Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURE IN MERGER OF ECOLAB INC. AND PERMIAN MUD SERVICE INC.

Divestiture of Assets Supporting Oil and Gas Production from Deepwater Wells Will Provide Competitive Alternative for Producers in the Gulf of Mexico

WASHINGTON — The Department of Justice today announced that it has reached a settlement that will require Ecolab Inc. and Permian Mud Service Inc. to divest assets used by Permian's subsidiary, Champion Technologies Inc., to provide production chemical management services in the U.S. Gulf of Mexico in order to proceed with their proposed merger. The department said that the transaction, as originally proposed, would combine two of the three leading providers of production chemical management services for deepwater wells in the U.S. Gulf of Mexico. Without the divestitures, the department said the transaction would lead to higher prices, reduced service quality and diminished innovation.

The department's Antitrust Division filed a civil lawsuit today in the U.S. District Court for the District of Columbia to block the proposed transaction. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the department's competitive concerns and the lawsuit.

"Ecolab's subsidiary, Nalco Company, and Champion are currently the largest and second-largest providers of production chemical management services to deepwater wells in the U.S. Gulf of Mexico and have vigorously competed against one another to the benefit of their customers," said Leslie C. Overton, Deputy Assistant Attorney General of the Department of Justice's Antitrust Division. "The proposed remedy will preserve competition to provide these critical services, which support efficient production of oil and gas in deepwater environments."

Production chemical management services involve the application of specially formulated chemical solutions to oil and gas wells to facilitate hydrocarbon production and protect well infrastructure. These critical services are administered by experienced personnel including scientists, engineers and other lab technicians who customize the chemical blends and application methodology for specific well formations.

The department's complaint alleges that the proposed acquisition would eliminate significant competition between Nalco and Champion in the already highly concentrated market for production chemical management services for deepwater wells in the U.S. Gulf of Mexico. The proposed settlement requires the companies to divest to Clariant Corporation and its affiliate, Clariant International, assets Champion has been using to provide deepwater production chemical management services in the Gulf, including the patent for Champion's best-selling production chemical in the deepwater Gulf, exclusive licenses to all other production chemicals used by Champion in the U.S. Gulf of Mexico for use in that region, and the option to buy additional assets, including Champion's deepwater production chemical blending and distribution facility in Broussard, La., and related equipment. The settlement also provides Clariant with an extensive right to hire the merged firm's relevant personnel, who possess essential expertise and know-how.

Ecolab, headquartered in St. Paul, Minn., provides water treatment and sanitation products and services for a variety of industries, and began serving the oil and gas industry when it acquired Nalco in late 2011. Nalco supplies specialty chemicals and services to the upstream and downstream segments of the oil and gas industry. Ecolab generated $1.87 billion in revenues from oil and gas-related products and services in 2011.

Permian, headquartered in Houston, is a privately held company that provides specialty chemicals and services to the oil and gas industry. Permian generated $1.25 billion in revenues in 2011.

Clariant Corporation, headquartered in Charlotte, N.C., is the U.S. affiliate of Swiss-based Clariant International Ltd., the fourth largest provider of production chemical management services globally. Clariant has significant deepwater experience outside of the U.S. Gulf of Mexico.

As required by the Tunney Act, the proposed settlement and the department's competitive impact statement will be published in the *Federal Register*. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to William H. Stallings, Chief, Transportation, Energy and Agriculture Section, Antitrust Division, U.S. Department of Justice, 450 Fifth St. N.W., Suite 8000, Washington, D.C. 20530, 202-514-9323. At the conclusion of the 60-day comment period, the U.S. District Court for the District of Columbia may enter the proposed settlement upon finding that it is in the public interest.

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