Systems, both acquired Smith businesses, also contributed to the Group's growth as did Artificial Lift, which increased on strong growth in Latin America, on land in the US and in Russia.

Year-on-year, pretax operating margin improved 453 bps to 21.0% mainly due to the strong performance of Well Services technologies in North America.

DISTRIBUTION

Third-quarter 2011 revenue of \$698 million increased \$499 million, while pretax operating income of \$31 million increased \$22 million compared to the same period last year. These increases are attributable to the fact that the third quarter of 2010 included only one month of post-merger activity following the Smith acquisition on August 27, 2010.

Nine Months 2011 Compared to Nine Months 2010**Product Groups**

	Nine Months 2011		<i>(Stated in millions)</i> Nine Months 2010	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Oilfield Services				
Reservoir Characterization	\$ 7,142	\$ 1,672	\$ 6,831	\$ 1,647
Drilling	10,339	1,618	5,028	867
Reservoir Production	9,150	1,848	6,271	786
Eliminations & other	27	(2)	50	73
	26,658	5,136	18,180	3,373
Distribution	1,935	77	199	9
Eliminations	(27)			
	1,908	77	199	9

Corporate & Other	(437)			(251)
Interest Income	28			34
Interest Expense	(208)			(144)
Charges	(143)			801
	\$ 28,566	\$ 4,453	\$ 18,379	\$ 3,822

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Table of Contents**Geographic Areas**

	Nine Months 2011		<i>(Stated in millions)</i> Nine Months 2010	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Oilfield Services				
North America	\$ 8,757	\$ 2,104	\$ 4,132	\$ 557
Latin America	4,619	770	3,597	601
Europe/CIS/Africa	7,058	1,013	5,571	1,006
Middle East & Asia	5,929	1,368	4,667	1,300
Eliminations & other	295	(119)	213	(91)
	26,658	5,136	18,180	3,373
Distribution	1,935	77	199	9
Eliminations	(27)			
	1,908	77	199	9
Corporate & Other		(437)		(251)
Interest Income		28		34
Interest Expense		(208)		(144)
Charges and credits		(143)		801
	\$ 28,566	\$ 4,453	\$ 18,379	\$ 3,822

OILFIELD SERVICES

Nine-month revenue of \$26.7 billion increased 47% versus the same period last year due to the acquisitions of Smith in August 2010 and Geoservices in April 2010, as well as to the significantly improved activity, pricing and asset efficiency for Well Services Technologies in North America as the market transitions to liquid-rich plays demanding increasing service intensity in drilling and completing horizontal wells. Internationally, all Areas grew significantly as deepwater and exploration activity continued to strengthen with early signs of pricing traction for Wireline and Drilling & Measurements. The resumption of activity in the US Gulf of Mexico and higher WesternGeco marine and multiclient sales also contributed to the increase. However, these increases were tempered by activity disruptions from the first quarter's geopolitical unrest in North Africa and the Middle East.

Year-to-date pretax operating margin increased 71 basis points to 19.3% primarily due to the resumption of higher-margin activity in the US Gulf of Mexico and to the improved pricing and asset efficiency for Well Services Technologies in North America. However the margin expansion was hampered by the effects of the geopolitical events.

Reservoir Characterization

Nine-month revenue of \$7.14 billion was 5% higher than the same period last year on stronger Wireline activity, higher WesternGeco marine and multiclient sales and increased Schlumberger Information Solutions software sales. Year-on-year, pretax operating margin decreased 71 bps to 23.4% led by margin declines in Wireline and Testing Services, largely due to the revenue mix and the impact of the geopolitical events that prevailed during the first quarter. The margin decline however was partially offset by a favorable WesternGeco multiclient sales mix and improved marine vessel utilization.

Drilling

Nine-month revenue of \$10.34 billion was 106% higher than the same period last year primarily due to the Smith and Geoservices acquisitions.

Year-on-year, pretax operating margin decreased 160 bps to 15.7% largely due to the addition of Smith and Geoservices activities and the effects of the geopolitical events that prevailed during the first quarter.

Reservoir Production

Nine-month revenue of \$9.15 billion was 46% higher than the same period last year while pretax operating margin increased 767 bps to 20.2%. Well Services revenue and margins expanded largely in North America on higher pricing, capacity additions and improved asset utilization and efficiency as the market transitions to liquid-rich plays.

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Internationally, Well Services posted growth also on the strength of higher activity despite the exceptional geopolitical events and weather issues that prevailed during the first quarter.

DISTRIBUTION

Nine-month revenue of \$1.94 billion increased \$1.74 billion, while pretax operating income of \$77 million increased \$68 million compared to the same period last year. These increases are attributable to the fact that the nine months ended September 30, of 2010 included only one month of post-merger activity following the Smith acquisition on August 27, 2010.

INTEREST & OTHER INCOME

Interest & other income consisted of the following for the third quarter and nine months ended September 30, 2011 and 2010:

	<i>(Stated in millions)</i>			
	Third Quarter		Nine Months	
	2011	2010	2011	2010
Equity in net earnings of affiliated companies	\$ 24	\$ 46	\$ 65	\$ 129
Interest income	10	12	29	44
Other		(4)		(4)
	\$ 34	\$ 54	\$ 94	\$ 169

The decrease in equity in net earnings of affiliated companies was primarily attributable to the loss of equity earnings from the M-I SWACO joint venture as Schlumberger now owns 100% of this venture following the acquisition of Smith on August 27, 2010.

OTHER

Research & engineering and *General & administrative* expenses, as a percentage of *Revenue*, for the third quarter and nine months ended September 30, 2011 and 2010 were as follows:

	Third Quarter		Nine Months	
	2011	2010	2011	2010
Research & engineering	2.6%	3.5%	2.8%	3.6%
General & administrative	0.9%	1.1%	1.1%	1.2%

Although *Research & engineering* decreased as a percentage of revenue, in both the third quarter and nine months compared to the prior year, it increased in absolute dollars by \$26 million and \$138 million, respectively. These increases were driven in large part by the impact of the Smith acquisition.

Interest expense for the third quarter of 2011 was \$70 million as compared to \$47 million for the same period in 2010 and \$212 million for the nine months ended September 30, 2011 as compared to \$146 million for the same period of 2010. These increases were primarily attributable to the \$4.6 billion of long-term debt that Schlumberger issued during the first nine months of 2011.

The effective tax rate for the third quarter of 2011 was 23.8% compared to 10.8% for the same period in 2010, which was significantly impacted by the charges and credits described in Note 2 to the *Consolidated Financial Statements*. Excluding the impact of these charges and credits, the effective tax rate for the third quarter of 2010 was 21.0%. The year-on-year increase in the effective tax rate, excluding the impact of the third quarter 2010 charges and credits, was primarily attributable to the fact that Schlumberger generated a larger proportion of its pretax earnings in North America in the third quarter of 2011.

The effective tax rate for the nine months ended September 30, 2011 was 24.2% compared to 15.7% for the same period of the prior year which was also significantly impacted by the charges and credits described in Note 2 to the *Consolidated Financial Statements*. Excluding the impact of these charges and credits, the effective tax rate for the nine months ended September 30, 2010 was 19.3%. The increase in the effective tax rate, excluding the impact of the 2010 charges and credits, was primarily attributable to the fact that Schlumberger generated a larger proportion of its

pretax earnings in North America in 2011 as compared to 2010.

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Table of Contents**CHARGES AND CREDITS**

Schlumberger recorded charges and credits during the third quarters of 2011 and 2010 and the first nine months of 2011 and 2010. These charges, which are summarized below, are more fully described in Note 2 to the *Consolidated Financial Statements*.

The following is a summary of the third quarter of 2011 charges and credits:

	<i>(Stated in millions)</i>			<i>Consolidated Statement of Income Classification</i>
	Pretax	Tax	Net	
Merger and integration-related costs	\$ 27	\$ 4	\$ 23	<i>Merger & integration</i>

The following is a summary of the charges recorded during the first nine months of 2011:

	<i>(Stated in millions)</i>			<i>Consolidated Statement of Income Classification</i>
	Pretax	Tax	Net	
Merger and integration-related costs	\$ 93	\$ 17	\$ 76	<i>Merger & integration</i>
Donation to the Schlumberger Foundation	50	10	40	<i>General & administrative</i>
	\$ 143	\$ 27	\$ 116	

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

	<i>(Stated in millions)</i>			<i>Consolidated Statement of Income Classification</i>
	Pretax	Tax	Net	
<i>Restructuring and Merger-related Charges:</i>				
Severance and other	\$ 90	\$ 13	\$ 77	<i>Restructuring & other</i>
Impairment relating to WesternGeco's first generation Q-Land acquisition system	78	7	71	<i>Restructuring & other</i>
Other WesternGeco-related charges	63		63	<i>Restructuring & other</i>
Professional fees and other	56	1	55	<i>Merger & integration</i>
Merger-related employee benefits	41	6	35	<i>Merger & integration</i>
Inventory fair value adjustments	38	14	24	<i>Cost of revenue</i>
Mexico restructuring	40	4	36	<i>Restructuring & other</i>
Repurchase of bonds	28	10	18	<i>Restructuring & other</i>
<i>Total restructuring and merger-related charges</i>	434	55	379	
<i>Gain on investment in M-I SWACO</i>	(1,270)	(32)	(1,238)	<i>Gain on Investment in M-I SWACO</i>
	\$ (836)	\$ 23	\$ (859)	

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The following is a summary of the charges and credits recorded during the first nine months of 2010:

(Stated in millions)

	Pretax	Tax	Net	Consolidated Statement of Income Classification
<i>Restructuring and Merger-related Charges:</i>				
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	91	1	90	Merger & integration
Merger-related employee benefits	41	6	35	Merger & integration
Inventory fair value adjustments	38	14	24	Cost of revenue
Mexico restructuring	40	4	36	Restructuring & other
Repurchase of bonds	28	10	18	Restructuring & other
<i>Total restructuring and merger-related charges</i>	469	55	414	
Impact of elimination of tax deduction related to Medicare Part D subsidy		(40)	40	Taxes on income
<i>Gain on investment in M-I SWACO</i>	(1,270)	(32)	(1,238)	Gain on Investment in M-I SWACO
	\$ (801)	\$ (17)	\$ (784)	

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 indebtedness by reflecting cash and investments that could be used to repay debt.

Details of Net Debt follow:

	(Stated in millions)	
	Sept. 30, 2011	Sept. 30, 2010
Net Debt, beginning of year	\$ (2,638)	\$ (126)
Income from continuing operations	3,374	3,222
Depreciation and amortization ⁽¹⁾	2,420	1,951
Gain on investment in M-I SWACO		(1,270)
Non-cash charges		144
Excess of equity income over dividends received	(59)	(79)
Stock-based compensation expense	203	145
Pension and other postretirement benefits expense	274	224
Pension and other postretirement benefits funding	(359)	(615)

Increase in working capital	(2,438)	(607)
Capital expenditures	(2,763)	(1,907)
Multiclient seismic data capitalized	(206)	(241)
Dividends paid	(968)	(756)
Stock repurchase program	(2,362)	(1,268)
Proceeds from employee stock plans	426	292
Net debt assumed in merger with Smith		(1,829)
Geoservices acquisition, net of debt acquired		(1,033)
Business acquisitions and other transactions	(571)	(154)
Conversion of debentures		320
Proceeds from divestiture of Global Connectivity Services business	385	
Currency effect on Net Debt	(128)	9
Other	246	67
Net Debt, end of period	\$ (5,164)	\$ (3,511)

(1) Includes multiclient seismic data costs.

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	<i>(Stated in millions)</i>		
	Sept. 30,	Sept.	Dec. 31,
Components of Net Debt	2011	30,	2010
Cash	\$ 1,732	\$ 1,114	\$ 1,764
Short-term investments	4,332	1,511	3,226
Fixed income investments, held to maturity	255	600	484
Short-term borrowings and current portion of long-term debt	(2,743)	(1,916)	(2,595)
Long-term debt	(8,740)	(4,820)	(5,517)
	\$ (5,164)	\$ (3,511)	\$ (2,638)

Key liquidity events during the first nine months of 2011 and 2010 included:

During the third quarter of 2011 Schlumberger issued \$1.1 billion of 1.95% Senior Notes due 2016, \$1.6 billion of 3.30% Senior Notes due 2021 and \$300 million of Floating Rate Senior Notes due 2014 that bear interest at a rate equal to three-month LIBOR plus 55 bps per year.

During the second quarter of 2011, Schlumberger completed the divestiture of its Global Connectivity Services business for approximately \$385 million in cash.

During the first quarter of 2011, Schlumberger issued \$1.1 billion of 4.20% Senior Notes due 2021 and \$500 million of 2.65% Senior Notes due 2016.

During the first quarter of 2011, Schlumberger repurchased all of its outstanding 9.75% Senior Notes due 2019, 8.625% Senior Notes due 2014 and 6.00% Senior Notes due 2016 for approximately \$1.26 billion.

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 \$5.5 billion had been repurchased as of September 30, 2011. On July 21, 2011, the Schlumberger Board of Directors approved an extension of this repurchase program to December 31, 2013.

The following table summarizes the activity, during the nine months ended September 30, under the April 17, 2008 share repurchase program:

	<i>(Stated in millions except per share amounts)</i>		
	Total cost of shares purchased	Total number of shares purchased	Average price paid per share
Nine months ended September 30, 2011	\$ 2,362	27.8	\$ 85.01
Nine months ended September 30, 2010	\$ 1,268	20.6	\$ 61.63

During the first nine months of 2011 Schlumberger made contributions of \$359 million to its defined benefit pension and other postretirement benefit plans as compared to \$615 million during the same period last year.

Cash flow provided by operations was \$3.7 billion in the first nine months of 2011 compared to \$3.1 billion in the first nine months of 2010 with the increase in earnings before depreciation and amortization expense offset in part by an increase in working capital requirements, primarily accounts receivable and inventories, as well as significant tax payments during the first nine months of 2011.

Capital expenditures were \$2.8 billion in the first nine months of 2011 compared to \$1.9 billion during the first nine months of 2010. Capital expenditures for the full year of 2011 are expected to approach \$4.2 billion as compared to \$2.9 billion in 2010.

During the first nine months of 2010, approximately \$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.

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As of September 30, 2011 Schlumberger had \$6.1 billion of cash and short-term investments on hand. Schlumberger had separate committed debt facility agreements aggregating \$5.6 billion with commercial banks, of which \$3.4 billion was available and unused as of September 30, 2011. This included \$3.0 billion of unused committed facilities which support commercial paper programs 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 had \$2.0 billion of commercial paper outstanding as of September 30, 2011.

FORWARD-LOOKING STATEMENTS

This Form 10-Q 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 its segments (and for specified products or geographic areas within each segment); oil and natural gas demand and production growth; oil and natural gas prices; operating margins; 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 political and economic conditions; and future results of operations. These statements are subject to risks and uncertainties, including, but not limited to, current global economic conditions; 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, geopolitical and business conditions in key regions of the world; pricing erosion; weather and seasonal factors; the ability to respond to increased activity levels; 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; inability of technology to meet new challenges in explorations; and other risks and uncertainties detailed in our most recent Form 10-K and other filings that we make with the Securities and Exchange Commission. If one or more of these risks or uncertainties materialize (or the consequences of such a development changes), or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Schlumberger disclaims any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

For quantitative and qualitative disclosures about market risk affecting Schlumberger, see Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of the Schlumberger Annual Report on Form 10-K for the fiscal year ended December 31, 2010. Schlumberger's exposure to market risk has not changed materially since December 31, 2010.

Item 4. 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 Schlumberger's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Based on this evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this report, Schlumberger's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that Schlumberger files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Schlumberger's disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to its management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. There has been no change in Schlumberger's internal control over financial reporting that occurred during the quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, Schlumberger's internal control over financial reporting.

* Mark of Schlumberger

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

The information with respect to Item 1 is set forth under Note 13 *Contingencies*, in the *Consolidated Financial Statements*.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes from the risk factors previously disclosed in Part 1, Item 1A, of Schlumberger's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Unregistered Sales of Equity Securities**

None.

Issuer Repurchases of Equity Securities

On April 17, 2008, the Schlumberger Board of Directors (the Board) approved an \$8 billion share repurchase program for Schlumberger common stock, which may be acquired in the open market or in negotiated transactions. On July 21, 2011, the Board approved an extension of this repurchase program to December 31, 2013. As of September 30, 2011, \$2.5 billion remained available for repurchase under the existing repurchase authorization.

Schlumberger's common stock repurchase program activity for the three months ended September 30, 2011 was as follows:

(Stated in millions, 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
July 1 through July 31, 2011	4,629.6	\$ 86.40	4,629.6	\$ 2,898
August 1 through August 31, 2011	2,614.9	\$ 85.21	2,614.9	\$ 2,675
September 1 through September 30, 2011	2,666.9	\$ 70.70	2,666.9	\$ 2,487
	9,911.4	\$ 81.86	9,911.4	

All of the shares repurchased in July 2011 and 1,001,430 shares repurchased in August 2011 were acquired in a privately negotiated transaction.

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 as the number of shares of Schlumberger common stock received from optionholders is not material.

Item 3. Defaults Upon Senior Securities.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit 3.1 Articles of Incorporation of Schlumberger Limited (Schlumberger N.V.) (incorporated by reference to Exhibit 3 to Schlumberger's Current Report on Form 8-K filed on April 7, 2011).

Exhibit 3.2 Amended and Restated Bylaws of Schlumberger Limited (Schlumberger N.V.) (incorporated by reference to Exhibit 3.1 to Schlumberger's Current Report on Form 8-K filed on April 22, 2005).

* Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

* Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

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

* Exhibit 101 The following materials from Schlumberger Limited's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (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.

* Filed with this Form 10-Q.

** Furnished with this Form 10-Q.

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SIGNATURE

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

Schlumberger Limited
(Registrant)

Date: October 26, 2011

/s/ Howard Guild
Howard Guild
Chief Accounting Officer and
Duly Authorized Signatory

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