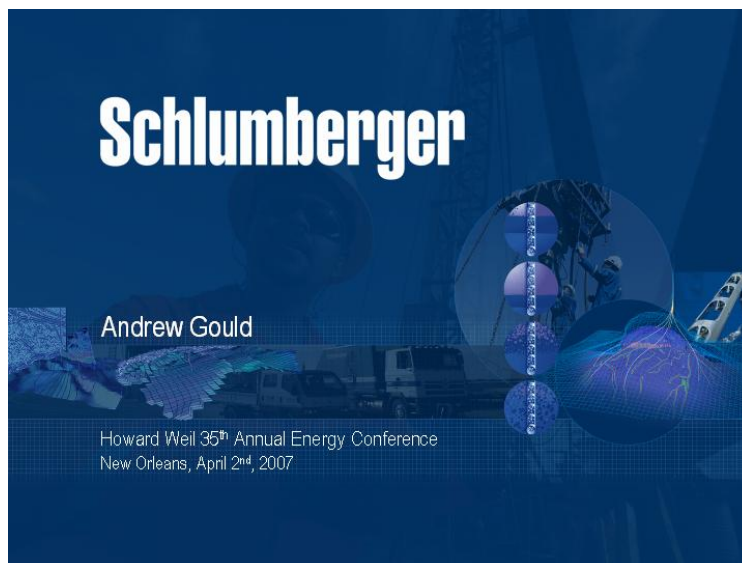


HOWARD WEIL 35<sup>th</sup> ANNUAL ENERGY CONFERENCE

Good morning ladies and gentlemen, I would like to thank Jeff Parker and Bill Sanchez for including Schlumberger on this year's program. It is a pleasure to be back in New Orleans, and this morning I would like to review where we see the industry today from both an oil and natural gas standpoint. I will also cover some of the recent technology trends for natural gas as well as for the growing exploration activity around the world. Finally, I will review the key financial metrics that we use to measure our business. But let me first discuss four of the trends that have emerged over the past year.

### 2006—A Year in Review

- Oil demand, geopolitical events and production decline continued to pressure excess production capacity in 2006. At lower oil prices no signs of customer activity reduction emerged
- Natural gas prices weakened at year end with mild North American winter. The cold spell in early 2007 finally resulted in storage levels falling below those of the 2005/2006 winter season
- Heavy investments internationally in new developments and enhancement of existing production. Inflation eroded effect of this
- Exploration accelerated in many areas including West & South Africa, Nigeria, Algeria, Libya, Saudi Arabia, Qatar, India & China

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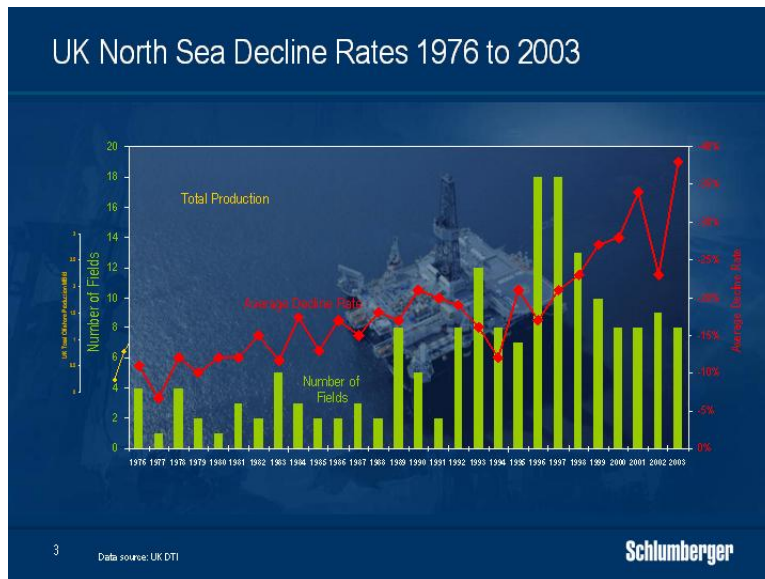
Firstly, the most recent IEA reports indicate that world demand for oil in 2006 grew by about 1%—a figure much lower than the breakneck pace of 2004 and 2005. However when combined with geopolitical events and only modest supply increases, this has been enough to keep commodity prices at levels well above those that might negatively impact customer budgets. Indeed, E&P spending reached record levels last year, and is expected to increase still further in 2007.

Secondly, although natural gas prices weakened towards the end of last year as early signs of a potentially mild winter emerged, the cold spell in early 2007 has left gas storage at lower levels than at the end of the 2005/2006 winter season. As I will show later, we believe that the fundamentals are clearly in place for reinforced natural gas activity later this year.

Thirdly, the industry has continued heavy international investment in both new developments as well as in enhancing production from existing fields. But it should be borne in mind that the effectiveness of this investment has been eroded by severe cost inflation and that raw numbers are misleading. CERA has indicated that worldwide costs for the upstream oil and gas industry have risen by 53% since the end of 2004—although they note that recent rates of increase have slowed. Perhaps as a result Canadian expenditure has been curtailed by certain operators. However the deep-water sector has been the most affected with rig shortages likely to continue through 2008—meaning that drilling costs will remain high. This combination leads us to believe that our strategy of improving performance while mitigating risk through technology is, and will, prove successful. All operators, international, national or independent increased E&P spending in 2006 and Schlumberger continued to see universally strong growth across all Technologies.

Finally, the exploration activity that the seismic industry began to experience in 2005 expanded noticeably with pull-through into other high-end oilfield services evident by the end of year. Areas of particular significance included West and South Africa, Nigeria, Algeria, Libya, Saudi Arabia, Qatar, India and China.

While the OPEC supply cuts applied late in 2006 undoubtedly brought a degree of stability to oil prices, we continue to believe the most fragile element of current supply projections is the age of the existing production base and the consequent failure of current activity levels to slow decline rates. This point, coupled with delays in the increasingly complex projects that operators are undertaking, means that the supply response to create an adequate cushion of spare production will take longer than we originally thought.



The performance of an area such as the UK North Sea serves to remind us of the difficulties that we face, and why decline rates are gaining in significance. The figures show that while the larger fields drilled in the 1970s have declined at average annual rates of about 12%, those drilled more recently, which are much smaller by the way, have declined at significantly higher figures. This means that we need an increasing number of smaller fields to compensate for the larger fields' loss of production. The data, which are by no means unusual, clearly indicate how quickly production can decline and support the seriousness of any lack of investment in the sector.

### Challenges to Growth in Supply

- Investment levels remain insufficient for industry needs
- Decline rates gain in significance
- New exploration areas present issues of access and risk
- Investors view commodity prices levels in the short term
- Service sector constrained by capacity and people

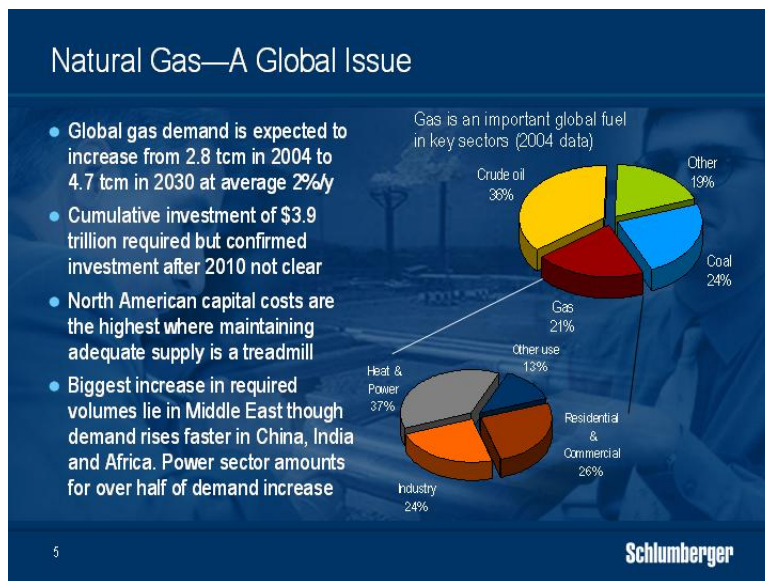
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The rising significance of decline rates was just one of the five points challenging supply growth that I presented at this conference last year. One year later some of these points have evolved—but the basic messages remain. For example investors seem more ready to accept higher base levels for commodity prices. However investment levels still remain insufficient to rapidly increase overall levels of supply considering the cost inflation seen and the continuing constraints on people and

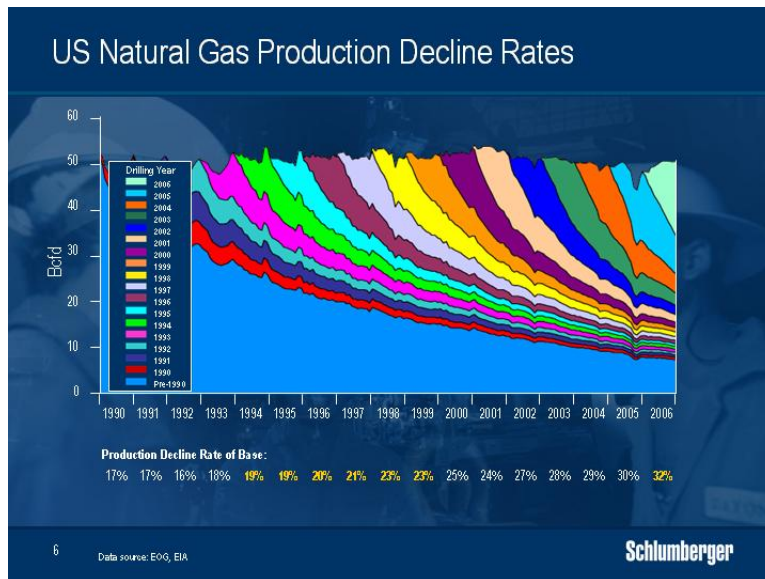
equipment. Only a recession leading to an overall drop in demand can bring short-term relief.

Of course new supply is under development. This includes new deep-water fields and significant activity in Saudi Arabia as well as in many other areas. They will all help, but we do not believe they are sufficient to make a significant difference to the overall supply balance for some years to come. You only have to consider the spate of recent announcements of lower non-OPEC production or of project delays to see what I mean. The age of easy oil is over. We therefore maintain our previously stated forecasts of continued growth in the high teens through the end of this decade.



Turning now to natural gas, there are distinct differences between the short-term outlook in North America and the longer-term global backdrop. The IEA has recently published data that indicate demand rising at an average rate of 2% per annum over the period 2004 to 2030 and that cumulative investment of \$3.9 trillion will be needed over that period to grow global supply to the levels needed to meet expected demand. While most of the short term investment through 2010 is already committed, thereafter it is not yet clear that the needed investment will in fact be available.

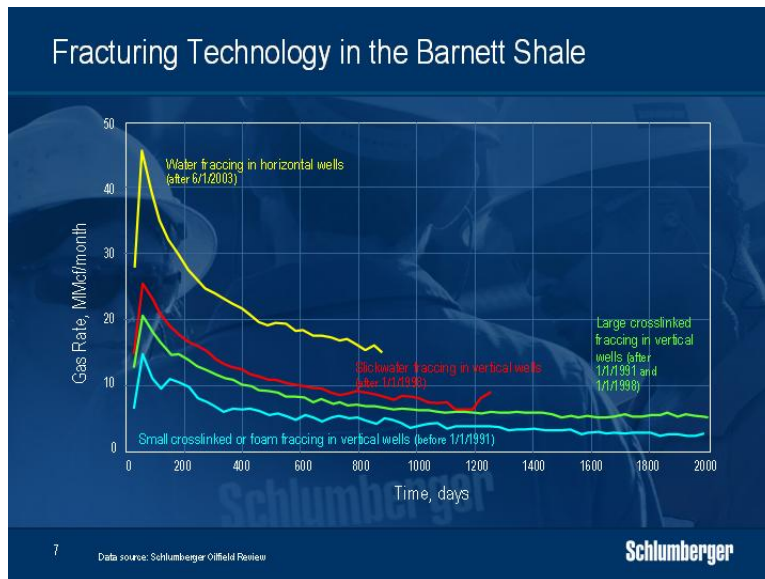
But it is here in North America that capital costs are highest and where most of the spending goes simply to maintaining current capacity. The reason for this is once again the significance of accelerating production decline rates.



From levels in the high teens in the early 1990s, natural gas decline rates reached some 25% 10 years later and are now in the low 30s. The net result has been a fall in total production from the 21 Tcf produced in 2001, to the 19.4 Tcf produced last year. Today's production comes from an aggregate production base of 410,000 wells, compared to the 350,000 wells producing in 2001. In other words, 17% more wells today are producing 8% less natural gas than 6 years ago.

Declining reserves and slipping production have driven the industry more and more towards the exploitation of poorer quality reservoirs. Almost 40% of today's North American natural gas production comes from unconventional sources such as tight gas, shale gas and coal-bed methane and this shift has important consequences in terms of cost and in terms of technology.

Although faster decline rates can be explained by more efficient technology extracting more natural gas faster, it is important to realize that the same technology is boosting overall rates of production. It is also important to realize that natural gas wells of today are very different from those of 5 or 6 years ago. Where one simple stimulation job would have sufficed, today's wells are often not economical without deployment of much more sophisticated technology.



The Barnett Shale is a typical example. Early treatments using crosslinked were gradually replaced by hydraulic fracturing jobs using only water with friction reducers. These slickwater treatments reduced simulation costs significantly. For the last few years the combination of advanced fracturing fluids and horizontal wells has increased production still further. Yet even if initial production rates are higher, decline rates remain just as significant and the natural gas treadmill continues to need new injections of technology.

### Multi Stage Fracturing Technology

- Reservoir contact most critical in poorer quality reservoirs
- Fractured horizontal wells offer up to 3 times performance of fractured vertical wells
- The challenge is to ensure that the horizontal well is effectively fractured over its entire length
- Contact Permanent treats the horizontal section in stages and fractures each individually

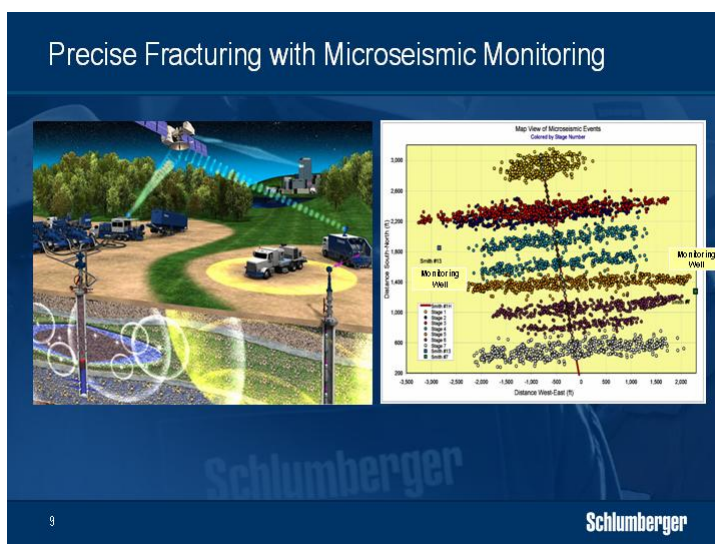
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In all reservoirs, but in poorer quality formations in particular, contact between the well and the reservoir is critical to additional reserves and higher production. Each time we fracture we add contact and the industry has developed benchmark figures in the tight gas market that evaluate the likely production gains versus the extra costs of drilling and completing horizontally fractured wells. The payoff of the horizontally fractured well has been estimated to be three times that of the fractured vertical well in some areas. So if this approach is so good, why isn't it more widespread? The

challenge here is to ensure that the fractured horizontal well is stimulated over its entire length and for this we have introduced the Contact suite of technologies.

The Permanent solution of the Contact family separates open-hole horizontal sections into a number of zones with a series of packers. Each zone is isolated in sequence and the appropriate stimulation treatment applied. This approach has obvious advantages. Zone treatments can be customized, no rig is required and there are fewer equipment mobilizations and demobilizations. The speed of the operation is considerably faster than before. On one recent job in the Fayetteville Shale, a total of 9 frac ports and packers were installed in nearly 3,000 feet of horizontal section. Separate treatments were generated for each zone, and the operation was pumped continuously over a period of just 10 hours—compared to the 4 days of conventional treatments.

So while this brings almost surgical precision in stimulation treatment placement, it is equally important to know exactly what we are fracturing and how the fracture is propagating as we pump. Here, integration of multiple Schlumberger technologies is proving key as we deploy StimMAP Wireline-based monitoring technology to detect the microseismic events generated by the fracturing process itself.

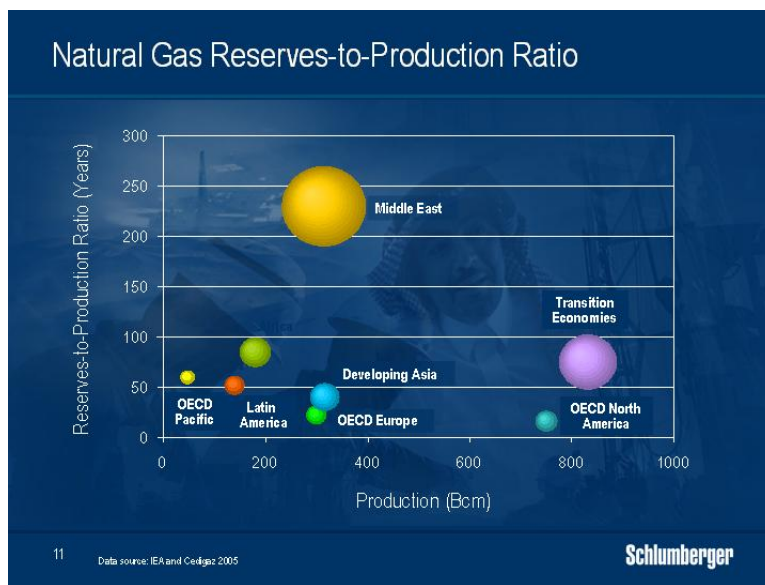


Here is a seven-stage job—monitored by StimMAP. The left graphic displays the monitoring well on the right. In the right graphic the horizontal fractured well runs top to bottom. The different colors show that each of the zones has been fractured. The advantages lie not only in confirming the success of each stage, but also in the opportunity to monitor the operation in real time. This leads to only pumping what is necessary to correctly stimulate the well with consequent savings in materials and operating time.

Integration of multiple Schlumberger technologies is a key advantage for us in developing the responses needed to meet changing markets. Contact fracturing and StimMAP bring clear value to markets where horsepower is no longer the only criterion and where advanced chemistry and technology integration will become more essential to improving performance and mitigating technical risk. Several other new

technologies are being introduced that treat and produce on the same run as part of Schlumberger's Contact family of stimulation services. These are also designed to bring new precision to the way in which wells are stimulated.

Such developments come at a critical time against of declining North American reserves and production. While technology can fill the gap for few more years to come, we will increasingly need to supply natural gas through imports of LNG. This leads me to some comments on international natural gas exploration and production.




Proven worldwide reserves reported by the IEA in 2006 totaled 180 trillion cubic meters—enough to meet demand for more than 60 years at current rates of consumption. More than half of these reserves are found in just three countries—Russia, Iran and Qatar—and they have grown by more than 80% over the past 20 years with the largest additions being recorded in Russia, Central Asia and the Middle East. While some of these additions have been discovered while searching for oil, others have come from the appraisal and development of existing fields. But as in the case of new oil fields, new gas fields are often much smaller than those found before.

In addition, some of the gas being discovered is found in conditions of high temperature and pressure, or in common with hydrogen sulfide, both of which render evaluation more complex. Successful development must therefore include precise measurements of hydrocarbon characteristics both in situ and at the well head and this need is being met by new Vx meter testing technology that offers unprecedented accuracy in evaluating gas in complex flow regimes.

### Evaluating Gas in Complex Flow Regimes

- Vx technology represents major testing innovation for difficult-to-evaluate wells
- Recent developments enable high-quality measurements of particular value in gas wells
- Vx allows testing in half the time of conventional methods
- Data in real time enable operators to optimize production through faster decisions and reduced risk



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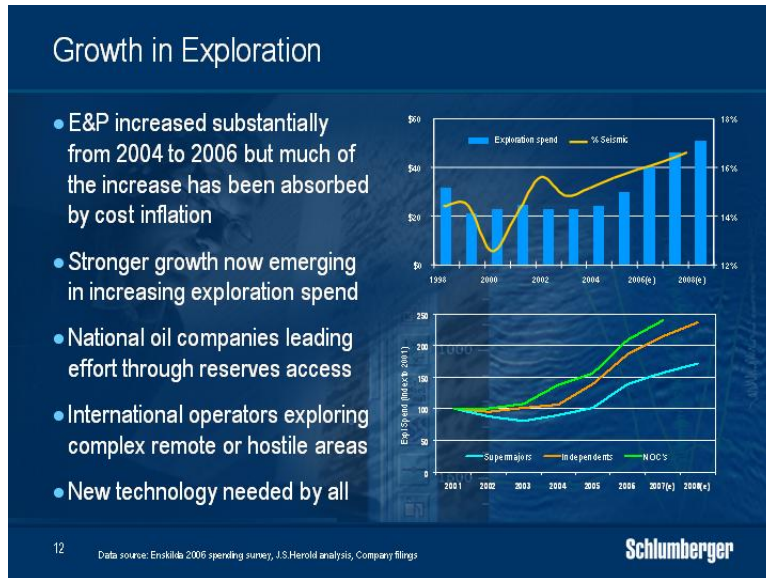
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Vx measures all three phases within complex flow regimes quickly and efficiently—without the need for physical fluid separation. Whether evaluating an exploration well, testing a new development well being brought on line, or monitoring a producing well as a matter of routine, Vx technology represents major innovation using sophisticated sensors and advanced signal processing techniques to allow difficult-to-evaluate flow rates to be independently measured.

Recent developments have enabled new, high quality measurements of gas, oil and water flow rates that are particularly valuable in gas wells. Superior accuracy is obtained with Vx metrology at high gas, or low liquid rates, even in the presence of acid, brine or gas slugs. The technology allows accurate well testing to be performed in less than half the time of conventional techniques without the requirement of a field separator.

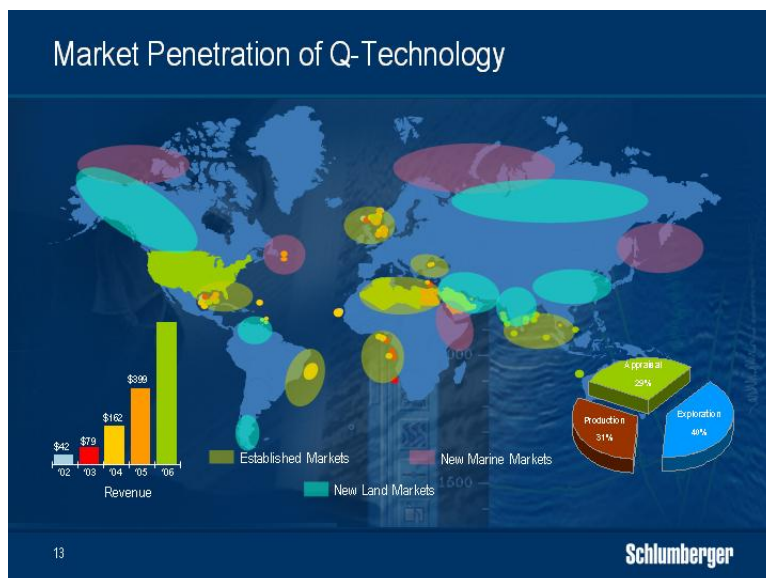
Operators worldwide have been able to optimize production through the use of accurate, multiphase flow data delivered in real-time to facilitate decisions and reduce risk. In the North Sea Vx data inputs for reservoir simulation saved almost \$6 million in production over a 45-month period. Two operators are managing their reservoirs and optimizing production facilities with this technology to systematically gather accurate flow data on more than 110 wells in the Algerian desert, saving considerable time and expense. The ability of this technology to accurately monitor the dynamics of well behavior in real time in the challenging gas condensate reservoirs of Russia is also generating significant interest. It is clear that the reduction in uncertainty brought by Vx technology is playing a direct role in the optimization of hydrocarbon recovery.

International gas activity is just one of the major drivers behind the worldwide increase in exploration. This is having major effects on the industry as a whole and on Schlumberger in particular given the strength of our technology portfolio in the services most directly related to reservoir definition and characterization.



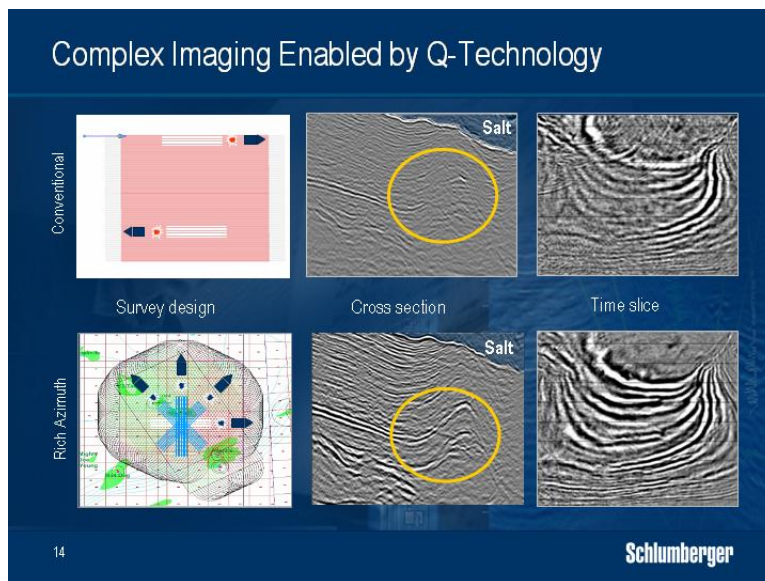
Although exploration and production budgets increased substantially from 2004 to 2006, much of the increase has been absorbed by cost inflation. Only now is growth being clearly seen in worldwide exploration spending. While all types of operator are engaged in this effort, the national oil companies with their easier access to reserves are leading the trend as they embrace new technology and expand beyond their traditional boundaries.

But the exploration challenge is also becoming more complex and in particular the access constraints upon the international operators are forcing them to explore in areas that are more complex, more remote or more hostile. Against this background, the successful growth of Schlumberger Q-Technology has been driven both by the upsurge in activity, and by the inherent value it brings to the identification and characterization of these more difficult prospects.



Q technology has now penetrated most of the hydrocarbon basins in the world. Each colored dot links to an area of marine activity, while each colored country represents land crew deployment. The growth in revenue is tracked in the lower left-hand corner—but this is far from over. New Q-Marine markets will be in the frontier exploration environments of the Arctic areas and the Gulf of Suez/East Africa while Q-Land has significant potential for growth in regions such as Alaska, Siberia, Venezuela, Argentina as well as those traditionally closed to external competition such as India and China. From 4 Q vessels and 2 Q land crews in 2004, we have grown to 6 vessels and 5 land crews today. We have solid plans for future land crews and have announced the 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> Q vessels for 2007, 2008 and 2009, respectively.

But as we have gained more experience with Q, we have also been able to develop more applications that benefit from the quality of its single-sensor data. These have included the more difficult surveys that have increased illumination of potential reservoirs sub-salt, and sub-basalt where conventional data are too poor to be of value. Sub-salt is a particular challenge in the Gulf of Mexico where new Q surveys are being shot using complex rich azimuth and wide azimuth patterns.



Such patterns are difficult to achieve. They typically require more boats, more time and generate as much as six times more data than standard 3D work. Q technology is succeeding here, not only because of its greater fidelity, but also because its steerable streamer capability reduces time taken to turn the vessel between lines and even permits shooting while the vessel turns for greater efficiency.

The top three pictures here show results from a conventional survey with a structure of particular interest circled in red. To the right is a depth slice through the structure. The lower three pictures show the complexity of the survey design, but also the superior quality of the results. With wells in these areas costing around \$100 million to drill, the value inherent in mitigating risk is clear.

Integration of seismic with other data has always been an industry goal. Last year's acquisitions of TerraTek and Ødegaard are now integrating with our overall technology portfolio and adding capability in geo-mechanics and in the complete seismic-to-simulation chain. Advanced wireline and logging-while-drilling technologies are also key to such integration and I'd like just to mention some of the benefits that the latest Scanner family of new-generation wireline measurements is bringing to reservoir characterization.

### Scanner Wireline New Technology

- New-generation wireline services make true 3D measurements of the formation rock and fluid
- Makes measurements deeper into the formation
- A family of services—the first three of which provide resistivity, sonic and magnetic resonance data
- Reduces risks associated with more complex reservoirs and smaller hydrocarbon accumulations



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Scanner services scan the reservoir in three dimensions to yield better understanding of reservoir rocks and fluids. Three services have been introduced so far—the Rt Scanner\* multi-array tri-axial induction tool; the Sonic Scanner\* advanced acoustic scanning platform; and the MR Scanner\* nuclear magnetic resonance tool. Scanner technologies see deeper into the formation at multiple depths of investigation to locate and identify trapped fluids, evaluate rock stresses and formation integrity, and quantify petrophysical parameters.



Scanner technology take-up has been extremely rapid. Nearly 1,000 jobs were run in 2006 and one or more members of the family are now active in 23 out of our 29 GeoMarkets. Instances of the value brought are many. The Sonic Scanner has detected reservoir features more than 50 feet away from the well helping to guide formation fracturing and to optimize well completion. The MR Scanner has differentiated gas condensate from light oil in the challenging exploration environment of the North Sea. In China, the MR Scanner has confirmed fluid content in a number of cases where fresh water has been mistaken for oil in the past. And the Rt Scanner has successfully evaluated low-resistivity laminated sands in Mexico with subsequent water-free production well above average production for the area.

In the vast majority of the areas where Scanner technologies have already been deployed their use has brought increased certainty in reservoir modeling to allow reduction in the risk associated with the development of smaller, more difficult and more complex reservoirs.

I'd now like to update you on our business segment financial performance and I will begin with WesternGeco.

## WesternGeco Growth

- Sustained differentiation with Q and SLB integration. Q revenue grew from \$79M in 2003 to \$726M in 2006
- Land business set to grow—Q-Land becoming significant differentiator
- Marine driven by Q-Marine and Q-Seabed
- Data processing growth through:
  - Joint research initiatives
  - Increased number of in-house centers
  - Increase in Q activity
- Multiclient used in better business model
- Current backlog \$1.1Bn—up from \$790M at the beginning of 2006



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Results were impressively strong in 2006 across all business lines as exploration activity grew and Q-technology uptake increased. There have been further strong signals in both land and marine activity; in repeat business and long-term contracts for surveys that use clearly differentiated Q technology; and in multiclient sales where WesternGeco has successfully completed some exciting reprocessing projects over large areas of the US Gulf of Mexico. Backlog at \$1.1 billion, remains at record levels.

In 2006 we increased Q revenue to \$726 million—a performance that puts this technology firmly in line with our target for any new technology. Revenues in early 2007 confirm continuing strength at pricing premiums over conventional 3D surveys.

## Financial Review

	2003	2004	2005	2006
Return on Capital Employed (ROCE)	5%	14%	28%	34%
Oilfield Services After-Tax Return on Sales (ROS)	13.5%	13.8%	17.1%	21.5%
WesternGeco After-Tax Before Minority Interest Return on Sales (ROS)	N/A	6.1%	12.0%	24.6%
Net Debt	\$4.2B	\$1.5B	\$0.5B	\$2.8B

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Looking further ahead as I've explained this morning, we see no slackening in activity before 2010 given the industry context—with the usual proviso that any economic recession is not severe enough to provoke a serious drop in demand. We therefore

maintain our high teens top-line growth targets through the end of the decade. We still feel that substantial growth will occur beyond the end of the decade.

Given the activity shift to both the Eastern Hemisphere and towards services that mitigate risk through improved reservoir definition and characterization, we are currently reviewing our long-term goals. We fully expect this combination will allow us to deliver robust margin performance.

In line with our strategy of not retaining more cash than we need, we have made considerable progress with our second plan to repurchase 40 million shares by April 2010—subject to market conditions—and have already purchased 13.6 million shares under this new plan. In January of this year, the Board of Directors approved a 40% increase in the company dividend—making this the third increase in as many years. Dividends have now increased by almost 92% since the end of 2003.



The slide features a dark blue background with a faint image of an industrial site. The text is white and organized into a list of four bullet points. The Schlumberger logo is positioned in the bottom right corner of the slide area.

### Summary

- Schlumberger is the leading provider of technology, project management and information solutions and offers unmatched cultural breadth, technical depth and a unique technology portfolio
- Renewing and expanding production capacity through stemming decline, improving recovery and exploiting reserves in the eastern hemisphere creates an environment in which we will thrive
- The company is focused on growth through geographical expansion, technology leadership and project management
- We are determined to produce superior financial results

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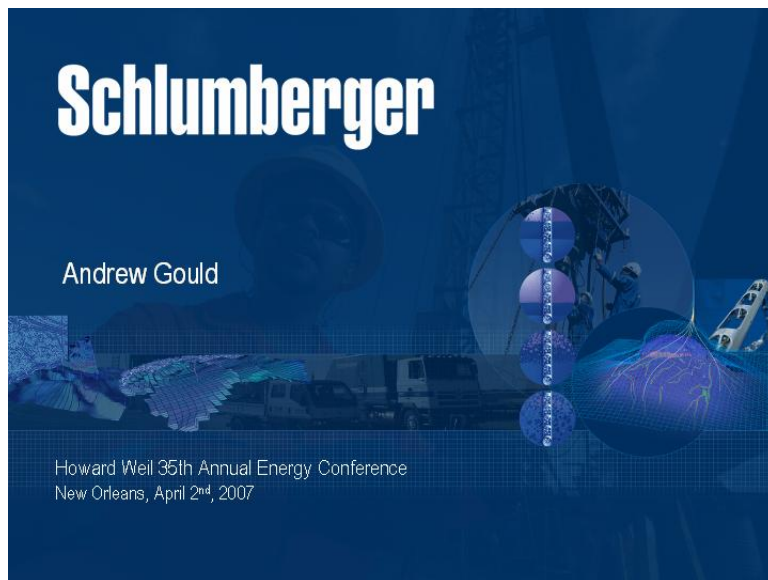
Ladies and Gentlemen, I have explained why we consider this highly favorable business climate is likely to continue for a number of years with a renewed emphasis on exploration, reserves and reservoir recovery.

The world's requirements to renew and expand production capacity through stemming production decline, improving recovery factors and exploiting the extensive hydrocarbon reserves in the Eastern Hemisphere through increased exploration creates an environment in which Schlumberger will thrive. The growing worldwide concern over the adequacy of natural gas supplies can only make this situation even more favorable for us.

Schlumberger is the leading provider of technology, project management and information solutions to the international E&P industry and has a clear record for growth, innovation and development. Our cultural breadth and technical depth is enormous. We have a strategy to accelerate our geographical growth, extend the reach of our technology portfolio and grow our project management business.

And we are determined to produce even more satisfactory financial results.

Thank you.



\*Mark of Schlumberger