SCHLUMBERGER LTD /NV/
Form 10-Q
July 29, 2010
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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:	**Commission file No.:**
June 30, 2010	**1-4601**

SCHLUMBERGER N.V.

(SCHLUMBERGER LIMITED)

(Exact name of registrant as specified in its charter)

NETHERLANDS ANTILLES **(State or other jurisdiction of incorporation or organization)**	**52-0684746** **(I.R.S. Employer Identification No.)**
42 RUE SAINT-DOMINIQUE **PARIS, FRANCE**	**75007**
5599 SAN FELIPE, 17th FLOOR **HOUSTON, TEXAS, U.S.A.**	**77056**
PARKSTRAAT 83 **THE HAGUE,** **THE NETHERLANDS** **(Addresses of principal executive offices)**	**2514 JG** **(Zip Codes)**

Registrant s telephone number: (713) 513-2000

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 and (2) has been subject to such filing requirements for the past 90 days.

YES x 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 **x** 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 x 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).

YES ¨ NO x

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 June 30, 2010**
COMMON STOCK, $0.01 PAR VALUE PER SHARE	1,193,236,410

SCHLUMBERGER LIMITED

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(Stated in millions, except per share amounts)

	Second Quarter		Six Months	
	2010	**2009**	**2010**	**2009**
Revenue	**$ 5,937**	$ 5,528	**$ 11,534**	$ 11,528
Interest & other income, net	**51**	60	**115**	137
Expenses				
Cost of revenue	**4,576**	4,432	**8,918**	8,942
Research & engineering	**216**	197	**423**	386
General & administrative	**145**	131	**289**	261
Merger & integration	**4**		**39**	
Interest	**53**	61	**98**	116
Income before taxes	**994**	767	**1,882**	1,960
Taxes on income	**177**	152	**391**	404
Net Income	**817**	615	**1,491**	1,556
Net income attributable to noncontrolling interests	**1**	(2)	**(1)**	(4)
Net Income attributable to Schlumberger	**$ 818**	$ 613	**$ 1,490**	$ 1,552
Schlumberger amounts attributable to:				
Net Income	**$ 818**	$ 613	**$ 1,490**	$ 1,552
Basic earnings per share of Schlumberger:				
Net Income	**$ 0.69**	$ 0.51	**$ 1.25**	$ 1.30
Diluted earnings per share of Schlumberger:				
Net Income	**$ 0.68**	$ 0.51	**$ 1.23**	$ 1.28
Average shares outstanding:				
Basic	**1,192**	1,197	**1,194**	1,197
Assuming dilution	**1,208**	1,214	**1,211**	1,212

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

		(Stated in millions)
	Jun. 30, 2010 (Unaudited)	**Dec. 31, 2009**
ASSETS		
Current Assets		
Cash	**$ 229**	$ 243
Short-term investments	**2,849**	4,373
Receivables less allowance for doubtful accounts (2010 $141; 2009 $160)	**6,234**	6,088
Inventories	**1,865**	1,866
Deferred taxes	**148**	154
Other current assets	**905**	926
	12,230	13,650
Fixed Income Investments, held to maturity	**652**	738
Investments in Affiliated Companies	**2,396**	2,306
Fixed Assets less accumulated depreciation	**9,657**	9,660
Multiclient Seismic Data	**369**	288
Goodwill	**5,854**	5,305
Intangible Assets	**1,360**	786
Deferred Taxes	**199**	376
Other Assets	**300**	356
	$ 33,017	$ 33,465
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 4,852**	$ 5,003
Estimated liability for taxes on income	**908**	878
Dividend payable	**249**	253
Long-term debt current portion	**440**	444
Short-term borrowings	**327**	360
Convertible debentures		321
	6,776	7,259
Long-term Debt	**3,729**	4,355
Postretirement Benefits	**1,581**	1,660
Other Liabilities	**1,047**	962
	13,133	14,236
Equity		
Common stock	**4,920**	4,777
Treasury stock	**(5,420)**	(5,002)
Retained earnings	**23,007**	22,019
Accumulated other comprehensive loss	**(2,729)**	(2,674)
Schlumberger stockholders equity	**19,778**	19,120
Noncontrolling interests	**106**	109

	19,884	19,229
	$ 33,017	$ 33,465

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	(Stated in millions) Six Months Ended June 30, 2010	2009
Cash flows from operating activities:		
Net Income	**$ 1,491**	$ 1,556
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization [1]	**1,258**	1,235
Earnings of companies carried at equity, less dividends received	**(83)**	(37)
Deferred income taxes	**31**	81
Stock-based compensation expense	**95**	92
Pension and other postretirement benefits expense	**149**	168
Pension and other postretirement benefits funding	**(130)**	(518)
Pension and other postretirement benefits curtailment charge		136
Other non-cash items	**14**	66
Change in assets and liabilities: [2]		
(Increase) decrease in receivables	**(49)**	130
Decrease (increase) in inventories	**30**	(101)
Decrease (increase) in other current assets	**24**	(113)
Decrease in accounts payable and accrued liabilities	**(243)**	(515)
Increase (decrease) in estimated liability for taxes on income	**30**	(120)
Decrease in other liabilities	**(81)**	
Other net	**(250)**	4
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2,286**	2,064
Cash flows from investing activities:		
Capital expenditures	**(1,083)**	(1,252)
Multiclient seismic data capitalized	**(172)**	(89)
Acquisition of Geoservices, net of cash acquired	**(889)**	
Other business acquisitions and investments, net of cash acquired	**(145)**	(198)
Sale (purchase) of investments, net	**1,603**	(680)
Other	**(12)**	105
NET CASH USED BY INVESTING ACTIVITIES	**(698)**	(2,114)
Cash flows from financing activities:		
Dividends paid	**(505)**	(502)
Proceeds from employee stock purchase plan	**84**	1
Proceeds from exercise of stock options	**80**	41
Tax benefits on stock options	**14**	4
Stock repurchase program	**(872)**	
Proceeds from issuance of long-term debt	**70**	1,405
Repayment of long-term debt	**(439)**	(833)
Net decrease in short-term borrowings	**(33)**	(38)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(1,601)**	78

Net (decrease) increase in cash before translation effect		**(13)**		28
Translation effect on cash		**(1)**		(1)
Cash, beginning of period		**243**		189
Cash, end of period	**$**	**229**	$	216

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

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(Stated in millions)

January 1, 2009 - June 30, 2009	Common Stock Issued	Common Stock In Treasury	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance, January 1, 2009	$ 4,668	$ (4,796)	$ 19,891	$ (2,901)	$ 72	$ 16,934
Comprehensive income						
Net income			1,552		4	
Currency translation adjustments				(67)		
Changes in fair value of derivatives				155		
Deferred employee benefits liabilities				450		
Total comprehensive income						2,094
Shares sold to optionees, less shares exchanged	(9)	50				41
Shares granted to Directors		1				1
Vesting of restricted stock	(15)	15				
Shares issued under employee stock purchase plan	9	62				71
Stock-based compensation cost	92					92
Acquisition of noncontrolling interests	(6)					(6)
Other	(25)				31	6
Dividends declared ($0.42 per share)			(503)			(503)
Tax benefits on stock options	4					4
Balance, June 30, 2009	$ 4,718	$ (4,668)	$ 20,940	$ (2,363)	$ 107	$ 18,734

(Stated in millions)

January 1, 2010 - June 30, 2010	Common Stock Issued	Common Stock In Treasury	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance, January 1, 2010	$ 4,777	$ (5,002)	$ 22,019	$ (2,674)	$ 109	$ 19,229
Comprehensive income						
Net income			1,490		1	
Currency translation adjustments				(69)		
Changes in fair value of derivatives				(81)		
Deferred employee benefits liabilities				95		
Total comprehensive income						1,436
Shares sold to optionees, less shares exchanged	(3)	83				80
Shares granted to Directors	1	1				2
Vesting of restricted stock	(8)	8				
Shares issued under employee stock purchase plan	25	59				84
Stock repurchase program		(872)				(872)
Stock-based compensation cost	95					95
Shares issued on conversion of debentures	17	303				320
Acquisition of noncontrolling interests	3				(8)	(5)
Other	(1)				4	3

Dividends declared ($0.42 per share)			(502)			(502)
Tax benefits on stock options	14					14
Balance, June 30, 2010	$ 4,920	$ (5,420)	$ 23,007	$ (2,729)	$ 106	$ 19,884

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

SHARES OF COMMON STOCK

(Unaudited)

(Stated in millions)

	Issued	In Treasury	Shares Outstanding
Balance, January 1, 2010	1,334	(139)	1,195
Shares sold to optionees, less shares exchanged		2	2
Shares issued under employee stock purchase plan		2	2
Stock repurchase plan		(14)	(14)
Shares issued on conversion of debebtures		8	8
Balance, June 30, 2010	1,334	(141)	1,193

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, which include the accounts 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 management, all adjustments considered necessary for a fair presentation have been included in the accompanying unaudited financial statements. All intercompany transactions and balances have been eliminated in consolidation. Operating results for the six month period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010. The December 31, 2009 balance sheet information has been derived from the audited 2009 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, 2009, filed with the Securities and Exchange Commission on February 5, 2010.

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

2. Merger with Smith International, Inc.

On February 21, 2010, Schlumberger and Smith International, Inc. (Smith) jointly announced that their Boards of Directors approved a definitive merger agreement in which the companies would combine in a stock-for-stock transaction. Under the terms of the agreement, Smith shareholders will receive 0.6966 shares of Schlumberger in exchange for each Smith share. Schlumberger estimates that it will issue approximately 176 million shares of its common stock in this transaction. The value of this transaction using Schlumberger s stock price at the end of June is approximately $9.8 billion. Such amount excludes Smith s net debt which was $1.3 billion as of March 31, 2010. Smith is a leading supplier of premium products and services to the oil and gas exploration and production industry and reported revenues of $8.2 billion in 2009. The transaction is subject to various conditions including Smith stockholder approval. Subject to receipt of approval from Smith Stockholders, Schlumberger expects that the closing of the transaction will occur on August 27, 2010.

3. Charges

Schlumberger recorded the following charges during the first six months of 2010 and 2009:

2010

First quarter of 2010:

- Schlumberger incurred $35 million of merger-related costs in connection with the Smith and Geoservices transactions (see Notes 2 and 5). These costs primarily consist of advisory and legal fees and are classified in *Merger & integration* in the *Consolidated Statement of Income*.

- 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. This charge is classified in *Taxes on income* in the *Consolidated Statement of Income*.

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The following is a summary of these charges:

			(Stated in millions)
	Pretax	**Tax**	**Net**
Charges			
- Merger-related transaction costs	$ 35	$	$ 35
- Impact of elimination of tax deduction related to Medicare Part D subsidy		40	40
	$ 35	$ 40	$ 75

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), which is classified in *Cost of revenue* in the *Consolidated Statement of Income*.

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 as a consequence of the above mentioned workforce reductions. Accordingly, Schlumberger recorded pretax non-cash pension and other postretirement benefit curtailment charges of $136 million ($122 million after-tax). The curtailment charge included 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. These costs are classified in *Cost of revenue* in the *Consolidated Statement of Income*.

The following is a summary of these charges:

			(Stated in millions)
	Pretax	**Tax**	**Net**
Charges			
- Workforce reductions	$ 102	$ (17)	$ 85
- Postretirement benefits curtailment	136	(14)	122
	$ 238	$ (31)	$ 207

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4. Earnings Per Share

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

(Stated in millions, except per share amounts)

Second Quarter	2010 Schlumberger Net Income	2010 Average Shares Outstanding	2010 Earnings per Share	2009 Schlumberger Net Income	2009 Average Shares Outstanding	2009 Earnings per Share
Basic	**$ 818**	**1,192**	**$ 0.69**	$ 613	1,197	$ 0.51
Assumed conversion of debentures	**1**	**6**		2	8	
Assumed exercise of stock options		**8**			8	
Unvested restricted stock		**2**			1	
Diluted	**$ 819**	**1,208**	**$ 0.68**	$ 615	1,214	$ 0.51

Six Months	Schlumberger Net Income	Average Shares Outstanding	Earnings per Share	Schlumberger Net Income	Average Shares Outstanding	Earnings per Share
Basic	**$ 1,490**	**1,194**	**$ 1.25**	$ 1,552	1,197	$ 1.30
Assumed conversion of debentures	**3**	**6**		4	8	
Assumed exercise of stock options		**9**			6	
Unvested restricted stock		**2**			1	
Diluted	**$ 1,493**	**1,211**	**$ 1.23**	$ 1,556	1,212	$ 1.28

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)

	2010	2009
Second Quarter	**14**	17
Six Months	**13**	17

5. Acquisitions

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 approximately $915 million in cash.

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

(Stated in millions)	
Cash	$ 26
Other assets	183
Fixed assets	91
Goodwill	466
Intangible assets	546
Long-term debt	(144)
Deferred tax liabilities	(98)
Other liabilities	(155)
	$ 915

The recorded amounts for certain assets and liabilities, primarily relating to intangible assets, goodwill and deferred tax liabilities, are preliminary and subject to change. Any further adjustments are not expected to be material.

Geoservices long-term debt was repaid at the time of closing. Schlumberger will record the results of Geoservices one month in arrears. Geoservices revenue in 2009 was approximately $500 million.

Intangible assets recorded in connection with this transaction, which primarily relate to customer relationships, will be amortized over a weighted average period of approximately 19 years.

The amount allocated to goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The goodwill is not tax deductible.

Other Acquisitions

During the first six months of 2010, Schlumberger made certain other acquisitions and minority interest investments for $145 million, net of cash acquired, none of which were significant on an individual basis or in the aggregate.

Pro forma results pertaining to the above acquisitions are not presented as the impact was not significant.

6. Inventory

A summary of inventory follows:

		(Stated in millions)
	Jun. 30 2010	**Dec. 31 2009**
Raw materials & field materials	**$ 1,665**	$ 1,646
Work in process	**84**	74
Finished goods	**116**	146
	$ 1,865	$ 1,866

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7. Fixed Assets

A summary of fixed assets follows:

	(Stated in millions)	
	Jun. 30 2010	**Dec. 31 2009**
Property, plant & equipment	**$ 22,279**	$ 21,505
Less: Accumulated depreciation	**12,622**	11,845
	$ 9,657	$ 9,660

Depreciation expense relating to fixed assets was as follows:

	(Stated in millions)	
	2010	**2009**
Second Quarter	**$ 558**	$ 537
Six Months	**$ 1,105**	$ 1,067

8. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data for the six months ended June 30, 2010 was as follows:

	(Stated in millions)
Balance at December 31, 2009	$ 288
Capitalized in period	172
Charged to cost of revenue	(91)
Balance at June 30, 2010	$ 369

9. Goodwill

The changes in the carrying amount of goodwill by business segment for the six months ended June 30, 2010 were as follows:

			(Stated in millions)
	Oilfield Services	**Western Geco**	**Total**
Balance at December 31, 2009	$ 4,290	$ 1,015	$ 5,305
Additions	557	17	574
Impact of change in exchange rates	(25)		(25)
Balance at June 30, 2010	$ 4,822	$ 1,032	$ 5,854

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10. Intangible Assets

Intangible assets principally comprise software, technology and customer relationships. The gross book value and accumulated amortization of intangible assets were as follows:

(Stated in millions)

	Jun. 30, 2010 Gross Book Value	Jun. 30, 2010 Accumulated Amortization	Jun. 30, 2010 Net Book Value	Dec. 31, 2009 Gross Book Value	Dec. 31, 2009 Accumulated Amortization	Dec. 31, 2009 Net Book Value
Software	**$ 332**	**$ 261**	**$ 71**	$ 339	$ 262	$ 77
Technology	**704**	**178**	**526**	527	163	364
Customer Relationships	**746**	**93**	**653**	355	80	275
Other	**169**	**59**	**110**	121	51	70
	$ 1,951	**$ 591**	**$ 1,360**	$ 1,342	$ 556	$ 786

Amortization expense charged to income was as follows:

(Stated in millions)

	2010	2009
Second Quarter	**$ 35**	$ 28
Six Months	**$ 63**	$ 57

The weighted average amortization period for all intangible assets is approximately 14 years.

Based on the net book value of intangible assets at June 30, 2010, amortization charged to income for the subsequent five years is estimated to be: remainder of 2010 $69 million; 2011 $134 million; 2012 $122 million; 2013 $107 million; 2014 $97 million and 2015 $89 million.

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. 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 the hedged item is recorded directly to earnings.

At June 30, 2010, Schlumberger recognized a cumulative net $41 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.

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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 June 30, 2010, contracts were outstanding for the US dollar equivalent of $3.8 billion in various foreign currencies.

Commodity Price Risk

Schlumberger is exposed to the impact of market fluctuations in the price of commodities, such as copper and lead. Schlumberger has entered into forward contracts on these commodities to manage the price risk associated with forecasted 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.

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 $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 will receive interest at a fixed rate of 6.5% semi-annually and will pay interest semi-annually at a floating rate of one-month LIBOR plus a spread of 4.84%. The second 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 will receive 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%.

These interest rate swaps are designated as fair value hedges of the underlying debt. These derivative instruments are 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*.

At June 30, 2010, Schlumberger had fixed rate debt aggregating approximately $2.4 billion and variable rate debt aggregating approximately $2.1 billion, after taking into account the effects of the interest rate swaps.

Short-term investments and *Fixed income investments*, *held to maturity*, totaled approximately $3.5 billion at June 30, 2010, and 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 carrying value of these investments approximates fair value, which was estimated using quoted market prices for those or similar investments.

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

(Stated in millions)

	Fair Value of Derivatives		Classification
	Jun. 30 2010	**Dec. 31 2009**	
Derivative assets			
Derivative designated as hedges:			
Foreign exchange contracts	**$ 2**	$ 14	*Other current assets*
Foreign exchange contracts		216	*Other Assets*
Interest rate swaps	**22**		*Other Assets*
	$ 24	$ 230	
Derivative not designated as hedges:			
Commodity contracts	**$ 1**	$ 1	*Other current assets*
Foreign exchange contracts	**5**	11	*Other current assets*
Foreign exchange contracts	**12**	28	*Other Assets*
	$ 18	$ 40	
	$ 42	$ 270	
Derivative Liabilities			
Derivative designated as hedges:			
Foreign exchange contracts	**$ 33**	$ 15	*Accounts payable and accrued liabilities*
Foreign exchange contracts	**199**	51	*Other Liabilities*
	$ 232	$ 66	
Derivative not designated as hedges:			
Commodity contracts	**$ 1**	$ 3	*Accounts payable and accrued liabilities*
Foreign exchange contracts	**3**		*Accounts payable and accrued liabilities*
Foreign exchange contracts		25	*Other Liabilities*
	$ 4	$ 28	
	$ 236	$ 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 on the *Consolidated Statement of Income* of derivative instruments designated as fair value hedges and those not designated as hedges was as follows:

(Stated in millions)

	Gain/(Loss) Recognized in Income				
	Second Quarter		**Six Months**		
	2010	**2009**	**2010**	**2009**	**Classification**
Derivatives designated as fair value hedges:					
Foreign exchange contracts	**$**	$ 61	**$ (13)**	$ 39	*Cost of revenue*

Interest rate swaps	**4**		**9**		*Interest expense*
	$ 4	$ 61	**$ (4)**	$ 39	
Derivatives not designated as hedges:					
Foreign exchange contracts	**$ (38)**	$ 1	**$ (45)**	$ (22)	*Cost of revenue*
Commodity contracts	**(1)**	1	**(2)**		*Cost of revenue*
	$ (39)	$ 2	**$ (47)**	$ (22)	

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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				
	Second Quarter		Six Months		
	2010	2009	2010	2009	Classification
Foreign exchange contracts	**$ (200)**	$ 91	**$ (335)**	$ 27	*Cost of revenue*
Foreign exchange contracts	**(5)**	(7)	**(6)**	(14)	*Research & engineering*
	$ (205)	$ 84	**$ (341)**	$ 13	

(Stated in millions)

	Gain (Loss) Recognized in OCI			
	Second Quarter		Six Months	
	2010	2009	2010	2009
Foreign exchange contracts	**$ (264)**	$ 227	**$ (422)**	$ 168

12. Long-term Debt

A summary of *Long-Term Debt* follows:

(Stated in millions)

	Jun. 30, 2010	Dec. 31, 2009
5.25% Guaranteed Notes due 2013	**$ 614**	$ 727
6.50% Notes due 2012	**649**	649
5.875% Guaranteed Bonds due 2011	**311**	362
4.50% Guaranteed Bonds due 2014	**1,227**	1,449
3.00% Guaranteed Notes due 2013	**450**	449
Commercial paper borrowings	**234**	358
Other variable rate debt	**222**	360
	3,707	4,354
Fair value adjustment hedging	**22**	1
	$ 3,729	$ 4,355

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.

The fair value of Schlumberger s *Long-term Debt* at June 30, 2010 and December 31, 2009 was $4.0 billion and $4.6 billion, respectively and was estimated based on quoted market prices.

At December 31, 2009 there were $321 million outstanding of 2.125% Series B Convertible Debentures due June 1, 2023. The fair value of these Series B debentures at December 31, 2009 was $527 million. During the six months ended June 30, 2010, $320 million of these debentures were converted by holders into 7,997,300 shares of Schlumberger common stock and the remaining $1 million of outstanding Series B debentures were redeemed for cash.

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13. Income Tax

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

				(Stated in millions)
	Second Quarter		**Six Months**	
	2010	**2009**	**2010**	**2009**
United States	**$ 83**	$ (64)	**$ 144**	$ 40
Outside United States	**911**	831	**1,738**	1,920
	$ 994	$ 767	**$ 1,882**	$ 1,960

During the first quarter of 2010, Schlumberger recorded pretax charges of $35 million outside of the US. During the second quarter of 2009, Schlumberger recorded pretax charges of $73 million in the US and $165 million outside of the US. These charges are included in the table above and are more fully described in Note 3 Charges.

The components of net deferred tax assets were as follows:

		(Stated in millions)
	Jun. 30 2010	**Dec. 31 2009**
Postretirement benefits, net	**$ 392**	$ 447
Multiclient seismic data	**100**	104
Intangible assets	**(246)**	(122)
Other, net	**101**	101
	$ 347	$ 530

The above deferred tax assets at June 30, 2010 and December 31, 2009 are net of valuation allowances relating to net operating losses in certain countries of $220 million and $251 million, respectively. The deferred tax assets are also net of valuation allowances relating to a capital loss carryforward of $16 million at June 30, 2010 ($17 million at December 31, 2009), which expires in 2010 and a foreign tax credit carryforward of $21 million at June 30, 2010 ($30 million at December 31, 2009) which expires in 2012.

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

				(Stated in millions)
	Second Quarter		**Six Months**	
	2010	**2009**	**2010**	**2009**
Current:				
United States - Federal	**$ 26**	$ (20)	**$ 48**	$ (55)
United States - State	**3**	(1)	**6**	(2)
Outside United States	**150**	169	**306**	380
	$ 179	$ 148	**$ 360**	$ 323
Deferred:				
United States - Federal	**$ (3)**	$ (2)	**$ 39**	$ 71
United States - State			**2**	4
Outside United States	**10**	6		7

Valuation allowance	**(9)**		**(10)**	(1)
	$ (2)	$ 4	**$ 31**	$ 81
Consolidated taxes on income	**$ 177**	$ 152	**$ 391**	$ 404

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

	Second Quarter		Six Months	
	2010	**2009**	**2010**	**2009**
US federal statutory rate	**35%**	35%	**35%**	35%
Non-US income taxed at different rates	**(14)**	(16)	**(14)**	(15)
Effect of equity method investment	**(1)**	(1)	**(1)**	
Charges (See Note 3)		2	**2**	2
Other	**(2)**		**(1)**	(1)
Effective income tax rate	**18%**	20%	**21%**	21%

14. 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 and is currently continuing its own investigation with respect to these services.

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. Schlumberger is cooperating with the governmental authorities and is currently unable to predict the outcome of these matters.

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. At this time the ultimate disposition of these proceedings is not determinable and therefore, it is not possible to estimate the amount of loss or range of possible losses that might result from an adverse judgment or settlement in any of these matters. However, in the opinion of management, any liability that might ensue would not be material in relation to Schlumberger s consolidated liquidity, financial position or future results of operations.

15. Segment Information

Schlumberger operates two business segments: Oilfield Services and WesternGeco.

(Stated in millions)

	Second Quarter 2010		Second Quarter 2009	
	Revenue	**Income before taxes**	**Revenue**	**Income before taxes**
Oilfield Services				
North America	**$ 1,115**	**$ 116**	$ 819	$ 8
Latin America	**1,144**	**205**	995	176
Europe/CIS/Africa	**1,740**	**319**	1,782	432
Middle East & Asia	**1,371**	**427**	1,312	421
Other	**66**	**7**	48	(15)
	5,436	**1,074**	4,956	1,022
WesternGeco	**476**	**47**	559	97
Corporate & Other	**25**	**(90)**	13	(77)
Interest Income (1)		**11**		13
Interest Expense (2)		**(48)**		(50)
Charges				(238)

	$ 5,937	**$ 994**	$ 5,528	$ 767

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1. Excludes interest income included in the segment results ($4 million in 2010; $4 million in 2009).
2. Excludes interest expense included in the segment results ($5 million in 2010; $11 million in 2009).

(Stated in millions)

	Six Months 2010		Six Months 2009	
	Revenue	Income before taxes	Revenue	Income before taxes
Oilfield Services				
North America	**$ 2,148**	**$ 198**	$ 2,011	$ 171
Latin America	**2,200**	**390**	2,024	378
Europe/CIS/Africa	**3,365**	**613**	3,585	899
Middle East & Asia	**2,693**	**837**	2,687	876
Other	**127**	**4**	88	(46)
	10,533	**2,042**	10,395	2,278
WesternGeco	**948**	**114**	1,110	151
Corporate & Other	**53**	**(171)**	23	(166)
Interest Income (1)		**24**		27
Interest Expense (2)		**(92)**		(92)
Charges		**(35)**		(238)
	$ 11,534	**$ 1,882**	$ 11,528	$ 1,960

1. Excludes interest income included in the segment results ($7 million in 2010; $9 million in 2009).
2. Excludes interest expense included in the segment results ($6 million in 2010; $24 million in 2009).

16. Pension and Other Postretirement Benefits

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

(Stated in millions)

	Second Quarter				Six Months			
	2010		2009		2010		2009	
	US	Int l	US	Int l	US	Int l	US	Int l
Service cost benefits earned during period	**$ 13**	**$ 10**	$ 14	$ 15	**$ 28**	**$ 24**	$ 30	$ 29
Interest cost on projected benefit obligation	**35**	**51**	38	45	**71**	**103**	77	90
Expected return on plan assets	**(47)**	**(57)**	(45)	(40)	**(95)**	**(115)**	(88)	(80)
Amortization of net loss	**15**	**5**	9		**31**	**10**	18	
Amortization of prior service cost	**1**	**29**	1	31	**2**	**57**	3	62
	17	**38**	17	51	**37**	**79**	40	101
Curtailment charge			32	98			32	98
	$ 17	**$ 38**	$ 49	$ 149	**$ 37**	**$ 79**	$ 72	$ 199

During the first six months of 2010, Schlumberger made contributions to its international defined benefit pension plans of $97 million.

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

				(Stated in millions)
	Second Quarter		**Six Months**	
	2010	2009	**2010**	2009
Service cost benefits earned during period	**$ 6**	$ 5	**$ 11**	$ 12
Interest cost on accumulated postretirement benefit obligation	**14**	14	**29**	26
Expected return on plan assets	**(2)**		**(3)**	(1)
Amortization of prior service cost	**(5)**	(7)	**(10)**	(14)
Amortization of net loss	**2**	2	**6**	5
	$ 15	$ 14	**$ 33**	$ 28
Curtailment charge		6		6
	$ 15	$ 20	**$ 33**	$ 34

During the first six months of 2010, Schlumberger made a contribution to the US postretirement medical plan of $33 million.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.
BUSINESS REVIEW

Second Quarter 2010 Compared to First Quarter 2010

(Stated in millions)

	Second Quarter 2010	First Quarter 2010	% chg
Oilfield Services			
Revenue	**$ 5,436**	$ 5,097	7%
Pretax Operating Income	**$ 1,074**	$ 969	11%
WesternGeco			
Revenue	**$ 476**	$ 472	1%
Pretax Operating Income	**$ 47**	$ 67	(31)%

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 3 to the *Consolidated Financial Statements*, interest on postretirement medical benefits and stock-based compensation costs.

Second-quarter revenue was $5.94 billion compared to $5.60 billion in the first quarter of 2010. Income from continuing operations attributable to Schlumberger for the second quarter of 2010 was $818 million compared to $672 million in the first quarter of 2010. The first quarter 2010 results included charges of $40 million for the reduction in future tax deductions for retiree medical benefits as a results of the passage of the Patient Protection and Affordable Care Act in the United States and $35 million for transaction costs in connection with the proposed Smith International, Inc. merger and the Geoservices acquisition.

Oilfield Services revenue increased 7% sequentially with increases recorded in all Areas, as were sequential margin improvements led by strong performances in North America and Latin America. In North America, high activity and improved pricing in the US Land GeoMarket more than offset the revenue effects of the Canadian spring break-up and the reduced offshore activity late in the quarter following the start of the drilling moratorium in the US Gulf of Mexico. In Latin America, Mexico and Brazil led the revenue improvement. In the other Areas, activity steadily improved. In Europe/CIS/Africa, a strong rebound in Russia and the North Sea was somewhat offset by slow activity in North Africa and lower demand for exploration-related services in West & South Africa.

WesternGeco revenue of $476 million increased 1% sequentially. However, operating income decreased significantly as strong increases in Marine and Data Processing could not offset the lower margin effect of reduced Multiclient activity following the seasonally stronger first-quarter sales.

Schlumberger s outlook for the remainder of the year assumes continued slow build of activity in the second half in most parts of the world. In particular, US Land, Brazil, North Sea and Russia are expected to be GeoMarkets of continued strength. Meanwhile, growth is expected to continue across most of the Middle East & Asia GeoMarkets. This will be partially offset by reductions in Integrated Project Management (IPM) activity in Mexico in both Chicontepec and Burgos.

In the deepwater US Gulf of Mexico, Schlumberger is not planning for any resumption of drilling activity this year. In deepwater activity elsewhere, there have been no significant delays or program reductions as a result of the US Gulf of Mexico drilling moratorium. Internationally, operators, contractors and regulatory bodies have stepped up maintenance and verification of key well control equipment and procedures, but have not restricted actual drilling activity. The outlook for WesternGeco will be governed by the evolution of the Multiclient market in the US Gulf of Mexico, which remains uncertain at this time. The drilling moratorium is currently anticipated to reduce Schlumberger s earnings per share in the second half of 2010 by approximately $0.08 to $0.12 per share.

Schlumberger began a program three years ago called Excellence in Execution . This program was designed to create a step change in the service quality and efficiency Schlumberger provide and, in deepwater, was aimed at enabling our clients to reduce the risk and cost of deepwater operations. The program, in addition to equipment and procedural improvements, provides for competency certification of all personnel involved in deepwater operations. Schlumberger is encouraged by the results as well as by our customer acceptance of this multiyear initiative.

Schlumberger believes that the contribution of deepwater discoveries has been, and will remain, very significant to future hydrocarbon production. Schlumberger therefore welcomes the current efforts to better understand and control the risks associated with these types of operations. While additional control and oversight will undoubtedly add cost, it is expected that this will be offset in the long run by improvements in operating procedures and technology.

The recovery in world demand for oil has been reasonably robust and current forecasts for the coming year remain consistent with slowly increasing levels of exploration and production activity. Natural gas economics remain more challenging, as supply of both LNG and unconventional gas in the US would appear to continue to outstrip the demand recovery. Overall, therefore, Schlumberger sees the current trend of a slow but sure recovery in activity as likely to continue without change until Schlumberger has a clearer view of the sustainability of the recovery in the world economy.

OILFIELD SERVICES

Second-quarter revenue of $5.44 billion was 7% higher sequentially, with increases in all Areas. In Europe/CIS/Africa, revenue grew primarily due to the seasonal rebound in activity in Russia and improved activity in the North Sea GeoMarket, the effects of which were partially offset by reduced activity in the North Africa and West & South Africa GeoMarkets. Latin America Area revenue increased mostly in the Mexico/Central America GeoMarket on higher activity as well as on a strong performance in IPM service delivery, and in the Brazil GeoMarket on the continued build-up of offshore exploration activity. In North America, revenue grew in US Land from a combination of increased activity and pricing that was partially offset by the impact of the spring break-up in Canada and the early effects of the deepwater drilling moratorium in the US Gulf of Mexico. Middle East & Asia Area revenue was higher mainly due to increased activity and Well Services product sales. The acquisition of Geoservices during the quarter also contributed to the overall sequential increase in revenue.

Among the Technologies, sequential revenue growth was strongest in Well Services primarily due to stronger US Land activity and pricing, increased product sales in the Middle Eastern GeoMarkets, and the seasonal rebound in Russia. Artificial Lift recorded strong growth on equipment sales in Russia and the Middle Eastern GeoMarkets.

Second-quarter pretax operating income of $1.07 billion increased 11% sequentially. Pretax operating margin improved 75 basis points (bps) sequentially to 19.8% primarily due to the significantly stronger performance in the US Land GeoMarket resulting from the increased activity and pricing combined with the seasonal rebound in Russia and a more favorable revenue mix in the North Sea GeoMarket. These increases were partially offset by the impact of lower activity in the North Africa and West & South Africa GeoMarkets, the effects of the deepwater drilling moratorium in the US Gulf of Mexico and the spring break-up in Canada.

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North America

Second-quarter revenue of $1.11 billion was 8% higher sequentially. Pretax operating income of $116 million was 40% higher compared to the first quarter of 2010.

Sequentially, US Land GeoMarket revenue increased 35% driven by a 13% increase in rig count, high service intensity in unconventional oil and gas reservoirs, and continued pricing improvements for Well Services technologies. This increase was partially offset by lower revenue in the Canada GeoMarket due to the seasonal spring break-up and the decrease in the US Gulf of Mexico GeoMarket revenue as a consequence of the moratorium on deepwater drilling.

Pretax operating margin improved 237 bps sequentially to 10.4%. US Land pretax operating margin increased 14.9 percentage points sequentially due to increased Well Services activity and pricing, but this increase was tempered by lower pretax operating margins in the US Gulf of Mexico and Canada as a result of the lower activity.

As previously disclosed, and prior to the recent events in the US Gulf of Mexico, Schlumberger s North America Land operations were undergoing a review to provide consistent response, enhanced reliability and greater operational efficiency. This review has been accelerated and will take into consideration the impact of the drilling moratorium in the US Gulf of Mexico. The resulting actions will result in certain restructuring charges being recorded in the third quarter of 2010.

Latin America

Second-quarter revenue of $1.14 billion was 8% higher sequentially. Pretax operating income of $205 million increased 10%.

Sequentially, revenue in the Mexico/Central America GeoMarket grew primarily through higher activity and improved IPM drilling performance; increased offshore activity on better weather conditions; and the finalization of Schlumberger Information Solutions (SIS) contracts. Revenue in the Brazil GeoMarket increased as the result of the continued expansion of offshore activity while the Argentina/Bolivia/Chile GeoMarket recorded growth that was driven by drilling activity in unconventional gas projects. These increases, however, were partially offset by lower revenue in the Venezuela/Trinidad & Tobago GeoMarket primarily for SIS services, and in the Peru/Colombia/Ecuador GeoMarket on decreased Testing Services equipment sales and reduced gain share in IPM projects.

Pretax operating margin was up 35 bps sequentially to 17.9% primarily driven by the increased activity in the Mexico/Central America and Argentina/Bolivia/Chile GeoMarkets.

As a result of the previously mentioned anticipated slowdown of activity in Mexico, Schlumberger expects to record restructuring charges during the third quarter of 2010 associated with the lower activity.

Europe/CIS/Africa

Second-quarter revenue of $1.74 billion was 7% higher compared to the first quarter of 2010. Pretax operating income of $319 million was 9% higher sequentially.

Sequentially, Russia revenue increased on the post-winter seasonal rebound in activity and higher Artificial Lift systems sales while the North Sea GeoMarket recorded growth on higher exploration and appraisal activity in the UK sector as well as increased drilling activity in the Norwegian sector. These increases were partially offset by a decrease in the North Africa GeoMarket due to completion of two IPM projects and to lower Testing Services, Completions and Artificial Lift equipment sales. The West & South Africa GeoMarket also recorded a sequential decrease in revenue from reduced exploration-related services and from lower drilling activity that reduced demand for Drilling & Measurements technologies.

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Pretax operating margin improved 29 bps to 18.4% as the positive impact of the increased activity in Russia and the more favorable revenue mix in the North Sea GeoMarket more than offset the effect of the reduced revenue in the West & South Africa and North Africa GeoMarkets.

Middle East & Asia

Second-quarter revenue of $1.37 billion was 4% higher versus the prior quarter. Pretax operating income of $427 million increased 4% sequentially.

Sequentially, revenue growth was recorded across most of the Middle Eastern GeoMarkets from increased activity that resulted in strong demand for Wireline services, and from higher sales of Well Services products and Artificial Lift equipment. These increases were partially offset by a decrease in revenue in the Australia/Papua New Guinea GeoMarket as a change in the mix of offshore activities reduced demand for Wireline and Drilling & Measurements services; and by a decrease in the East Asia GeoMarket on lower IPM activity.

Pretax operating margin remained strong at 31.1% as the positive impact of the increased activity in the Middle Eastern GeoMarkets offset the impact of a less favorable revenue mix in the Australia/Papua New Guinea GeoMarket.

WESTERNGECO

Second-quarter revenue of $476 million was 1% higher sequentially. Pretax operating income of $47 million decreased 31% versus the first quarter of 2010.

Sequentially, Marine revenue increased primarily due to the addition of two new vessels to the fleet and to greater productivity on a number of projects. Data Processing revenue grew on higher activity in Europe and Africa and in North America. These increases were partially offset by lower Multiclient revenue, mostly in North America following the seasonally stronger first quarter, and by a decrease in Land revenue following the completion of a contract in the Middle East.

Pretax operating margin decreased 447 bps sequentially to 9.8% primarily due to the decrease in Multiclient revenue and to the lower Land revenue coupled with start-up costs on a Land project in Africa. These decreases were partially offset by the positive impact of the higher productivity in Marine.

Second Quarter 2010 Compared to Second Quarter 2009

(Stated in millions)

	Second Quarter		
	2010	**2009**	**% chg**
Oilfield Services			
Revenue	**$ 5,436**	$ 4,956	10%
Pretax Operating Income	**$ 1,074**	$ 1,022	5%
WesternGeco			
Revenue	**$ 476**	$ 559	(15)%
Pretax Operating Income	**$ 47**	$ 97	(52)%

Second-quarter 2010 revenue was $5.94 billion versus $5.53 billion in the second quarter of 2009.

Income from continuing operations attributable to Schlumberger in the second quarter of 2010 was $818 million, compared to $613 million in the second quarter of 2009. The second quarter of 2009 results included charges of $207 million related to workforce reductions and postretirement benefits curtailment.

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OILFIELD SERVICES

Second-quarter 2010 revenue of $5.44 billion increased 10% compared to the same period last year. Growth was strongest in the North America Area primarily due to a significant recovery in activity and improved pricing for Well Services technologies in the US Land GeoMarket and higher activity in the Canada GeoMarket. The Latin America Area recorded growth on increased activity across all GeoMarkets while Middle East & Asia Area revenue increased on strong Well Services activity in the Middle Eastern GeoMarkets and increased drilling activity in Asia. The acquisition of Geoservices in the second quarter of 2010 also contributed to the year-on-year revenue increase. These increases were partially offset by a decrease in Europe/CIS/Africa revenue primarily due to reduced activity in the Libya, West & South Africa, Caspian, North Africa and Continental Europe GeoMarkets partially offset by improved activity in Russia.

Second-quarter 2010 pretax operating income of $1.07 billion was 5% higher year-on-year. Pretax operating margin declined 88 bps to 19.8% as the impact of the reduced activity and lower pricing in the Europe/CIS/Africa Area was offset by the activity and pricing improvements in the North America Area.

North America

Second-quarter 2010 revenue of $1.11 billion was 36% higher than the same period last year. The US Land GeoMarket recorded 62% growth due to strong activity in unconventional oil and gas reservoirs and improved pricing that benefited mostly Well Services technologies. Canada GeoMarket revenue also increased significantly from stronger activity in oil basins. These increases were partially offset by a decrease in the US Gulf of Mexico GeoMarket revenue as a result of the moratorium on deepwater drilling.

Year-on-year, pretax operating margin increased 941 bps to 10.4% mostly due to the stronger activity and improved pricing in the US Land GeoMarket, but partially offset by a lower performance in the US Gulf of Mexico GeoMarket as a consequence of the abrupt slowdown in activity.

Latin America

Second-quarter 2010 revenue of $1.14 billion was 15% higher than the previous year on increases from all GeoMarkets. The Brazil GeoMarket led the Area growth on strong offshore activity that increased demand for Wireline and Drilling & Measurements services. Venezuela/Trinidad & Tobago GeoMarket revenue was higher with no deferral of revenue pending contract finalization as experienced in the prior year. The Mexico/Central America GeoMarket grew primarily on increased IPM activity while the Argentina/Bolivia/Chile GeoMarket increased on drilling activity in unconventional gas projects. The Peru/Ecuador/Colombia GeoMarket revenue grew from higher gain share in IPM projects in addition to increased activity that led to stronger demand for Drilling & Measurements services.

Year-on-year, pretax operating margin was up 24 bps to 17.9% as the positive impact of the higher revenue in the Venezuela/Trinidad & Tobago GeoMarket offset the effect of a less favorable revenue mix in the Mexico/Central America GeoMarket.

Europe/CIS/Africa

Second-quarter 2010 revenue of $1.74 billion was 2% lower year-on-year. This decrease was largely attributable to reduced activity in the Libya, West & South Africa, Caspian, Continental Europe and North Africa GeoMarkets. These decreases were partially offset by improved activity in Russia and in the Nigeria & Gulf of Guinea GeoMarket. Among the Technologies, decreases were highest in Drilling & Measurements and Completions.

Year-on-year, pretax operating margin decreased 585 bps to 18.4% primarily due to lower pricing coupled with a lower mix of high-margin exploration services in the Area.

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Middle East & Asia

Second-quarter 2010 revenue of $1.37 billion was 5% above the same period last year primarily on strong demand for Well Services technologies in the Middle Eastern GeoMarkets and increased drilling activity in the Australia/Papua New Guinea, China/Japan/Korea and India GeoMarkets.

Year-on-year, pretax operating margin decreased 92 bps to 31.1% primarily due to a less favorable revenue mix in the East Asia GeoMarket, start-up costs in the Iraq GeoMarket and the impact of the lower pricing across the Area.

WESTERNGECO

Second-quarter 2010 revenue of $476 million was 15% lower year-on-year. Marine revenue decreased primarily due to lower pricing while Multiclient revenue dropped on lower sales in Europe and Africa and in North America. Land revenue decreased on the completion of a contract in Asia and lower productivity on projects in Africa.

Year-on-year, pretax operating margin decreased 750 bps to 9.8% primarily as the result of the lower pricing in Marine; the reduced productivity on the Africa projects as well as stand-by costs for the delayed start-up of a contract in Latin America in Land; and start-up costs in Data Processing.

Six Months 2010 Compared to Six Months 2009

(Stated in millions)

	Six Months		
	2010	**2009**	**% chg**
Oilfield Services			
Revenue	**$ 10,533**	$ 10,395	1%
Pretax Operating Income	**$ 2,042**	$ 2,278	(10)%
WesternGeco			
Revenue	**$ 948**	$ 1,110	(15)%
Pretax Operating Income	**$ 114**	$ 151	(25)%

Revenue for the six month period ended June 2010 of $11.53 billion was flat compared to the same period last year.

Income from continuing operations attributable to Schlumberger for the six months ended June 2010 was $1.49 billion versus $1.55 billion for the same period last year. The six months ended June 30, 2010 included $75 million of charges while the six months ended June 30, 2009 included $207 million of charges.

OILFIELD SERVICES

Six month revenue of $10.53 billion increased 1% compared to the same period last year. Revenue increased in the Latin America Area primarily due to higher activity in the Brazil and Peru/Colombia/Ecuador GeoMarkets and in the North America Area on increased activity and pricing for Well Services technologies in the US Land GeoMarket. The acquisition of Geoservices also increased 2010 revenue. These increases were partially offset by a decrease in Europe/CIS/Africa Area revenue mostly due to lower activity that affected the Caspian, North Sea, West & South Africa, Libya and Continental Europe GeoMarkets. Middle East & Asia Area revenue was flat year-on-year.

Year-to-date pretax operating margin declined 252 bps to 19.4% mostly due to the reduced activity and weaker pricing in the Europe/CIS/Africa Area.

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North America

Six month revenue of $2.15 billion was 7% higher than the same period last year primarily due to strong activity in unconventional oil and gas reservoirs and improved pricing in the US Land GeoMarket and improved activity levels in oil basins in Canada. These increases were partially offset by a decrease in the US Gulf of Mexico GeoMarket revenue as a result of the moratorium on deepwater drilling.

Year-on-year, pretax operating margin increased 74 bps to 9.2% mostly due to the stronger activity and improved pricing in the US Land GeoMarket, but partially offset by the impact of the slow-down in the US Gulf of Mexico GeoMarket as a consequence of the deepwater drilling moratorium.

Latin America

Six month revenue of $2.20 billion was 9% higher than the previous year with increases from all GeoMarkets. Growth was strongest in the Brazil GeoMarket where higher offshore activity increased demand for Wireline and Drilling & Measurements services. Revenue also increased significantly in the Peru/Ecuador/Colombia GeoMarket due to strong IPM activity and higher Artificial Lift systems sales and in the Mexico/Central America GeoMarket on increased IPM activity.

Year-on-year, pretax operating margin decreased 97 bps to 17.7% primarily as a result of a less favorable revenue mix in the Mexico/Central America GeoMarket.

Europe/CIS/Africa

Six month revenue of $3.36 billion was 6% lower year-on-year. This decrease was largely attributable to lower pricing across much of the Area and reduced activity in the Caspian, North Sea, West & South Africa, Libya and Continental Europe GeoMarkets. These decreases were partially offset by increases in Russia due to higher IPM activity; in the North Africa GeoMarket from strong Testing Services equipment sales and higher IPM activity; and in the Nigeria & Gulf of Guinea GeoMarket on strong demand for Well Services technologies.

Year-on-year, pretax operating margin decreased 685 bps to 18.2% primarily due to reduced pricing across the Area as well as to the lower overall activity levels.

Middle East & Asia

Six month revenue of $2.69 billion was essentially flat with the same period last year, while pretax operating margin decreased 152 bps year-on-year to 31.1% primarily due to a less favorable revenue mix in the East Asia GeoMarket and the impact of the lower pricing across the Area.

WESTERNGECO

Six month revenue of $948 million was 15% lower year-on-year primarily due to reduced activity and pricing in Marine. This decrease was partially offset by an increase in Multiclient as the result of increased acquisition of wide-azimuth surveys in the US Gulf of Mexico.

Year-on-year, pretax operating margin decreased 161 bps to 12.0% primarily as the result of the lower pricing and activity in Marine; reduced productivity in projects in Africa and stand-by costs incurred as the result of the delayed start-up of a contract in Latin America for Land; and start-up costs for a new project in Data Processing. These decreases were partially offset by an improvement in Multiclient margins on the increased activity.

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INTEREST & OTHER INCOME

Interest & other income consisted of the following for the second quarter and six months ended June 30, 2010 and 2009:

				(Stated in millions)
	Second Quarter		**Six Months**	
	2010	**2009**	**2010**	**2009**
Interest income	**$ 15**	$ 17	**$ 32**	$ 36
Equity in net earnings of affiliated companies	**36**	43	**83**	101
	$ 51	$ 60	**$ 115**	$ 137

OTHER

A summary of gross margin follows:

	Second Quarter		**Six Months**	
	2010	**2009**	**2010**	**2009**
Gross margin	**22.9%**	19.8%	**22.7%**	22.4%

The charges recorded in the second quarter of 2009 (see Note 3 to the *Consolidated Financial Statements*) negatively impacted gross margins by 4.3 percentage points in the second quarter of 2009 and by 2.1 percentage points during the six months ended June 30, 2009. Excluding the impact of these charges, gross margins have decreased largely due to lower activity and consequent 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.

Research & engineering and General & administrative expenses, as a percentage of *Revenue*, for the second quarter and six months ended June 30, 2010 and 2009 were as follows:

	Second Quarter		**Six Months**	
	2010	**2009**	**2010**	**2009**
Research & engineering	**3.6%**	3.6%	**3.7%**	3.4%
General & administrative	**2.4%**	2.4%	**2.5%**	2.3%

Research and engineering expenditures, by business segment, for the second quarter and six months ended June 30, 2010 and 2009 were as follows:

				(Stated in millions)
	Second Quarter		**Six Months**	
	2010	**2009**	**2010**	**2009**
Oilfield Services	**$ 187**	$ 168	**$ 364**	$ 326
WesternGeco	**26**	26	**53**	53
Other	**3**	3	**6**	7
	$ 216	$ 197	**$ 423**	$ 386

The effective tax rate for the second quarter of 2010 was 17.8% compared to 19.8% for the same period in 2009. The decrease is primarily attributable to the impact of the charges described in Note 3 to the *Consolidated Financial Statements*.

The effective tax rate for the six months ended June 30, 2010 was 20.8% compared to 20.6% for the same period of the prior year. Excluding the charges described in Note 3 to the *Consolidated Financial Statements*, the effective tax rate decreased 1.5 percentage points mainly due to the geographic mix of earnings.

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CHARGES

Schlumberger recorded charges during the first six months of 2010 and 2009. These charges, which are summarized below, are more fully described in Note 3 to the *Consolidated Financial Statements*.

The following is a summary of the first quarter 2010 Charges:

	(Stated in millions)			
	Pretax	**Tax**	**Net**	**Income Statement Classification**
Charges				
- Merger-related transaction costs	$ 35	$	$ 35	*Merger & integration*
- Impact of elimination of tax deduction related to Medicare Part D subsidy		40	40	*Taxes on income*
	$ 35	$ 40	$ 75	

The following is a summary of the second quarter 2009 Charges:

	(Stated in millions)			
	Pretax	**Tax**	**Net**	**Income Statement Classification**
Charges				
- Workforce reductions	$ 102	$ (17)	$ 85	*Cost of revenue*
- Postretirement benefits curtailment	136	(14)	122	*Cost of revenue*
	$ 238	$ (31)	$ 207	

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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)

	Jun. 30 2010	Jun. 30 2009
Net Debt, beginning of year	**$ (126)**	$ (1,129)
Net income	**1,491**	1,556
Depreciation and amortization [1]	**1,258**	1,235
Non-cash postretirement benefits curtailment charge		136
Pension and other postretirement benefits expense	**149**	168
Pension and other postretirement benefits funding	**(130)**	(518)
Excess of equity income over dividends received	**(83)**	(37)
Stock-based compensation expense	**95**	92
Increase in working capital	**(209)**	(675)
Capital expenditure	**(1,083)**	(1,252)
Multiclient seismic data capitalized	**(172)**	(89)
Dividends paid	**(505)**	(502)
Stock repurchase program	**(872)**	
Proceeds from employee stock plans	**164**	43
Geoservices acquisition, net of debt acquired	**(1,033)**	
Other business acquisitions and minority interest investments	**(145)**	(198)
Conversion of debentures	**320**	
Translation effect on Net Debt	**62**	(36)
Other	**53**	216
Net Debt, end of period	**$ (766)**	$ (990)

(1) Includes multiclient seismic data costs.

(Stated in millions)

Components of Net Debt	Jun. 30 2010	Jun. 30 2009	Dec. 31 2009
Cash	**$ 229**	$ 216	$ 243
Short-term investments	**2,849**	4,195	4,373
Fixed income investments, held to maturity	**652**	464	738
Short-term borrowings and current portion of long-term debt	**(767)**	(1,253)	(804)
Convertible debentures		(321)	(321)
Long-term debt	**(3,729)**	(4,291)	(4,355)
	$ (766)	$ (990)	$ (126)

Key liquidity events during the first six months of 2010 and 2009 included:

During the second quarter of 2010, Schlumberger completed the acquisition of Geoservices for cash of $0.9 billion. Schlumberger acquired net debt of $0.1 billion in connection with this transaction.

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 $2.31 billion had been repurchased as of June 30, 2010.

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The following table summarizes the activity, during the six months ended June 30, 2010, under the April 17, 2008 share repurchase program:

			(Stated in thousands except per share amounts)
	Total cost of shares purchased	**Total number of shares purchased**	**Average price paid per share**
Six months ended June 30, 2010	$ 871,890	13,734.8	$ 63.48

Schlumberger did not repurchase any shares during the six months ended June 30, 2009.

During the first six months of 2010 Schlumberger made contributions of $130 million to its defined benefit pension plans as compared to $518 million during the same period last year.

Cash flow provided by operations was $2.3 billion in the first six months of 2010 compared to $2.1 billion in the first six months of 2009. The increase in cash flow from operations in 2010 as compared to 2009 reflected an improvement in working capital requirements combined with a decrease in pension plan contributions which was offset in part by the decrease in net income.

Capital expenditures were $1.1 billion in the first six months of 2010 compared to $1.3 billion during the first quarter of 2009. Oilfield Services capital expenditures are expected to approach $2.8 billion for the full year of 2010 as compared to $1.9 billion in 2009. WesternGeco capital expenditures are expected to approach $0.3 billion for the full year 2010 as compared to $0.5 billion in 2009.

During the first six months of 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.

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.

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.

As of June 30, 2010 Schlumberger had $2.9 billion of cash and short-term investments on hand. Schlumberger had separate committed debt facility agreements aggregating $3.4 billion with commercial banks, of which $2.8 billion was available and unused as of June 30, 2010. This included $2.4 billion of unused 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 June 30, 2010 was $4.4 billion and included $0.2 billion of commercial paper borrowings. The total outstanding debt decreased $1.0 billion compared to December 31, 2009.

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 dollars, despite significant inflation in recent periods. In January 2010, Venezuela s currency was devalued and a new dual 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.

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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 Oilfield Services and WesternGeco (and for specified products or geographic areas within each segment); timing of the closing of the Smith merger; 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; operating margins; the Schlumberger effective tax rate; 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; satisfaction of the closing conditions to the Smith merger; the risk that the contemplated Smith merger does not occur, negative effects from the pendency of the contemplated Smith merger, the ability after the closing of the Smith merger to successfully integrate the merged businesses and to realize expected synergies, the inability to retain key employees; expenses for the merger; and other risks and uncertainties detailed in our second-quarter 2010 earnings release, 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, 2009. Schlumberger s exposure to market risk has not changed materially since December 31, 2009.

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

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The information with respect to Item 1 is set forth under Note 14. *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, 2009, except as follows:

The ability of Smith and Schlumberger to complete the merger is subject to certain closing conditions, including the approval of Smith stockholders.

The merger agreement contains closing conditions, including approval of the merger by Smith stockholders, the absence of injunctions or other legal restrictions and no material adverse effect having occurred with respect to either company. We can provide no assurance that the various closing conditions will be satisfied, or that any required conditions will not materially adversely affect the combined company following the merger. In addition, we can provide no assurance that these conditions will not result in the abandonment or delay of the merger.

Failure to complete the merger with Smith could negatively impact Schlumberger s stock price and our future business and financial results.

If the merger with Smith is not completed, the ongoing businesses and the market price of the common stock of Schlumberger may be adversely affected and Schlumberger will be subject to several risks, including being required, under specified circumstances, to pay Smith a termination fee of $615 million; having to pay certain costs relating to the merger; and diverting the focus of management from pursuing other opportunities that could be beneficial to Schlumberger, in each case, without realizing any of the benefits that might have resulted had the merger been completed.

The pendency of the merger could adversely affect Schlumberger.

In connection with the pending merger, some of Schlumberger s customers may delay or defer purchasing decisions, which could negatively impact revenues, earnings and cash flows regardless of whether the merger is completed. Additionally, Schlumberger has agreed in the merger agreement to refrain from taking certain actions with respect to its business and financial affairs during the pendency of the merger. These restrictions could be in place for an extended period of time if completion of the merger is delayed, and could adversely impact Schlumberger s financial condition, results of operations or cash flows.

Schlumberger s stockholders will be diluted by the merger.

The merger will dilute the ownership position of Schlumberger s current stockholders. We currently estimate that, upon completion of the merger, Schlumberger s stockholders before the merger will own approximately 87% of the combined company and former Smith stockholders will own approximately 13% of the combined company s outstanding common stock.

Following the merger, Schlumberger may be unable to successfully integrate Smith s and Schlumberger s businesses and realize the anticipated benefits of the merger.

The merger involves the combination of two companies that currently operate as independent public companies. Schlumberger will be required to devote management attention and resources to integrating the two companies business practices and operations. Potential difficulties that Schlumberger may encounter in the integration process include the following:

- the inability to integrate the Smith and Schlumberger businesses in a manner that permits Schlumberger to achieve the cost savings and operating synergies anticipated to result from the merger, which would result in the anticipated benefits of the merger not being realized partly or wholly in the time frame currently anticipated or at all;

- lost sales and customers as a result of certain customers of either or both of the two companies deciding not to do business with the combined company, or deciding to decrease their amount of business in order to reduce their reliance on a single company;

- integrating personnel from the two companies while maintaining focus on providing consistent, high quality products and customer service;

- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger; and

- performance shortfalls at the combined company as a result of the diversion of management s attention caused by completing the merger and integrating the companies operations.

Business issues currently faced by one company may be imputed to the operations of the other company.

To the extent that either Schlumberger or Smith currently has or is perceived by customers to have operational challenges, such as on-time performance, safety issues or workforce issues, those challenges may raise concerns by existing customers of the other company following the merger, which may limit or impede Schlumberger s future ability to obtain additional work from those customers.

Failure to retain key employees and skilled workers could adversely affect Schlumberger following the merger.

Schlumberger s performance following the merger could be adversely affected if the combined company is unable to retain certain key employees and skilled workers of Smith. The loss of the services of one or more of these key employees and skilled workers could adversely affect Schlumberger s future operating results because of their experience and knowledge of Smith s business. In addition, current and prospective employees of Schlumberger and Smith may experience uncertainty about their future roles with their company until after the merger is completed. This may adversely affect the ability of both Schlumberger and Smith to attract and retain key personnel.

A significant portion of the combined company s revenue will be dependent on the activity level of natural gas exploration and production in North America.

Upon consummation of the merger, a larger portion of our revenues will be derived from our North American operations. Because of the current economic environment and related decrease in demand for energy, natural gas exploration and production in North America have decreased significantly from their peak levels in the summer of 2008. Warmer than normal winters in North America, among other factors, may adversely impact demand for natural gas and, therefore, demand for oilfield services. If the economic conditions deteriorate further or do not improve, the decline in natural gas exploration and production could cause a decline in the demand for the services and products of the combined company. Such decline could result in a significant adverse effect on our operating results.

The market value of Schlumberger common stock could decline if large amounts of its common stock are sold following the merger.

Following the merger, stockholders of Schlumberger and former stockholders of Smith will own interests in a combined company operating an expanded business with more assets and a different mix of liabilities. Current

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stockholders of Schlumberger and Smith may not wish to continue to invest in the combined company, or may wish to reduce their investment in the combined company, in order to comply with institutional investing guidelines, to increase diversification or to track any rebalancing of stock indices in which Schlumberger or Smith common stock is included. If, following the merger, large amounts of Schlumberger common stock are sold, the price of its common stock could decline.

The merger may be dilutive to Schlumberger s earnings per share in the near term, which may negatively affect the market price of Schlumberger common stock.

The merger may 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, Schlumberger s earnings per share could cause the price of Schlumberger s common stock to decline.

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 and products, 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.

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Legislation is pending in the United States Congress that would authorize the EPA to regulate hydraulic fracturing under the Safe Drinking Water Act. The legislation would require the reporting and public disclosure of chemicals that could adversely affect drinking water supplies. In addition a number of states are evaluating the adoption of legislation or regulations governing hydraulic fracturing. Such regulations or legislation 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

During the quarter ended June 30, 2010, Schlumberger issued 7,432,300 shares of its common stock upon conversion by holders of $298.7 million aggregate principal amount of its 2.125% Series B Convertible Debentures due June 1, 2023. Such shares were issued in transactions exempt from registration under Section 3(a)(9) of the Securities Act of 1933, as amended.

Issuer Repurchases of Equity Securities

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 June 30, 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
April 1 through April 30, 2010	2,814.0	$ 66.76	2,814.0	$ 6,040,489
May 1 through May 31, 2010	2,680.0	$ 65.57	2,680.0	$ 5,864,766
June 1 through June 30, 2010	2,948.0	$ 58.02	2,948.0	$ 5,693,728
	8,442.0	$ 63.33	8,442.0	

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 4. [Removed and Reserved].

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 3.1 to Schlumberger s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006).

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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 10.1 - Schlumberger 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Schlumberger s Current Report on Form 8-K filed with the SEC on April 9, 2010).

Exhibit 10.2 - Schlumberger Discounted Stock Purchase Plan, as amended and restated January 1, 2010 (incorporated by reference to Exhibit 10.2 to Schlumberger s Current Report on Form 8-K filed with the SEC on April 9, 2010).

* 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.

** 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 June 30, 2010, 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, tagged as blocks of text.

* 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: July 29, 2010

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