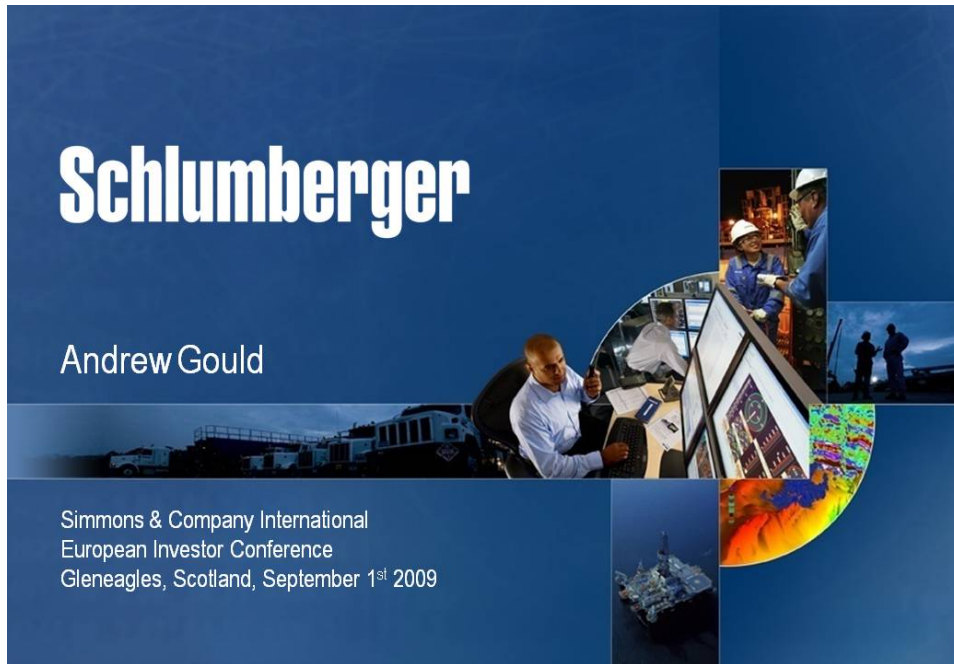


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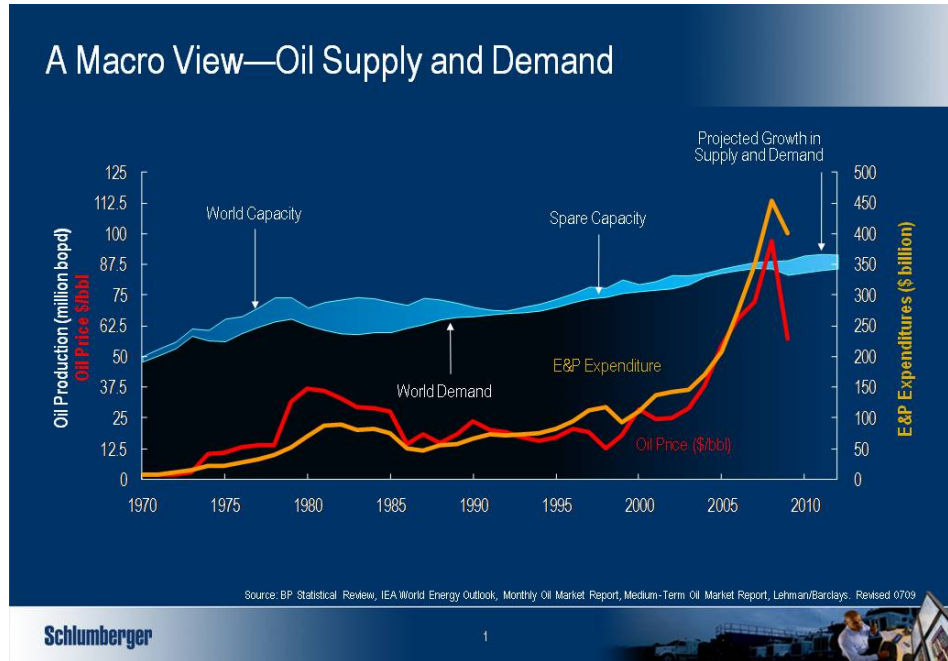


Ladies and gentlemen, good evening, I would like to thank Simmons & Company and particularly Bill Herbert for their kind invitation to speak at this opening dinner.

I doubt if anybody here this evening will question that the past year has seen radical changes in the fortunes of the oilfield service industry. Lower commodity prices have led operators to dramatically reduce expenditure, cancel projects or request price concessions to improve project economics. In spite of these changes however, I am struck by other, perhaps more significant developments that are also taking place. Hydrocarbon sources are changing as easy fields are produced; the client base is shifting and growing geographically; and the interaction between the two is segmenting the business in a way that we have rarely seen before. At the same time the disappearance of cheap money and the dramatic fall in operator cash flows has added further complexity. As a result, we are becoming required to cover a wider range of hydrocarbon opportunities and customer types while positioning for the uncertain timing that surrounds the resumption of growth in demand. Indeed, in the current global recession, the industry driver has become that of lower demand, and not tightening supply.

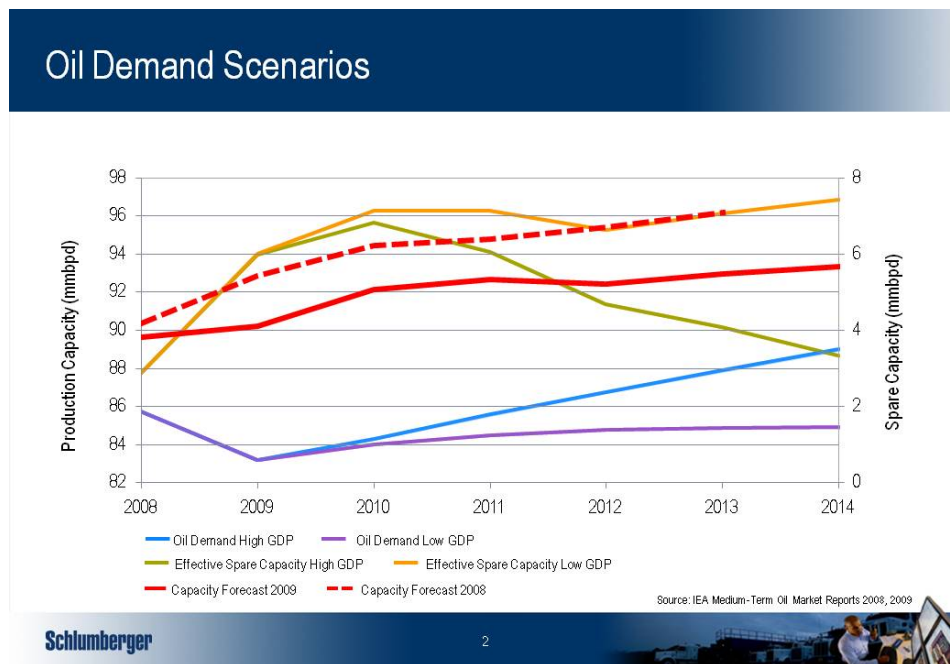
My remarks this evening begin with a view of how I believe the economic recession has affected short-term supply and demand for both oil and natural gas, what this means in the medium- to long-term, and why little of this really affects our focus. I will then describe how we have reduced cost while protecting our key investments in people and technology as well as where we are continuing to invest. I also will expand on the role of our seismic business as this has been particularly affected by short-term cuts in exploration spending and I will show you why the

breadth, technical depth and financial strength of Schlumberger remain unparalleled in our industry and how we will emerge from this recession much stronger than before. But first, some macro-economics.



Many of you may have seen versions of this chart before. It's a potted history of 40 years of the oil business. The estimates for the next few years are based on a scenario using the latest IEA Medium-Term Oil Market Report and you can see the increase in spare supply capacity that has resulted from a combination of lower demand and new supply. It is this combination that has led to lower prices and falling investment levels.

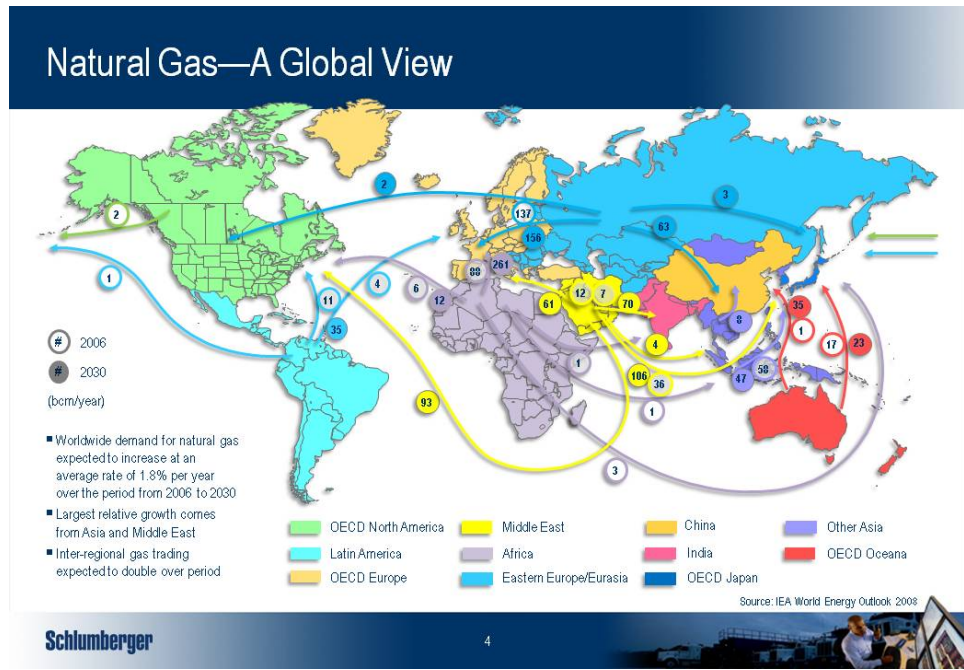
But even though investment in exploration and production almost tripled from 2000 to 2008, little additional oil production capacity was added. Part of the reason lies in the inflation that developed across the supply chain, another part lies in the increased production capacity of a handful of OPEC producers being counter-balanced by the level of falling non-OPEC production. As the outlook for long-term global energy demand remains little changed, I for one remain concerned that the inevitable higher finding and development costs of new supply, coupled with lower oil and gas prices and more restrictive credit markets, are stifling investment flows. This situation, if it persists, will lead to inadequate supply when demand growth returns and to demonstrate that I would like to share two scenarios with you.



These are based on the medium-term IEA report and cover the period 2008-2014. The first two curves forecast oil demand over the period under two growth assumptions corresponding to two different patterns of economic recovery—low in purple based on around 3% global GDP growth, and high in blue coming from closer to 5% GDP growth.

These lead to a corresponding pair of spare capacity curves in orange and green. Low growth means higher spare capacity and vice versa with spare capacity having a major effect on price. You can see that we don't expect much to change before sometime in 2010, but then, assuming higher GDP growth, effective spare capacity narrows and we could potentially be moving to higher prices and stronger activity.

But as investment levels fall, this chart also shows one other fact illustrated by the third pair of curves. While we are seeing lower demand, we are also seeing lower overall supply capacity. Already, between one-and-a-half and two million barrels of expected additional production capacity have been lost to falling investment, and the forecasts do not show much change in that number over the period of this chart. It is this lost or delayed production that leads me to feel concerned about the effects of lowered investment once growth returns particularly in view of the new geographies where the industry will be looking for future sources of supply.

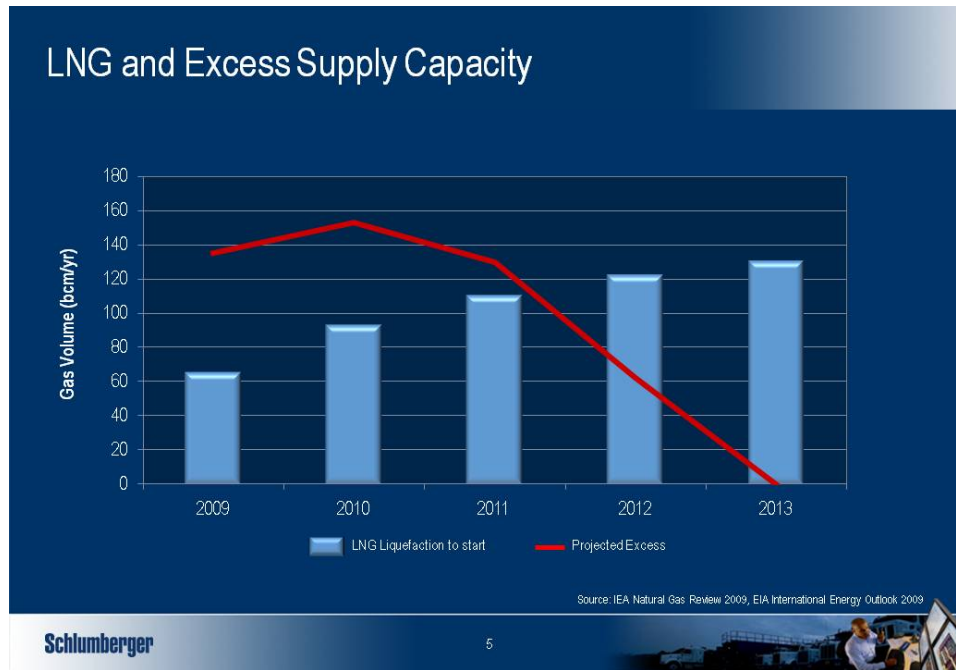


Turning now to natural gas, global demand is now expected to increase at an average rate of 1.8 % over the 25-year period from 2006 to 2030. This is nearly double the average increase in oil demand over the same period. By 2030, natural gas demand will represent 22% of total energy demand, while for the next two decades the power generation sector will account for nearly 60% of this growth.

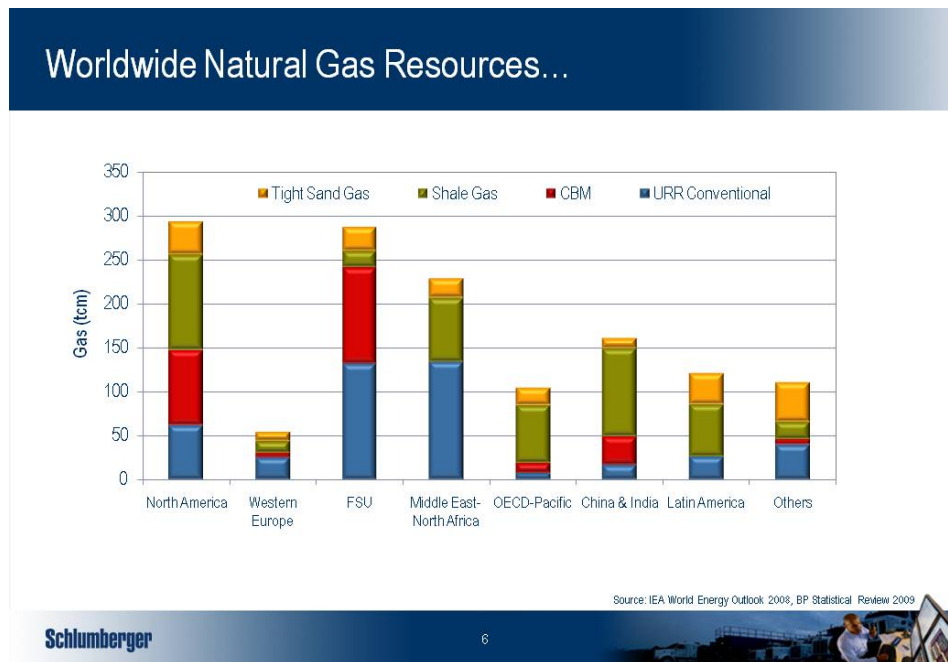
The largest relative growth in demand will come from Asia and the Middle East, driven not only by increasing use for power generation, but also by housing needs, and as feedstock for the petrochemical industry. By 2030, these two regions will account for a combined 30% share of global gas demand—up from 19% today.

And while natural gas is expanding outside traditional consuming countries, a significant share of the projected production increase will come from the Middle East with most of the remainder coming from the Former Soviet Union countries and Africa.

Such changing patterns are leading to a global change in inter-regional gas trading—an activity that is expected to more than double over the period to 2030—and something that is being fueled by liquefied natural gas supply and transportation.



Indeed, a massive expansion of LNG capacity is underway with much of this expected to be available by 2012 with such expansion at a time of recession and lower demand leading to excess supply and unfavorable economics. You can see that just as in the case of oil demand and supply, little will change before 2010 after which the combined effects of growing demand and reduced investment narrow the excess supply gap. In the medium- to longer-term therefore, significant efforts will be needed to find and produce considerably more gas than is available today.



And again, just as in the case of oil, we can expect to see those efforts take place in new areas, and in search of more complex resources. In fact, the majority of the world’s known natural gas resources lie in non-conventional accumulations in tight sands, shale beds and coal beds as evidenced by data from BP and the IEA.

Nowhere is this trend more evident than in North America where non-conventional gas now represents more than 40% of US domestic production—a figure that has been made possible by a range of new technologies that maximize the contact between the shale formation and the wellbore. This performance will continue to evolve as technology for maximizing the production through drilling and completion is enhanced by other new technologies for modelling the most productive streaks prior to fracture stimulation.

Worldwide however, non-conventional gas resources represent only 10% of total production with commodity prices and project costs dictating whether, where and when their development will expand. That said, major coal-bed methane projects are already underway in China and Australia demonstrating how new geographies will contribute to future supply.

Yet unlocking even more conventional resources will require considerable new technology.

...Are Becoming Increasingly Complex

World Proven Sour Gas Reserves, 2006					
	High H ₂ S only	High CO ₂ only	High H ₂ S and CO ₂	Total	
	(Tcm)	(Tcm)	(Tcm)	(Tcm)	% of total reserves
Mexico & South America	0.3	1.1	0.3	1.7	21
Europe	0.1	0.7	0.3	1.1	19
Former Soviet Union	0.8	10.1	7.3	18.2	34
Africa	0.0	0.5	0.5	1.0	8
Middle East	2.6	0.4	40.9	44.0	60
Asia Pacific	0.3	4.4	2.3	7.1	46
World	4.2	17.2	51.6	73.1	43

Excludes North America, high H₂S is more than 100 parts per million; high CO₂ is more than 2%

Source: IEA World Energy Outlook, 2008



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By way of illustration, the IEA has reported that 43% of world conventional gas reserves contain significant amounts of hydrogen sulfide or carbon dioxide. In the Middle East, where 40% of the world’s proven gas reserves exist, 60% of the reserves contain hydrogen sulfide, or sour gas.

These numbers indicate that the industry will be required to manage increasing concentrations of sour gas—a highly corrosive fluid that leads standard equipment to suffer dramatic failure—as

well as greater volumes of carbon dioxide that must be extracted and stored. The technology to store carbon dioxide is already available as pilot projects in the Norwegian North Sea and the Algerian Sahara have shown.

The technology to manage sour gas production is also available, and we scored a significant success in the Middle East recently on a well test where our equipment spent 55 days downhole in a 300 deg F well with up to 30% sour gas content to acquire more than 8 million pressure and temperature measurements and 150 downhole samples. This performance surpassed our customer’s expectations and enabled all reservoir characterization objectives to be met despite the exceedingly difficult operating environment. When you look at photographs of sour-gas failed equipment such as this, you can appreciate this success.

Schlumberger Growth versus Market Growth 2004-2008

Product Line	Market 2008 (\$M)	Market CAGR 2004-2008	SLB CAGR 2004-2008	SLB Rank 2008	SLB Rank 2004
Geophysical Equipment & Services	15,310	24.9%	23.0%	1	1
Wireline Logging	11,291	19.8%	20.7%	1	1
Logging While Drilling	2,699	28.7%	28.2%	1	1
Coiled Tubing Services	3,314	21.3%	21.7%	1	1
Production Testing	1,955	24.3%	26.3%	1	1
Directional Drilling Services	10,095	29.5%	31.8%	1	1
Artificial Lift	6,990	18.7%	18.9%	2*	2
Pressure Pumping Services	24,466	25.7%	21.2%	2	2
Completion Equipment & Services	7,486	21.7%	30.4%	4	3

Source: Spears Oilfield Market Report 2009—updated August 2009. Artificial Lift rank based on ESP market.

Let me turn now to our strategy and how we try to operate within the growing diversity in the hydrocarbon types I have mentioned. We have always had a policy to be number one or number two in the areas we choose to compete in. The numbers shown here reflect the most recent Spears data.

There are other areas where a service is important to us but is not necessarily one we need to own. Our joint venture in drilling fluids is a good example as are a series of joint ventures in land drilling companies around the world. Land drilling is a capital intensive business where national Governments increasingly want to encourage local competition. Equipment is readily available and drilling activity is a good source of local employment. At the same time, joint ventures provide long-term access to outside expertise as our 50-year such venture in Saudi Arabia has demonstrated. The recent move in Mexico to encourage local company participation in large

drilling tenders is a further example. This is normal and there is always more pressure to go this way when rig prices are low and work is scarce.

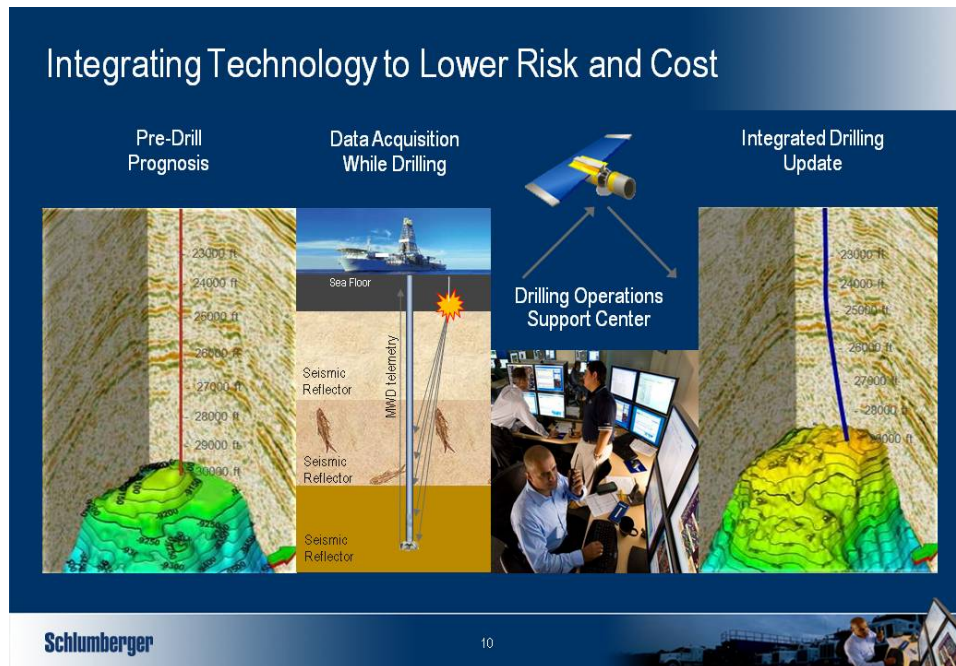
In the current environment, there is considerable discussion around possible M&A in the service sector. And while we have been actively pursuing targets that either complement our portfolio or our geographic presence, we do not rule out adding certain other services lines to those shown here. The price however has to be right, and any such services would have to complement those we already provide.

As I said earlier, different hydrocarbon types, and varying reservoir maturities increase the complexity of the service company technology offering. While many of the challenges remain the same, the scale and manner in which our technology portfolio is applied is not. To explain this I would like to show you two aspects of how we approach different markets. These are the integration within the portfolio, and the organization to deliver the service.



First of all, we view our services in response to categories of customer reservoir activity—such as exploration and appraisal. Each of our technologies—such as Wireline, Well Services and so on—may own part of such a category. For example, exploration and appraisal would typically involve WesternGeco, Drilling and Measurements, Wireline and Testing. This doesn't exclude other technologies of course having some input and when I'm asked if the breadth of our portfolio is an advantage or an impediment to our investment profile, I would say it's an advantage. The reason for this is that in the current environment where higher costs, more difficult geologies, and more complex hydrocarbon types are challenging customer economics, our capacity to integrate reservoir understanding, technology and operational process across different services is an increasing advantage.

Let me just illustrate that by one example of unique Schlumberger seismic and drilling technology integration designed primarily for exploration and appraisal work.



There is of course close affinity between seismic and directional drilling to ensure that a well is drilled in the right place, but the trick is to integrate data sets at different scales by reconciling lower-resolution seismic depths to higher-resolution logging-while-drilling measurements fast enough to correct well trajectory in real time. With the spread cost of deepwater rigs remaining in excess of a million dollars a day, drillers cannot wait long for new information—however valuable it might be. In addition, the failure to foresee events leading to unplanned sidetracks has been a major source of cost overruns in deepwater wells.

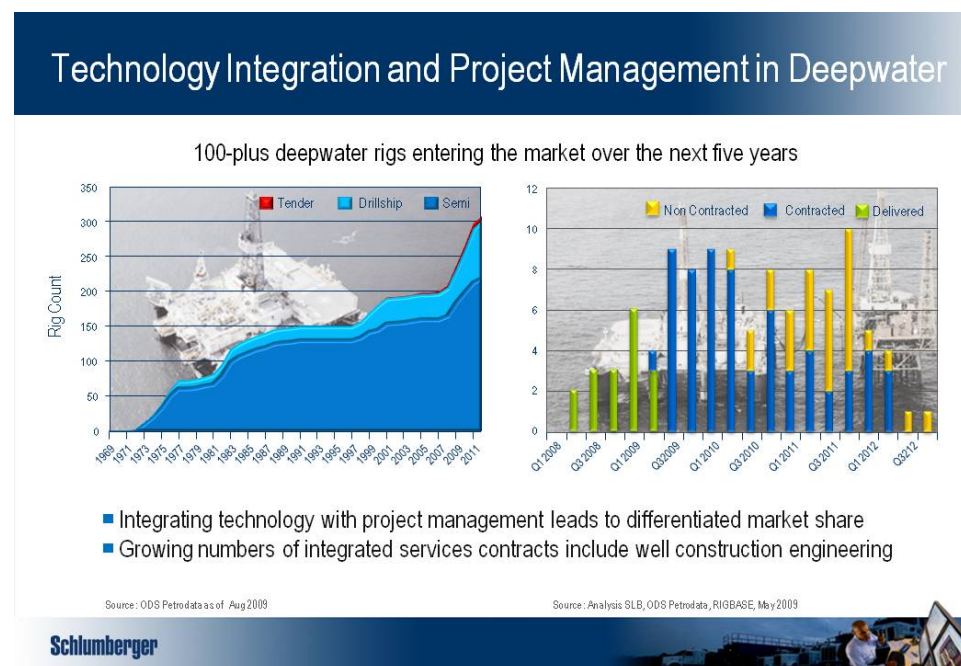
The drilling process involves two distinct cycles. The first is planning—which is long-term—while the second is execution and is short-term. Schlumberger seismic-guided drilling changes this by integrating the two in a real-time model continuously updated by new information as the well is drilled.

The first picture here shows the model when we start drilling the well. This incorporates all prior understanding of the sub-surface. When we add seismic logging-while-drilling data as we drill, we can update the model by sending the data to a support center where a team of geoscience experts analyzes any differences. When these reach certain thresholds, a complete re-imaging is undertaken.

With conventional technology, this can take months—too long to have any bearing on the drilling of the well. Using a unique integration of software, process and computer technology, seismic-

guided drilling reduces the time required to re-image so that the new measurements influence the operation almost immediately. The last picture shows the result—the well was successfully drilled into the formation top, which as you can see is in a very different place from the original plan.

Seismic-guided drilling has already been proven in the deepwater Gulf of Mexico. We are now expanding its testing to fields in the Middle East and Asia that will help us demonstrate the benefits in different geological settings and drilling environments. The ultimate benefit to the customer of this type of technology integration will be the reduction in technical risk and project costs.



While seismic-guided drilling is a specific integration of technology, the strength of our deepwater portfolio is increasingly leading to differentiated market share within the 100-plus new deepwater rigs entering service over the next five years. It is also leading to increasing technology integration with some level of project management from Schlumberger. This is best illustrated by the recent announcement by OGX—the largest private E&P company in Brazil by offshore exploratory acreage—who awarded us an integrated services contract covering well construction engineering, project coordination, geomechanical modeling, logging, directional drilling, LWD, cementing, completion, well testing and artificial lift services on four offshore semisubmersible drilling rigs. Other similar projects include integrated service contracts for ONGC in India, and StatoilHydro in Egypt.



Another benefit of integration can be seen in the large IPM projects in Mexico. These have involved aspects of rig design and logistics as well as the optimization of a number of our different service lines. The result has been increased efficiency where on the Burgos field for example, we have drilled nearly 1200 wells and in doing so have reduced the time per well more than threefold. Chicontepec, also in Mexico and where we have drilled more than 750 wells is another example. Increasingly, this type of drilling, which is being called “Factory Drilling”, provides opportunities for innovation in drilling process and technology. We are convinced that as production matures, particularly on land, customers will increasingly outsource this process to the service industry to reach the drilling intensity necessary to meet production targets. It will be the service industry’s role to reduce well cost through greater process integration while earning a proper return. This type of project is becoming increasingly competitive as recent tendering has shown, and we are looking increasingly at projects where we can add more value through integration rather than through the mechanical drilling process alone.

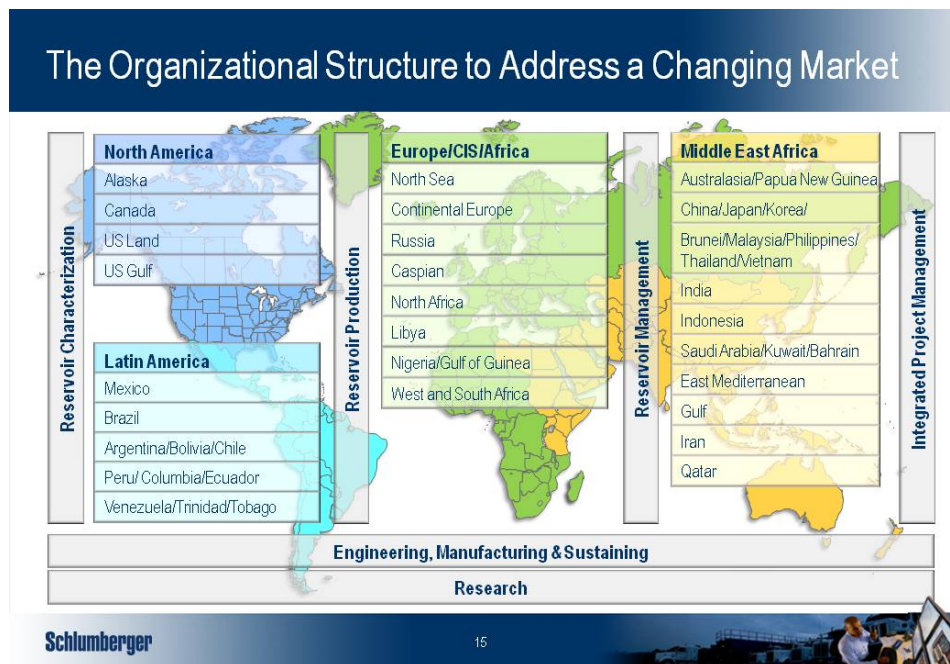
The increasing complexity of shale gas production in North America is another example where we believe that further integration is possible. What started as a cost-driven exercise has become much more technology intensive through horizontal drilling and staged fracturing that while turning the process into something much more complex, still requires proper characterization of shale gas resources to maximize potential. With the potential of this market, any idea that we are a better investment proposition because we have less exposure to North America is a short-term perspective. The costs of shale gas development will rise as different basins are exploited and the technology profile will continue to evolve.

I could expound all evening on the differentiation we can produce through integration of technology and process across our portfolio. It is much more important for you to understand that this is only the beginning of integration. One of the key enablers used across the industry is the

unique Schlumberger Petrel workflow process software within the Ocean open software environment. Over the last seven years, Petrel has become the de facto industry technical software choice with four out of the five super-majors making it their standard. At least two super-majors have migrated many of their proprietary software routines to the Ocean environment as Petrel plug-ins. All the NOCs, and a majority of the independent operators use Petrel. There are more than 20,000 users. Our competitors are even asking for licenses. Petrel allows tasks that were previously performed sequentially in different scientific domains to be performed concurrently on a common data set. To call this software environment the Windows® of petrotechnical software would not be far from the truth. It enhances the capacity to integrate across the exploration and production world.

As customer projects become more complex, and both cost and risk become of ever-greater importance in the decision-making ability to create efficiency, there are many opportunities for growth beyond the provision of discrete services. Our current examples of technology integration include hydraulic fracture monitoring, intelligent completions in maximum reservoir contact wells, dynamic reservoir testing and many more in addition to the seismic-guided drilling process I described a few minutes ago.

Let me now describe how Schlumberger is organized to address this changing market.



Ten years ago Schlumberger was managed through individual service lines that reported back to product line Presidents organized into two groups at the headquarters level. Customers sometimes had to interface with as many as eight local Schlumberger representatives. Objectives were set by product line, which meant that we had no coordination at the local level and any form

of integration was therefore impossible. There was no incentive to rationalize support cost at the local level.

We then moved to the current system of four geographical areas managing a number GeoMarkets and frankly it has taken us most of those ten years to make the system function optimally. It has brought us huge advantages in market share gains, technology penetration and customer understanding. It has allowed us to move Research and Development closer to the field—such as in Russia and Saudi Arabia. It provides us with unparalleled market intelligence, a second-to-none recruiting and training organization, and a support structure that is increasingly the low- cost alternative. Adding a service line presence in a particular geography for example comes at very low structural cost.

GeoMarket Integration—Data & Consulting Services

- In the mature GeoMarket organisation, managers and technical staff enable integration at the local level
- Data & Consulting Services is one of the most important tools as the largest single community of geoscientists in the industry
- DCS provides interpretation support and geoscience consulting to define new uses of discrete data and identify opportunities for technology integration



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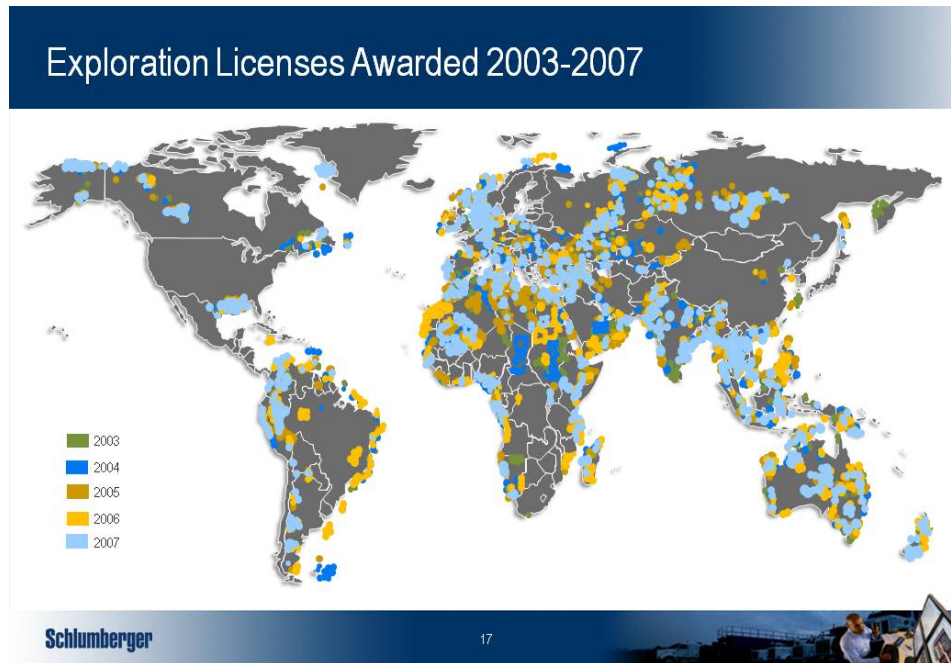
However, it is important to understand that the true opportunity for this organization still lies ahead. It has been a long process to reach the maturity of today as the relationships between service line representative, customer and GeoMarket manager have constantly evolved. But now having reached maturity, the GeoMarket manager and his technical staff will enable the integration to come as the delivery of the solutions will happen at the local level.

One of the most important tools of the GeoMarket manager is the Schlumberger Data and Consulting Services organization. This is the largest single community of geoscientists in the industry. They aren't always visible because they tend to work in small groups close to the customer in the GeoMarket. Their presence in the GeoMarket fills two roles—first the interpretation support to our measurement services, and second the extensive geosciences consulting they provide to customers. In doing so, they define new uses of our discrete services as well as identify opportunities to integrate. Seismic-guided drilling requires a team of

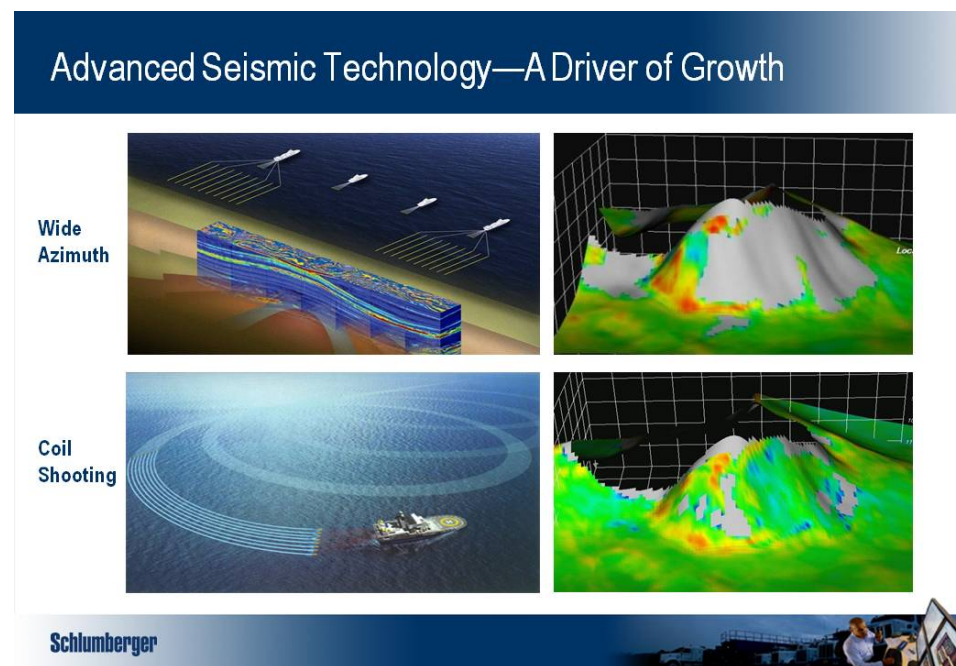
geophysicists, geologists, petrophysicists and drilling engineers without the close co-ordination of whom the project would not be possible. But just before my competitors rush out and try to hire these people let me say that it will be extremely expensive, as they are the best protected group in Schlumberger—even better protected than the CEO.

I am therefore convinced that the maturity of the GeoMarket organization will increasingly identify opportunities for further integration of technology and process that will create additional efficiency and value for our customers. I am also convinced that this structure is ideal for the deployment of the next generation of discrete technologies engineered by our integrated engineering, manufacturing and sustaining organization under the Excellence in Execution initiative that I outlined earlier this year.

Before I summarize our outlook let me turn briefly to our seismic business.



While seismic exploration activity is currently low and there is an excess in supply of marine vessels, this does not, in my opinion, look like a situation that will persist very long for two reasons. First, a look at the license awards over the period 2003 to 2007 shows many of the regions that characterize the challenges of new supply. You can see the potential emergence of whole new provinces—such as offshore Greenland, or central Sub-Saharan Africa. And while there are extraordinary concentrations of activity in known provinces in Brazil, North Africa, the North Sea and Southeast Asia, there is also growing interest in Eastern Siberia and New Zealand. It is clear that the age of easy oil and gas is over.



Second, the benefits of advanced seismic technology are growing. Some years ago, I remarked that the single-sensor approach of WesternGeco Q technology was continuing to surprise us with its performance. As the industry looks for the deeper, more subtle and more complex reservoirs of the future, the capability of Q becomes even more exciting and the potential of the technology is far from mature even seven years after introduction.

Indeed, as structures become more complex the simple rules of geophysics begin to fail and it can no longer be assumed that covering the surface with sources and receivers will successfully illuminate the sub-surface structure. You can see this in the two WesternGeco survey designs shown here. Green shading shows good illumination—meaning we will be able to see the structure in the seismic data once we begin acquisition. Grey means we won't. In the top image, derived from a wide-azimuth survey design, not all of the structure will be visible. In the lower image on the other hand, resulting from a coil-shooting survey design where the acquisition vessel steams in a series of overlapping circles, the structure is shown much more clearly. Coil shooting is unique to WesternGeco—no other system has the capability to adequately eliminate the noise in the tight steering patterns that it requires. To date, we have already executed five or six projects with a lot of further interest currently being shown.

In spite of the technological opportunities however, our short-term seismic results will continue to be lumpy; driven by Marine vessel utilization and the level of multiclient sales. Indeed, the third quarter, traditionally the best for marine, is unlikely to be so this year due to delayed start-ups, cancellation of tenders and reduced survey sizes. For multi-client data, interest in offshore areas and particular deepwater remains robust, but budgets have yet to be increased. We therefore think it likely that the fourth quarter of this year and the first quarter of next will be the low point in

the seismic cycle while it will be the rate at which the older vessel capacity is removed from the market that will govern the speed of recovery.

Positioning for Recovery



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Let me now discuss where I think we stand in the cycle. Our operating cost base declined approximately \$300 million in the second quarter compared to the first as cost reduction programs continued to be implemented. We have largely completed our headcount reductions which topped out at approximately 12,000 people including contractors. We have been careful to protect critical technical staff, and we have built a considerable body of trained engineers on longer rotation or incentivised leave of absence on whom we can call should activity grow rapidly. We have continued to recruit albeit at much lower levels than the previous five years.

We have protected our key research and development expenditures with only minimal adjustments in the overall plan. We have reduced capital expenditure, but not where it is supporting new opportunities such as those in deepwater. We have reduced our infrastructure spend, but not where it has a direct effect on our ability to grow such as in Brazil or Iraq.

As one would expect in an environment where rig count is generally reducing, most contractual activity in the oilfield service business this year has been renewal of existing commitments, mostly through renegotiation, with little new work except in some exceptional areas such as on new deepwater rigs or in Mexico. Our own contract renegotiations with customers are largely completed and I am satisfied we have lost no significant market share in this process and as I mentioned before I am pleased with the success we have had in deepwater tendering. I am also encouraged by the recovery in Russian activity over the summer.

Final Thoughts

- Increased activity requires sustained oil prices above \$75 and increased demand for natural gas in the US. These depend on economic recovery
- Higher F&D costs, more restrictive credit and lack of access to cheap hydrocarbons are affecting customer risk profiles leading to curtailed expenditure until confidence in commodity price levels rises
- We benefit from a strong balance sheet that allows patience, we are vigilant on M&A opportunities, and we will continue R&D investment
- We are focusing on integration of technology and process underpinned by our technical staff and our unique organization
- When E&P activity capex increases again, we will be strongly positioned to continue to produce exceptional financial results

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So the question remains—where do we go from here? I mentioned in our second-quarter conference call that I felt a sustained oil price of \$75 would be necessary to increase drilling activity, while for US natural gas an increase in demand would be necessary to move the price to levels that would encourage any significant increase in drilling. The likelihood of these events happening in a short timeframe remains a question of the general economic recovery.

There is no doubt that the effect of higher finding and development costs, more restrictive credit, and lack of access to cheap hydrocarbon resources are having an effect on the risk profile customers are willing to adopt in a world where all customers are seeing major reductions in free cash flow. As a result, we expect them to curtail increases in expenditure until they are more confident of commodity prices remaining high. For the service industry this is a classic dilemma. The longer new expenditure is delayed, the more rapid will be the rebound when markets tighten.

At Schlumberger, our exceptionally strong balance sheet allows us to be patient over the exact timing of the recovery. We will be vigilant around M&A opportunities and we will continue our R&D spend to be ready with new products and services that help our customers reduce their costs today while adding more value to their increasingly complex projects tomorrow. We will continue to increase the degree of integration we can achieve through our technology, our technical staff, and our uniquely mature geographical organization to produce new and exceptional results for our customers and our shareholders. When exploration and production capital expenditure increases again, and it will, we will be very well placed to continue to produce exceptional financial results.

Ladies and Gentlemen, thank you very much. I wish you all a successful conference.

This presentation contains "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts, such as Schlumberger's forecasts or expectations regarding business outlook, including integration of technology and process; growth for Schlumberger as a whole and for each of Oilfield Services and WesternGeco (and for specified products or geographic areas within each segment); oil and natural gas demand and production growth; capital expenditures by Schlumberger and the oil and gas industry; the business strategies of Schlumberger customers; and future results of operations. These statements are subject to risks and uncertainties, including, but not limited to, the current global economic downturn; volatility in commodity prices; reductions in exploration and production spending by Schlumberger customers and reductions in the level of oil and natural gas exploration and development; general economic and business conditions in key regions of the world; higher development costs; access to capital and the state of credit markets, and their effect on customers; pricing erosion; operational and project modifications, delays or cancelations; and other risks and uncertainties described elsewhere in this presentation, as well as under "Item 1A. Risk Factors" and elsewhere in our most recent Form 10-K filed with the SEC. 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.

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