



# Department of Justice

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## **COURT FINDS SMITH INTERNATIONAL AND SCHLUMBERGER LTD. GUILTY OF CRIMINAL CONTEMPT FOR VIOLATING CONSENT DECREE**

### **Companies Fined \$1.5 Million in Criminal Fines and Agreed to Pay \$13.1 Million in a Civil Settlement**

WASHINGTON, D.C. -- A U.S. District Judge in Washington, D.C. today found Smith International Inc. and Schlumberger Ltd. guilty of criminal contempt for forming a joint venture in violation of a 1994 consent decree. The companies will pay a total of \$1.5 million in criminal fines--\$750,000 each--and be placed on five years probation for their illegal conduct.

The companies also agreed to pay a total of \$13.1 million to settle a civil contempt case that was filed at the same time as the criminal case. The civil settlement represented a full disgorgement of all of the joint venture's profits during the time the companies were in contempt. This marks the first time that a full disgorgement of profits has been obtained by the Department in an antitrust contempt action.

In July 1999, the Department of Justice's Antitrust Division petitioned the U.S. District Court in Washington, D.C. to find Smith International Inc. and Schlumberger Ltd. in criminal and civil contempt for violating a 1994 Final Judgment of the Court. According to the petitions, Smith and Schlumberger formed a drilling fluids joint venture that is prohibited by the Final Judgment. This is the first criminal antitrust contempt case involving a merger decree in more than 15 years.

"This ruling sends a strong message that companies must comply with antitrust consent decrees," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division.

(More)

“Consent decrees are an essential tool in our efforts to enforce the antitrust laws, and this ruling clearly demonstrates that companies subject to consent decrees must respect the rule of law.”

The Department’s Antitrust Division filed a civil antitrust lawsuit on December 23, 1993 to block the merger of Dresser Industries Inc. and Baroid Corporation. At the time, M-I Drilling Fluids, a company in which Dresser had a 64 percent interest, and Baroid were the two largest producers of drilling fluids in the United States. A Final Judgment entered on April 12, 1994 required Dresser to sell either its interest in M-I or Baroid’s drilling fluids subsidiary. To comply with the court’s order, Dresser sold its M-I interest to Smith, and Smith agreed to be bound by the Final Judgment. The Final Judgment bars Smith from selling the divested drilling fluid business to, or combining that business with, the drilling fluid operations of certain companies, including Schlumberger.

Drilling fluids are used while drilling oil and gas wells to control downhole pressure and improve the drilling operation.

The Department’s petitions alleged, and the Court ruled, that despite the clear language of the consent decree prohibiting it, Smith and Schlumberger formed the joint venture. According to the Court, Smith’s actions were in willful violation of the Final Judgment to which it was bound, and that Schlumberger willfully acted in concert with Smith despite its knowledge of the prohibition in the Final Judgment.

The last time the Department filed a criminal contempt charge in connection with a merger decree was in 1983, when it charged H.P. Hood Inc. with violation of a consent decree for consolidating with and acquiring control of three New England dairies.

Civil contempt is a sanction to enforce compliance with an order of the court, and a court may order payment of a daily fee to compel a company to comply with that order. Criminal contempt is a sanction to punish a violation of an order of the court, and a court may impose fines.

Smith is headquartered in Houston, Texas. Schlumberger's U.S. headquarters are in New York, New York; its oil field service business is based in Sugarland, Texas.

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