UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff;	)	
	)	
v.	)	Civil Action No.: 93-2621--SS
	)	
BAROID CORPORATION,	)	Judge Stanley Sporkin
BAROID DRILLING FLUIDS, INC.,	)	
DB STRATABIT (USA) INC., and	)	
DRESSER INDUSTRIES, INC.;	)	
	)	
Defendants.	)	
	)	

CONSENT OF THE UNITED STATES TO MODIFY FINAL JUDGMENT

Smith International, Inc. ("Smith") and Schlumberger Ltd. ("Schlumberger") have filed a motion with this Court to modify the Final Judgment entered in this case on April 12, 1994, and modified on September 19, 1996. The proposed modification would remove "Schlumberger Ltd." from the second sentence of Paragraph IV.F. of the Final Judgment, as amended. Smith and Schlumberger have agreed to a public notice and comment period, at their expense, which will invite the public to comment to the United States regarding the proposed modification.

The United States hereby consents to the proposed modification, but reserves the right to withdraw its consent to modification, based upon public comments made or other information that comes to its attention. The notice will specify that the public has thirty days to submit comments. The United States will then file the comments, along with its response, and notify the Court and the movants whether the United States continues to believe that the modification is in

the public interest. At that time, the Court can determine whether modification is in the public interest.

The Final Judgment in this case resolved competitive concerns in the U.S. drilling fluid business about the proposed merger of Dresser Industries, Inc. ("Dresser") and Baroid Corporation ("Baroid") that were alleged in a complaint filed December 23, 1993. Dresser competed in the drilling fluid business through its 64 percent interest in M-I Drilling Fluids ("M-I"); Baroid competed in the drilling fluid business through its subsidiary Baroid Drilling Fluids. The Judgment required the divestiture of either Dresser's interest in M-I or Baroid's drilling fluid business. Smith acquired Dresser's interest in M-I and agreed to be bound by the terms of the Judgment.

The second sentence of Paragraph IV.F., as amended, of the Final Judgment imposed restrictions on the transactions that Smith, as the purchaser of the divested drilling fluid business, could enter with three named companies, including Schlumberger.[1] That sentence states:

> The 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.

Paragraph IV.F. prohibited Smith from selling M-I to or combining M-I with the drilling fluid operations of Schlumberger in order to give Schlumberger the opportunity to develop into a significant, independent competitor of M-I. When the Final Judgment was filed at the end of

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[1] Paragraph IV.F. of the Final Judgment as entered in 1994 also prohibited Smith from selling M-I to or combining it with the drilling fluid operations of Anchor Drilling Fluids. The Judgment was modified in 1996 to permit Smith to acquire Anchor subject to a divestiture agreement.

1993, Schlumberger was in the process of entering the very concentrated U.S. drilling fluid business and advised the Department of Justice that it expected to become a significant competitor in the United States very quickly.

In the six years since the Final Judgment was filed, Schlumberger never accounted for more than two percent of U.S. drilling fluid sales, contrary to expectations. Because Schlumberger has failed to become a significant competitor in the U.S. drilling fluids market and there is little reason to believe its prospects will improve, the United States agrees that removal of Schlumberger from the second sentence of Paragraph IV.F. is in the public interest.

Dated: December 22, 1999

Respectfully submitted,

"/s/"

ANGELA L. HUGHES
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