IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA, Petitioner, v. SMITH INTERNATIONAL, INC., and SCHLUMBERGER LTD., Respondents.	Supplemental to Civil Action No. 93-2621 - SS Judge Stanley Sporkin

SETTLEMENT AGREEMENT AND ORDER

1. The United States filed a petition with this Court on July 27, 1999, seeking to have Smith International, Inc. ("Smith") and Schlumberger Ltd. ("Schlumberger") held in civil contempt.

2. The civil contempt petition alleged that a joint venture formed by Smith and Schlumberger ("M-I L.L.C.") on July 14, 1999, violated the Final Judgment entered on April 12, 1994, by the Court in United States v. Baroid Corporation, et al., as amended on September 19, 1996. The petition alleged that the joint venture violated Paragraph IV.F. of the Final Judgment, as amended, the second sentence of which states that Smith, as purchaser of the divested drilling fluid business, "shall not sell the drilling fluid business to, or combine that business, with the drilling fluid operations of Dresser Industries, Inc., Baker Hughes, Inc., or Schlumberger Ltd., or any of their affiliates or subsidiaries during the life of this decree."

3. The parties have agreed to settle the civil contempt case on the following terms.

(a) Smith and Schlumberger will pay to the Treasurer of the United States $13.1 million, which represents a disgorgement of the total net income of the joint venture from July 14, 1999, through December 8, 1999. Smith and Schlumberger are jointly and severally liable for the payment.

(b) Smith and Schlumberger shall not claim this payment, in whole or in part, as a deductible expense by Smith, Schlumberger, M-I L.L.C., or any subsidiary or affiliate of any of them for tax purposes under any state tax code, the United States Tax Code, or the tax code of any other country.

4. Smith and Schlumberger will file a motion with the Court to modify Paragraph IV.F. of the Final Judgment to remove "Schlumberger Ltd." from the second sentence of that paragraph. Upon entry of this Settlement Agreement and Order, publication will be made in the Federal Register and a newspaper of general circulation in the District of Columbia, at Respondents' expense, of the notice of the proposed modification. The Court will defer acting on the modification motion for a period of forty (40) days following the aforesaid publication to provide an opportunity for public comments on the proposed modification. The United States will inform the Court that it consents to the modification, but will reserve the right to withdraw its consent if it determines, based upon comments filed or other information that comes to its attention, that modification is not in the public interest.

5. The payment described in paragraph 3 of this Settlement Agreement and Order shall be made within five business days after the Court's decision on the motion to modify the Final Judgment. If the Court declines to modify the Final Judgment, nothing in the Settlement Agreement and Order shall preclude the Court from ordering additional relief upon the request

of the United States, and after hearing from the Respondents as to why such additional relief would not be appropriate.

Date: December 22, 1999

FOR THE UNITED STATES

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ORDER

It is SO ORDERED, this 22 day of December 1999.

Stanley Sporkin
United States District Judge